



annual
report
2022



SME Leasing Limited

SME Leasing Limited

(A subsidiary of SME Bank Ltd.)

(A subsidiary of SME Bank Ltd.)



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

Mission Statement

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

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

Vision Statement

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

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Branch Network

KARACHI

Main Branch:

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

HYDERABAD

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

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. Dilshad Ali Ahmad
Mr. Tahir Saeed Effendi
Mr. Muhammad Mubeen Mufti
Mr. Bilal Mohy Ud Din
Ms. Darakhshan S. Vohra

CHIEF EXECUTIVE OFFICER

Mr. Asghar Maqsood

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Mr. Javed Mehmood, Chairman
Mr. Muhammad Mubeen Mufti
Mr. Bilal Mohy Ud Din
Ms. Darakhshan S. Vohra

HUMAN RESOURCE COMMITTEE

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

PROCUREMENT COMMITTEE

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

NOMINATION COMMITTEE

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

Corporate Information

COMPANY SECRETARY & CFO

Mr. M. Shahzad

EXTERNAL AUDITORS

BDO Ebrahim & Co,
Chartered Accountants

INTERNAL AUDITOR

Syed Khurram Ali

TAX CONSULTANTS

EY Ford Rhodes
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company
Advocate & Legal Consultant

CREDIT RATING

Long Term: B- (B Minus)

Short Term: A4

REGISTERED OFFICE

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

MAIN OFFICE

Office No.304, 3rd Floor, Business Arcade, 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 21st Annual General Meeting

Notice is hereby given that the Twenty First Annual General Meeting of the shareholders of **SME Leasing Limited** (the Company) will be held on Thursday, January 11, 2024 at 10:30 am via online over Zoom, to transact the following business:

ORDINARY BUSINESS.

1. To confirm the minutes of the 20th Annual General Meeting of the Company held on April 26, 2022.
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended December 31, 2022 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Company for the year ending December 31, 2023 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, 2023.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Uzma Ehsan
Company Secretary

Karachi: December 22, 2023
Email: 21agm@smelease.com
Join Zoom Meeting
<https://us06web.zoom.us/j/7666978760?pwd=SWV0cVhrMzV1cVhpc1RWV0NQOXREQT09>

Meeting ID: 766 697 8760
Passcode: bz2nQV

Notes:

1. The Register of the members of the Company will remain closed from January 05, 2024 to January 11, 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 January 05, 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 21agm@smelease.com by providing the following:



Name of shareholder	CNIC No.	Folio / CDS No.	Cell No.	Email address
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Login facility will be opened thirty minutes before the meeting time to enable the participants to join the meeting after identification process. Shareholders will be able to login and participate in the AGM proceedings through their devices after completing all the formalities required for identification and verification of the shareholders.

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

3. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend, speak and vote at the meeting on his / her behalf. The proxy form must be deposited at the Main office of the Company situated at 304, 3rd Floor, Business Arcade, Shakra-e-Faisal, and Karachi not later than 48 hours before the time of the meeting.
4. For attending the meeting and appointing proxies, CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by the SECP. The rights of members and their proxies exercisable during meetings and all other relevant information are listed in section 137 of the Companies Act, 2017.
5. Shareholders are requested to notify the change of their address, if any, to the share Registrar of the Company.
6. The annual report 2022 (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.



Directors' Report

The Board of Directors of **SME Leasing Limited** ("Company") is pleased to present the annual audited financial statements for the year ended December 31, 2022.

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.

Operational Review

Due to funding constraints, the Company remained focused on its aggressive strategy of recoveries from its portfolio and writing new good-quality leases with the target of minimum default. During the year, total recoveries amounted to Rs. 80.622 million were made whereas fresh leases of Rs. 14.983 million (Gross) were written. Out of a total recovery of Rs 80.622 million, Rs 52.719 million were from chronic NPLs. Over the last five years, the default rate in the new business has remained low.

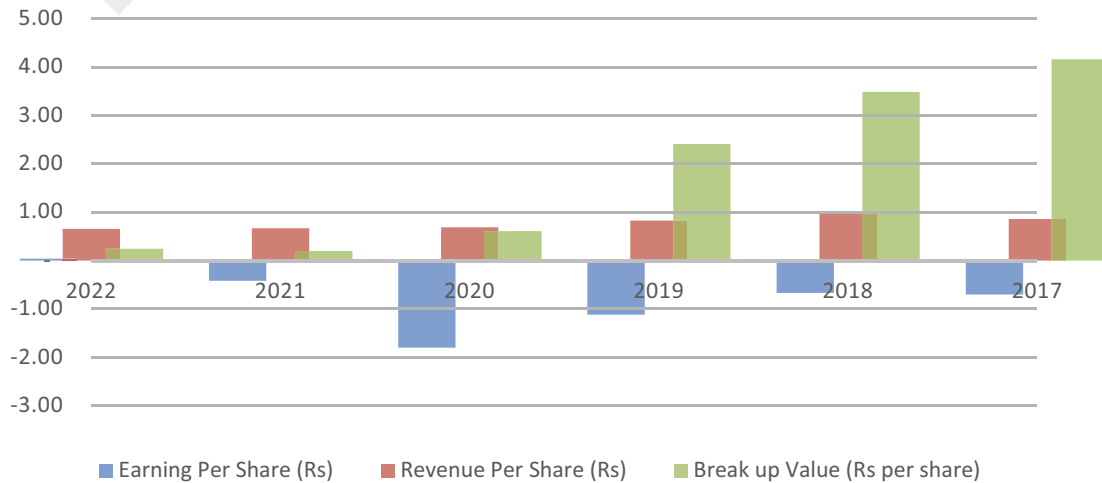
The only source of funding at the disposal of the Company is a credit line of Rs 150 million from the Parent Company, SME Bank Limited, which has almost exhausted, and as of December 31, 2022, the outstanding balance was Rs 139.176 million. The Company manages its expenses to curtail losses.

Financial Review

	2022	2021
	----- Rupees -----	
Revenue	20,997,856	21,393,608
Expenses	(72,527,457)	(62,579,566)
Operating (loss) before reversals	(51,529,601)	(41,185,958)
Total reversals	53,022,235	28,054,207
Profit/(Loss) before taxation	1,492,634	(13,131,751)
Taxation	(262,615)	(267,420)
Profit/(Loss) after taxation	1,230,019	(13,399,171)
Profit/(Loss) per share - basic and diluted	0.04	(0.42)

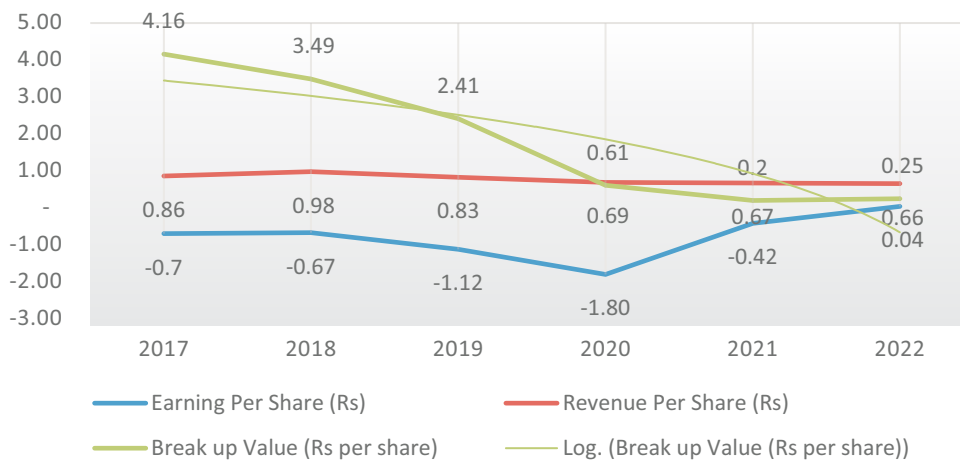
The revenue from operations decreased by 1.85% due to the maturity of leases and less business written during the year. Administrative expenses recorded an increase of 10.95% due to inflation. The financial charges recorded an increase of 27.69% due to an increase in the benchmark rate used for the financing.

Key Ratios



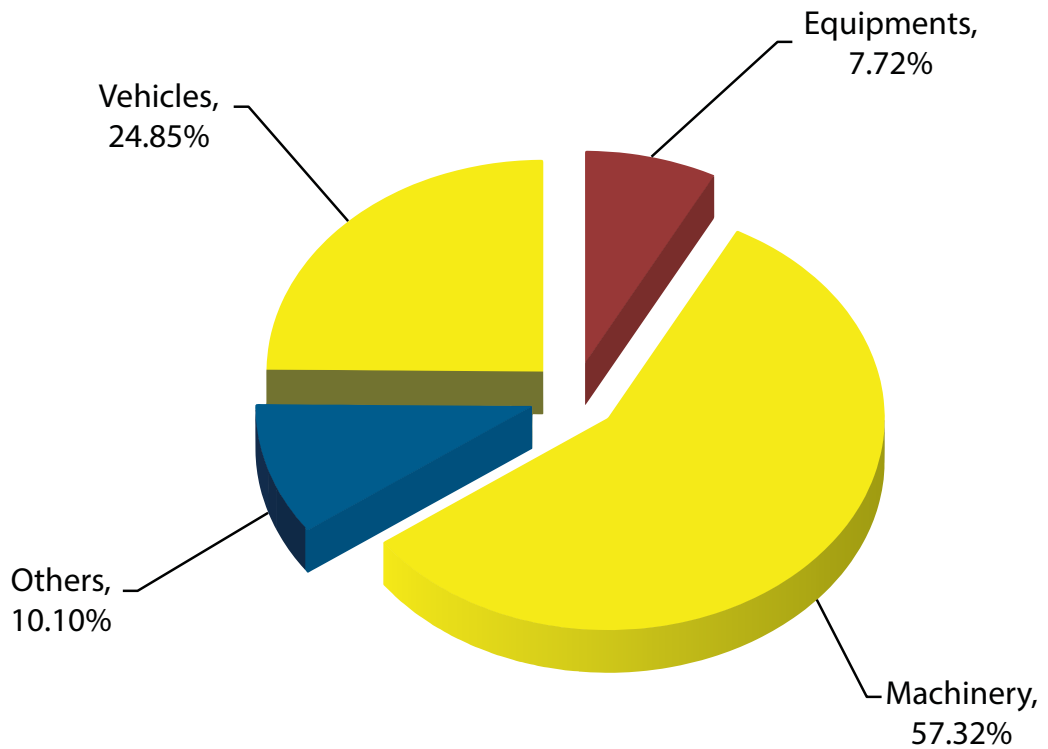
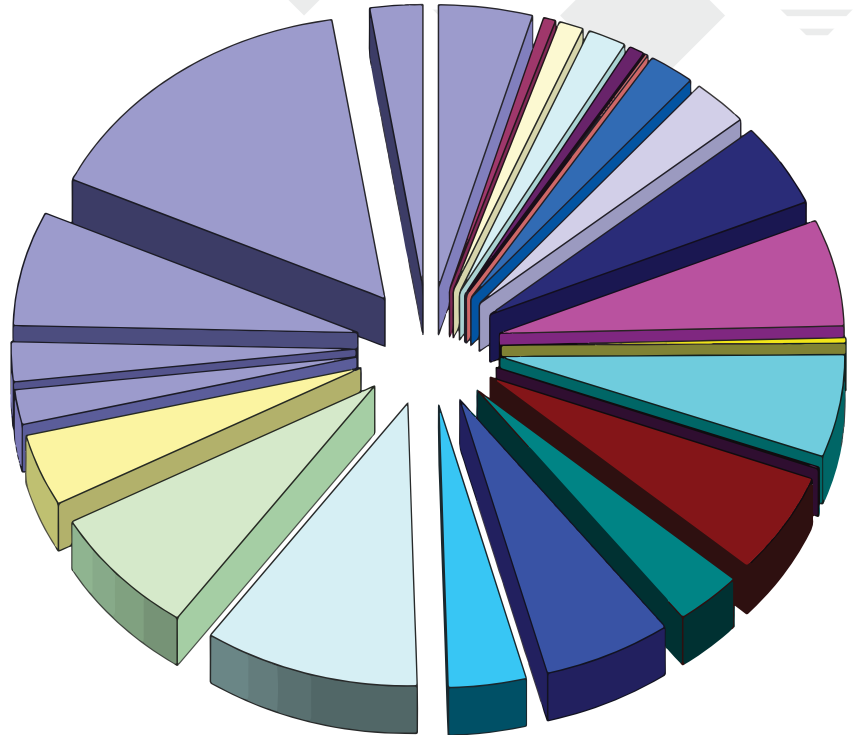
	2022	2021	2020	2019	2018	2017
Earning per share	0.04	-0.42	-1.80	-1.12	-0.67	-0.7
Revenue per share	0.66	0.67	0.69	0.83	0.98	0.86
Break up value per share	0.25	0.2	0.61	2.41	3.49	4.16

■ Earning per share ■ Revenue per share ■ Break up value per share





Cargo Carriers	4.40%
Chemicals	0.58%
Communication	1.16%
Confectionary	1.81%
Construction And Building Products	0.74%
Dates	0.13%
Education	2.18%
Engineering	2.69%
Entertainment	4.78%
Film Processing	6.11%
Fisheries	0.31%
Food And Beverages	5.86%
Furniture	0.10%
Garments	5.81%
Gems & Jeweler	3.20%
Health Care	6.06%
Leather & Tannery	3.65%
Miscellaneous	10.12%
Oil & Gas	7.34%
Pharma	4.12%
Plastic	1.99%
Printing & Packaging	2.27%
Public Transport Services	6.54%
Rubber	15.59%
Textile	2.47%



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 material uncertainty related to going concern.

Economic review

In 2022, the State Bank of Pakistan considerably increased the policy rate, which is expected to continue in 2023, considering the macroeconomic indicators. The increase in the policy rate pushed the KIBOR to an all-time high, which will substantially increase the Company's borrowing cost.

The Company remained aggressively focused on recoveries from problematic / NPL portfolios and used the same funds in writing new quality business. However, the chronic non-performing portfolio and non-availability of funds would remain the leading cause of continuing losses.

Dividend

The Company had a profit of Rs 1.23 million in the year 2022. However, due to the accumulated losses, the Board has not recommended any dividend for the year under review.

Minimum equity requirements

Due to continued losses in the previous years, the equity has been eroded, and as of December 31, 2021, the Company's equity was Rs 6.535 million. During the year, the Company had a profit of Rs 1.23 million, and as of December 31, 2022, the equity was increased to Rs 7.853 million. The Company, a non-deposit taking entity, is required to meet a minimum capital requirement of Rs. 50 million, which the Company is not meeting as of December 31, 2022.

Future Prospects

The only credit line at the disposal of the Company from the Parent Company has almost exhausted; therefore, the Company is solely relying on internal cash generation through recovery measures to meet its obligations.

Government of Pakistan (GoP) decided in their meeting held on November 19, 2018 to relaunch the privatization transaction of the Parent Company, SME Bank Limited (the "Bank") through Privatization Commission (PC). Cabinet Committee on Privatization (CCoP) approved the new privatization program of the Bank on March 06, 2019 to divest the GoPs equity stake in the Bank along with management control to a strategic investor. Thereafter through a due process invitation for expression of interest for acquisition of 93.88% shares of the Bank were advertised in newspapers on December 13, 2019. The last date for submission of EoIs and Statement of Qualifications (SoQs) was February 28, 2020. Five prospective investors have submitted their SOQs against the advertisement, out of that four have been cleared by SBP. The final draft of share purchase agreement (SPA) had been shared with three pre-qualified bidders. A joint meeting of the Transaction Committee, SBP and pre-qualified bidders held on December 29, 2020 and December 30, 2020 with reference to "Pre-Bid Conference" and "Valuation Model" wherein the queries of pre-qualified potential bidders were clarified and some of them pertaining to license, merger and MCR were forwarded to State Bank of Pakistan for its clarification. Drafts of the bidding documents i.e. instruction to Bidders (ITB) and Share Purchase Agreements (SPA) could not be finalized. Board of Privatization Commission in its meeting held on November 25, 2021 recommended to delist SME Bank Limited from the list of privatization on recommendation of Financial Adviser (FA) of Privatization Commission, who had asserted that despite all efforts and iterative interactions with the pre-qualified bidders to date, positive feedback from the pre-qualified bidders was not forthcoming and owing to the deteriorating financial position of the Bank, the transaction of privatization of SME Bank was recommended to shelve. The recommendation of the Board of Privatization was presented to Cabinet Committee on Privatization (CCoP) in its meeting held on December 31, 2021. The CCoP discussed delisting of SME Bank Limited from the active privatization program. The meeting, after a detailed discussion constituted a committee under the chairmanship of the finance minister and representatives from SBP, SECP, Finance Division and Privatization Division to evaluate alternative options for proceeding further. Meetings of the Sub-Committee of CCoP were held on March 8, 2022, on July 04, 2022 and on December 2, 2022 on Restructuring and Way Forward for SME Bank Ltd. FM observed in meeting held on December 2, 2022 that it could not be privatised when its financial condition was not so worst and now with its negative equity and other adverse indicators it will have not buyer.



It was decided that meeting of CCOP may also be held next week to delist SME from Privatization Programme list. The Cabinet Committee on Privatization (CCOP meeting was held on December 26, 2022, wherein summary dated December 24, 2022 submitted by Ministry of Privatization regarding "privatization of SME Bank Limited" and approved the recommendation of PC Board, in its meeting held on November 25, 2022 regarding delisting of SME Bank from privatization programme, to enable Finance Division and SBP to proceed further in the matter. Subsequent to year-end, the Federal Government, in a meeting of the federal cabinet held on March 17, 2023, approved winding up a plan for SME Bank Limited this matter is subsequently notified by State Bank of Pakistan (SBP) via its Circular No. BPRD (R&PD) /SME/2023/3729 dated May 10, 2023.

Human Resource

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

Board of Directors

The board is comprising of the following:

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

* Including the Chief Executive Officer.

** Approval of the SECP in respect of one Director is in process.

The Board's composition is as follows:

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

* The Chief Executive Officer.

** Approval of the SECP in respect of one Director is in process.

Committees of the Board:

Following is the composition of the Committees of the Board (as of December 31, 2022).

Audit Committee

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

Risk Management Committee

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

Human Resource Committee

Mr. Tahir Saeed Effendi	Chairman	Independent Director
Mr. Dilshad Ali Ahmad	Member	Non-executive Director
Ms. Darakhshan S. Vohra	Member	Independent Director
Mr. Asghar Maqsood	Member	CEO

Procurement Committee

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

Nomination Committee

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

Meetings of the Board of Directors

During the year under review, four meetings of the Board of Directors were held. Due to unavoidable circumstances, the meeting was not held in the third quarter of 2022. The details of attendance are as follows:

Name of Director	Total number of meetings entitled to attend	Total meetings attended
Mr. Javed Mahmood	4	4
Mr. Dilshad Ali Ahmad	4	4
Mr. Muhammad Mubeen Mufti	4	4
Ms. Darakhshan S. Vohra	3	3
Mr. Tahir Saeed Effendi	4	4
Mr. Bilal Mohy Ud Din	4	4

Meetings of the Audit Committee

During the year under review, four meetings of the Audit Committee were held. Due to unavoidable circumstances, the meeting was not held in the third quarter of 2022. 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	4
Mr. Muhammad Mubeen Mufti	4	4
Mr. Bilal Mohy Ud Din	4	4

Meeting of the HR and Remuneration Committee

The Board's HR and Remuneration Committee was reconstituted, and 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 meeting entitled to attend	Total meeting attended
Mr. Tahir Saeed Effendi	1	1
Mr. Dilshad Ali Ahmad	1	1
Ms. Darakhshan S. Vohra	1	0
Mr. Asghar Maqsood	1	1
Mr. Muhammad Mubeen Mufti	1	1

Meetings of the Risk Management Committee

The Board's Risk Management Committee was reconstituted on 01 May 2022, and during the year under review, four meetings of the Risk Management Committee were held. The details of attendance are as follows:

Name of Director	Total number of meeting entitled to attend	Total meeting attended
Mr. Javed Mahmood	4	4
Ms. Darakhshan S. Vohra	4	4
Mr. Muhammad Mubeen Mufti	4	4
Mr. Bilal Mohy Ud Din	4	4

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;
- vii) The non-executive members of the Board (including independent directors) do not have fixed remuneration and are being paid a fixed fee for each meeting attended. The said fees are decided upon by the entire Board of directors collectively.
- viii) There are no significant doubts upon the Company's ability to continue as a going concern in view of the mitigating factors as stated in notes to the financial statements;
- ix) There has been no material departure from the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013;
- x) Key operating and financial data for last six years in summarized form is included in the Annual report.
- xi) The value of investments of recognized provident fund as at December 31, 2022 was Rs 4.681 million (un-audited) and as at December 31, 2021, was Rs 6.697 million (un-audited).
- xii) No trading in shares of the Company was carried out by the Directors, Chief Executive, Chief Financial Officer/Company Secretary and their spouses and minor children during the year

Credit Rating

On April 06, 2022, PACRA maintained the entity rating, which is as under:

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

Parent Company

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

Internal Control

There is an efficient system of internal financial controls in place for ensuring 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, 2023. 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 2023, on remuneration as follows:

Description	Fees (Rs) *
Annual Audit	500,000
Half yearly review	200,000
CCG Review	100,000
CDC Certification	75,000
Cost of Funds Certificate	75,000

* 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, 2022, is annexed with this report.

Acknowledgement

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

On behalf of Board of Directors

Asghar Maqsood
Chief Executive Officer

Javed Mahmood
Chairman

Dated: Karachi, November 02, 2023

ڈائریکٹرز رپورٹ

SME لیزنگ لمیٹڈ (کمپنی) کا بورڈ آف ڈائریکٹرز ختم شدہ سال 31 دسمبر 2022 کے آڈٹ شدہ مالیاتی گوشوارے آپ کے سامنے پیش کر رہے ہیں۔

کمپنی

کمپنی کا قیام جولائی 2002 میں ہوا اور 2006 میں اسے لسٹڈ کمپنی کی حیثیت ملی۔ یہ SME بینک لمیٹڈ کی ذیلی کمپنی ہے جو کہ کمپنی کے حصص میں 73.14 فیصد ملکیت رکھتا ہے۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے نان بینکنگ فنانس کمپنیز رولز کے تحت بطور نان بینکنگ فنانس کمپنی (NBFC) لیزنگ کا کاروبار کرنے کا لائسنس جاری کیا۔

کمپنی کا بنیادی مقصد ملک میں موجود چھوٹے اور درمیانی کاروباری اداروں کو لیزنگ اور رواں سرمائے کی سہولیات فراہم کرنا ہے۔

کاروباری جائزہ

فنڈنگ کی رکاوٹوں کی وجہ سے کمپنی کی توجہ اپنے پورٹ فولیو سے متحرک طور پر بازیایاں کرنے اور نئے اعلیٰ معیاری کاروبار کے حصول پر مرکوز ہے۔ سال کے دوران کل 80.622 ملین روپے کی بازیایاں ہوئیں جبکہ 14.983 ملین (مجموعی) روپے کی نئی لیزیں کی گئیں۔ 80.622 ملین روپے کی بازیایوں میں سے 52.719 ملین روپے طویل مدتی NPLs تھے۔ گزشتہ پانچ سالوں میں کاروبار میں نادر ہندگی کی شرح کم رہی۔

کمپنی کے پاس فنڈ کے ذرائع صرف سرپرست کمپنی SME بینک لمیٹڈ کی 150 ملین روپے کی قرضہ جاتی سہولت تھی جو کہ تقریباً ختم ہو گئی ہے اور 31 دسمبر 2022 کو بقایا واجبات 139.176 ملین روپے تھا۔ کمپنی اپنے خساروں کو کم کرنے کے لئے اپنے اخراجات کٹرول کر رہی ہے۔

2021 روپے	2022 روپے	
21,393,608	20,997,856	آمدن
(62,579,566)	(72,527,457)	اخراجات
(41,185,958)	(51,529,601)	کاروباری (خسارہ) قبل از معکوس
28,054,207	53,022,235	کل معکوس رقم
(13,131,751)	1,492,634	منافع/ (خسارہ) قبل از ٹیکس
(267,420)	(262,615)	ٹیکس
(13,399,171)	1,230,019	منافع/ (خسارہ) بعد از ٹیکس
(0.42)	0.04	خسارہ فی حصص - بنیادی اور مجموعی

آپریٹنرز سے حاصل ہونے والی آمدنی میں 1.85 فیصد کمی ہوئی جس کی وجہ سے سال کے دوران لیزوں کی میچورٹی اور کم حاصل شدہ کاروبار تھا۔ افراط زر کی وجہ سے انتظامی اخراجات میں 10.95 فیصد اضافہ ہوا۔ مالیاتی اخراجات میں 27.69 فیصد اضافہ ہوا جس کی وجہ سے سرمایہ کاری کے لئے استعمال ہونے والے بیچ مارک نرخ میں اضافہ تھا۔



کمپنی کے مالیاتی گوشواروں کو مختلف تخفیفی عوامل کی بنیاد پر چلتے ہوئے ادارے کو مد نظر رکھتے ہوئے تیار کیا گیا ہے جن کی وضاحت مالیاتی گوشواروں میں کی گئی ہے۔ کمپنی کے ممبران کو اپنی رپورٹ میں آڈیٹرز نے چلتے ہوئے ادارے سے متعلق ٹھوس غیر یقینی صورتحال کی بابت ایک پیرا گراف شامل کیا ہے۔

معاشی جائزہ

سال 2022 میں اسٹیٹ بینک آف پاکستان نے پالیسی نرخ میں قابل ذکر اضافہ کیا جو کہ اندازہ ہے کہ معاشی اشاریوں کو مد نظر رکھتے ہوئے 2023 میں بھی جاری رہے گا۔ پالیسی نرخ میں اضافہ کی وجہ سے KIBOR بلند ترین سطح تک پہنچ گیا جس سے کمپنی کی قرضہ جاتی لاگت میں قابل ذکر اضافہ ہوا۔

کمپنی مسائل پیدا کرنے والے/NPL پورٹ فولیو سے باز یا بیوں کے لئے مسلسل متحرک رہی اور اپنے فنڈز کو نئے معیاری کاروبار میں استعمال کیا۔ تاہم طویل عرصہ سے ناقابل عمل پورٹ فولیو کی وجہ سے فنڈز کی عدم دستیابی مسلسل خساروں کی ایک بڑی وجہ رہی۔

منافع منقسمہ

سال 2022 میں کمپنی کا منافع 1.23 بلین روپے رہا۔ تاہم جمع شدہ خساروں کی وجہ سے بورڈ نے زیر جائزہ سال کے لئے کسی منافع منقسمہ کی سفارش نہیں کی۔

کم از کم سرمائے کی ضروریات

گزشتہ سالوں کے مسلسل خساروں کی وجہ سے سرمائے کی قلت ہو گئی اور 31 دسمبر 2021 کو کمپنی کی ایکویٹی 6.535 بلین روپے رہی۔ سال کے دوران کمپنی کا منافع 1.2 بلین روپے رہا اور 31 دسمبر 2022 کو ایکویٹی بڑھ کر 7.853 بلین روپے ہو گئی۔ چونکہ کمپنی ڈپازٹ نہ لینے والا ادارہ ہے اس لئے اس کے کم از کم سرمائے کی ضروریات 50 بلین روپے ہے جو کہ کمپنی 31 دسمبر 2022 سے پورا نہیں کر رہی ہے۔

مستقبل کے امکانات

سرپرست کمپنی کی طرف سے واحد قرضہ جاتی سہولت کے تقریباً ختم ہوجانے سے اپنی ذمہ داریوں سے عہدہ برآں ہونے کے لئے کمپنی کا انحصار صرف بازاریابی اقدامات کے ذریعے حاصل ہونے والے اندرونی نقد پر ہو گیا ہے۔

حکومت پاکستان نے اپنے اجلاس مورخہ 19 نومبر 2018 میں نجکاری کمیشن کے ذریعے سرپرست کمپنی SME بینک لمیٹڈ (بینک) کی نجکاری کا عمل دوبارہ شروع کرنے کا فیصلہ کیا۔ کیبنٹ کمیٹی برائے نجکاری (CCoP) نے بینک کے نئے نجکاری منصوبے کا آغاز 06 مارچ 2019 کو کیا جس کے تحت کلیدی سرمایہ کار کو حکومت پاکستان کے بینک میں سرمایہ کاری کو فروخت کر کے انتظامی کنٹرول حوالے کرنے کی منظوری دی تھی۔ بعد ازاں ایک طلبی اظہار دلچسپی کے عمل کے ذریعے بینک کے 93.88 فیصد حصص کی خریداری کا اشتہار 13 دسمبر 2019 کو اخبارات میں شائع کیا گیا۔ اظہار دلچسپی (EOIs) اور بیان اہلیت (SoQs) پیش کرنے کی آخری تاریخ 28 فروری 2020 تھی۔ اشتہار کے ذریعے پانچ امکانی سرمایہ کاروں نے اپنی SOQs پیش کیں جن میں سے چار کو SBP نے اہل قرار دیا۔ حصص کی خریداری کے معاہدے کا مسودے کو اہل بولی دہندگان کو بھیجا گیا۔ ٹرانزیکشن کمیٹی، SBP اور اہل بولی دہندگان کے مشترکہ اجلاس 29 دسمبر 2020 اور 30 دسمبر 2020 کو بولی سے قبل کانفرنس، اور مالیت کے تعین کے ماڈل، کے حوالے سے منعقد ہوئے جن میں اہل امکانی بولی دہندگان کے استفسارات کے جوابات دیئے گئے اور جن میں سے کچھ لائنس، ادغام اور MCR سے متعلق باتیں اسٹیٹ بینک آف پاکستان کو وضاحت کے لئے بھیج دیئے گئے۔

بولی کی دستاویزات کے مسودوں یعنی بولی دہندگان کے لئے ہدایات (ITB) اور حصص کی خریداری کے معاہدہ (SPA) کو حتمی شکل نہ دی جاسکی۔ نجکاری کمیشن کے بورڈ نے نجکاری کمیشن کے مالیاتی مشیر (FA) کی سفارش پر اپنے اجلاس مورخہ 25 نومبر 2021 میں SME بینک لمیٹڈ کو نجکاری کمیشن کی فہرست سے نکالنے کی سفارش کی جس میں زور دے بتایا گیا کہ تمام کوششوں اور مسلسل باہمی گفت و شنید کے باوجود اہل بولی دہندگان آگے نہیں آ رہے اور بینک کی بگڑتی ہوئی مالی حالت کی وجہ سے SME بینک کی نجکاری کے سودے کو ملتوی کرنے کی سفارش کی گئی۔

کمیٹی برائے نجکاری (CCoP) کے اجلاس مورخہ 31 دسمبر 2021 میں نجکاری کمیشن کے بورڈ کی سفارش پیش کی گئی۔ CCoP نے SME بینک لمیٹڈ کو متحرک نجکاری پروگرام کی فہرست سے نکالنے پر بحث کی۔ اجلاس میں تفصیلی بحث کے بعد مستقبل میں مزید متبادل آپشنز تلاش کرنے کے لئے وزیر مالیات کی سربراہی میں SECP، SBP، فنانس ڈویژن اور نجکاری ڈویژن کے نمائندوں پر مشتمل ایک کمیٹی تشکیل دی گئی۔ SME بینک لمیٹڈ کی از سر نو ساخت بندی اور آگے بڑھنے کے لئے CCoP کی ذیلی کمیٹی کے اجلاس 8 مارچ 2022، 04 جولائی 2022 اور 2 دسمبر 2022 کو منعقد ہوئے۔ FM نے اجلاس مورخہ 2 دسمبر 2022 میں مشاہدہ کیا کہ جب اس کی مالی پوزیشن اتنی خراب ہو تو اس کی نجکاری نہیں کی ہو سکتی اور اب اس کی منفی ایکویٹی اور دیگر ناموافق اشاریوں کی وجہ سے کوئی خریدار آگے نہیں آئے گا۔ یہ فیصلہ کیا گیا کہ نجکاری منصوبے کی فہرست سے نکالنے کے لئے CCoP کا ایک اجلاس آئندہ ہفتے منعقد ہوگا۔

کمیٹی برائے نجکاری (CCoP) کا اجلاس 26 دسمبر 2022 کو منعقد ہوا جس میں ”SME بینک لمیٹڈ کی نجکاری“ پر وزارت نجکاری کی سمری مورخہ 24 دسمبر 2022 پیش کی گئی اور 25 نومبر 2022 کے اجلاس میں SME بینک کو نجکاری منصوبے کے نکالنے کے حوالے سے PC بورڈ کی پیش کردہ سفارشات منظور کی گئیں جس سے فنانس ڈویژن اور SBP اس معاملہ میں مزید آگے بڑھنے میں مدد ملی۔ سال کے اختتام کے بعد وفاقی حکومت نے وفاقی کابینہ کے اجلاس مورخہ 17 مارچ 2021 میں SME بینک لمیٹڈ کے لئے التواء کے منصوبے کو منظور کیا۔ اس معاملہ پر بعد ازاں اسٹیٹ بینک آف نے بذریعہ سرکلر BPRD (R&PD) SME/2023/3729 مورخہ 10 مئی 2023 کو نوٹیفیکیشن جاری کیا۔

انسانی وسائل

بہتر کاروباری نتائج کے حصول میں انتظامیہ مکمل طور پر ہنرمند انسانی وسائل کی ضرورت اور کردار کو سمجھتی ہے۔ انسانی وسائل کی تربیت و ترقی کے لئے ادارے کے اندر نشستوں اور بیرونی تربیتی منصوبوں کو بروئے کار لایا جا رہا ہے تاکہ مکمل حد تک صلاحیتوں میں اضافہ ہو سکے۔

بورڈ آف ڈائریکٹرز

بورڈ درج ذیل پر مشتمل ہے:

6	*	**	مرد ڈائریکٹران
1			خاتون ڈائریکٹران
7			کل ڈائریکٹران
			* بشمول چیف ایگزیکٹو آفیسر
			ایک ڈائریکٹر کے سلسلے میں SECP کی منظوری زیر عمل ہے

بورڈ کی تشکیل درج ذیل ہے:

خاتون	مرد	کل	
1	2	3	آزاد ڈائریکٹران
0	3	3	نان ایگزیکٹو ڈائریکٹران
0	1	1	ایگزیکٹو ڈائریکٹر ** *
1	6	7	کل

بورڈ کی کمیٹیاں

بورڈ کی کمیٹیوں کی تشکیل درج ذیل ہے:



آڈٹ کمیٹی

آزاد ڈائریکٹر	چیئرمین	مسٹر طاہر سعید آفندی
نان ایگزیکٹو ڈائریکٹر	ممبر	مسٹر محمد مبین مفتی
نان ایگزیکٹو ڈائریکٹر	ممبر	مسٹر بلال محی الدین

رسک مینجمنٹ کمیٹی

آزاد ڈائریکٹر	چیئرمین	مسٹر جاوید محمود
آزاد ڈائریکٹر	ممبر	مس درخشاں ایس و ہرہ
نان ایگزیکٹو ڈائریکٹر	ممبر	مسٹر مبین مفتی
نان ایگزیکٹو ڈائریکٹر	ممبر	مسٹر بلال محی الدین

انسانی وسائل کمیٹی

آزاد ڈائریکٹر	چیئرمین	مسٹر طاہر سعید آفندی
نان ایگزیکٹو ڈائریکٹر	ممبر	مسٹر دلشاد علی احمد
آزاد ڈائریکٹر	ممبر	مس درخشاں ایس و ہرہ
سی ای او	ممبر	مسٹر اصغر

پروکیورمنٹ کمیٹی

آزاد ڈائریکٹر	چیئرمین	مسٹر طاہر سعید آفندی
نان ایگزیکٹو ڈائریکٹر	ممبر	مسٹر دلشاد علی احمد
نان ایگزیکٹو ڈائریکٹر	ممبر	مسٹر بلال محی الدین

نامینیشن کمیٹی

آزاد ڈائریکٹر	چیئرمین	مسٹر طاہر سعید آفندی
نان ایگزیکٹو ڈائریکٹر	ممبر	مسٹر دلشاد علی احمد
نان ایگزیکٹو ڈائریکٹر	ممبر	مسٹر محمد مبین مفتی

بورڈ آف ڈائریکٹرز کے اجلاس

زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس ہوئے۔ چند ناگزیر حالات کی وجہ سے 2022 کی تیسری سہ ماہی میں اجلاس منعقد نہ ہو سکا۔ حاضری کی تفصیل درج ذیل رہی:

ڈائریکٹر کا نام	اجلاس کی تعداد جن میں حاضر ہونا تھا	اجلاس کی تعداد جن میں حاضر ہوئے
مسٹر جاوید محمود	4	4
مسٹر دانش احمد	4	4
مسٹر محمد مبین مفتی	4	4
مس درخشاں ایس و ہرہ	3	3
مسٹر طاہر سعید آفندی	4	4
مسٹر بلال محی الدین	4	4

آڈٹ کمیٹی کے اجلاس

زیر جائزہ سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ چند ناگزیر حالات کی وجہ سے 2022 کی تیسری سہ ماہی میں اجلاس منعقد نہ ہو سکا۔ حاضری کی تفصیل درج ذیل رہی:

ڈائریکٹر کا نام	اجلاس کی تعداد جن میں حاضر ہونا تھا	اجلاس کی تعداد جن میں حاضر ہوئے
مسٹر طاہر سعید آفندی	4	4
مسٹر محمد مبین مفتی	4	4
مسٹر بلال محی الدین	4	4

ہیومن ریسورس کمیٹی

بورڈ کی HR اور معاوضہ کمیٹی کی از سر نو تشکیل کی گئی اور زیر جائزہ سال کے دوران HR اور معاوضہ کمیٹی کا ایک اجلاس ہوا۔ حاضری کی تفصیل درج ذیل رہی:

ڈائریکٹر کا نام	اجلاس کی تعداد جن میں حاضر ہونا تھا	اجلاس کی تعداد جن میں حاضر ہوئے
مسٹر طاہر سعید آفندی	1	1
مسٹر دانش علی احمد	1	1
مس درخشاں ایس و ہرہ	1	0
مسٹر اصغر مقصود	1	1
مسٹر محمد مبین مفتی	1	1

رسک مینجمنٹ کمیٹی کے اجلاس

بورڈ کی رسک مینجمنٹ کمیٹی کی یکم مئی 2022 کو از سر نو تشکیل بندی کی گئی اور زیر جائزہ سال کے دوران رسک مینجمنٹ کمیٹی کے چار اجلاس ہوئے۔ حاضری کی تفصیل درج ذیل رہی:

ڈائریکٹر کا نام	اجلاس کی تعداد جن میں حاضر ہونا تھا	اجلاس کی تعداد جن میں حاضر ہوئے
مسٹر جاوید محمود	4	4
مس درخشاں ایس و ہرہ	4	4
مسٹر محمد مبین مفتی	4	4
مسٹر بلال محی الدین	4	4



خریداری کمیٹی اور نامزدگی کمیٹی کے اجلاس

زیر جائزہ سال کے دوران خریداری کمیٹی اور نامزدگی کمیٹی کے کوئی اجلاس منعقد نہیں ہوئے۔
جوڈائری کمیٹی اور اس کی کمیٹیوں کے اجلاس میں حاضر نہ ہو سکے ان کی رخصت منظور کر لی گئی۔

ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹران کے معاوضہ کی پالیسی

بورڈ اور اس کی کمیٹیوں کے اجلاس میں حاضری پر نان ایگزیکٹو ڈائریکٹران کو بالترتیب -/25,000 روپے اور -/10,000 روپے فیس ادا کی گئی۔ ایگزیکٹو ڈائریکٹروں کو بورڈ اور اس کی کمیٹیوں کے اجلاس میں حاضری پر کوئی فیس ادا نہیں کی جاتی اور اس کو بورڈ کا تعین کردہ معاوضہ ادا کیا جاتا ہے۔

ادارتی نظم و ضبط - پبلک سیکورٹیز

بورڈ آف ڈائریکٹرز ادارتی نظم و ضبط کے اعلیٰ معیارات قائم کرنے کے لئے کوشاں ہے۔ کمپنی نے پبلک سیکورٹیز (کارپوریٹ گورننس) رولز 2013 بھی نافذ کیا ہے اور آئی سی ڈی ڈیز نے سیکورٹیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور پبلک سیکورٹیز (کارپوریٹ گورننس) رولز 2013 کی پاسداری پر بیان ممبران کے لئے اپنی جائزہ رپورٹ میں پیش کیا ہے جس کا تعلق ادارتی نظم و ضبط کے بہترین طور طریقوں کی پاسداری سے ہے جو کہ اس رپورٹ کے ساتھ منسلک ہے۔

کاروباری اخلاقیات

کمپنی کے ضابطہ اخلاق کو اس طرح مرتب کیا گیا ہے کہ کمپنی کے تمام ملازمین دیانتداری اور ایمانداری کے ماحول میں کاروباری ضابطہ اخلاق کے اعلیٰ معیارات کو یقینی بناتے ہوئے اور لاگو قوانین کی پاسداری کرتے ہوئے اپنے فرائض انجام دے سکیں۔

ڈائریکٹران کا اقرار نامہ:

کمپنی کا بورڈ سیکورٹیز اینڈ ایسٹبلشمنٹ آف پاکستان کے جاری کردہ سیکورٹیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور سیکورٹیز (کارپوریٹ گورننس) رولز 2013 کے تحت اپنی ذمہ داریوں سے مکمل طور پر آگاہ ہے۔ ادارتی نظم و ضبط کے اعلیٰ معیارات اور مسلسل بہتری کی کاوشوں پر آراء درج ذیل ہیں:

- i ادارتی نظم و ضبط کے متعلقہ اصولوں کی پاسداری کی گئی ہے اور جن ضوابط کی پاسداری نہیں کی گئی ان کی شناخت کے ساتھ ساتھ جس مدت میں عدم پاسداری ہوئی اور ان عدم پاسداری کی وجوہات بیان کی گئی ہیں۔
- ii کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔
- iii کمپنی میں حسابات کی کتابیں مناسب انداز میں مرتب کی گئی ہیں۔
- iv درست حساباتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران ملحوظ خاطر رکھا گیا ہے اور حساباتی تخمینوں کی بنیاد معقول اور مضبوط فیصلوں پر ہے۔
- v مالیاتی گوشواروں کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں کو ملحوظ خاطر رکھا گیا ہے۔
- vi اندرونی گرفت کے نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔
- vii بورڈ کے نان ایگزیکٹو ممبران (بشمول آزاد ڈائریکٹران) کا کوئی مخصوص معاوضہ نہیں ہے اور ہر اجلاس میں شرکت پر انہیں فیس کی ادائیگی کی جارہی ہے۔ مذکورہ فیسوں کو اجتماعی طور پر مکمل بورڈ آف ڈائریکٹرز نے طے کیا ہے۔
- viii تحقیقی عوامل جو کہ مالیاتی گوشواروں کے نوٹس میں بیان کئے ہیں ان کو مدنظر رکھتے ہوئے کمپنی کی چلتے ہوئے ادارے کی صلاحیت میں کوئی قابل ذکر شک و شبہ نہیں ہے۔
- ix سیکورٹیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور پبلک سیکورٹیز (کارپوریٹ گورننس) رولز 2013 سے کوئی قابل ذکر انحراف نہیں ہوا۔
- x چھ سالوں کے اہم کاروباری اور مالیاتی اعداد و شمار خلاصہ کی شکل میں مالیاتی گوشواروں میں شامل کئے گئے ہیں۔

xi 31 دسمبر 2022 کو تسلیم شدہ پروویڈنٹ فنڈ سے کی گئی سرمایہ کاری کی مالیت 4.681 ملین روپے (غیر آڈٹ شدہ) ہے اور 31 دسمبر 2021 کو 6.697 ملین روپے تھی۔

xii ڈائریکٹران، چیف ایگزیکٹو، چیف فنانشل آفیسر/کمپنی سیکریٹری اور ان کے شریک حیات اور چھوٹے بچوں نے سال کے دوران کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی۔

قرضہ جاتی ریٹنگ

10 اپریل 2022 کو PACRA نے ادارے کی ریٹنگ برقرار رکھی ہے جو کہ درج ذیل ہے:

☆ طویل مدتی "B"

☆ قلیل مدتی "A4"

☆ منظر نامہ "مثبت"

سرپرست کمپنی

SME بینک لمیٹڈ اور اس کے نامزدگان کمپنی کے حصص 73.14 فیصد ملکیت رکھتے ہیں۔

اندرونی گرفت

کاروباری افعال کو مستعد انداز سے انجام دینے، کمپنی کے اثاثوں کے تحفظ، لاگو قوانین و ضوابط کی پاسداری اور قابل اعتبار مالیاتی رپورٹنگ کے لئے ایک موزوں اندرونی مالیاتی گرفت کا نظام موجود ہے۔ اقدامات کے نفاذ کی نگرانی ایک انٹرنل آڈٹ فنکشن کرتا ہے اور آڈٹ کمیٹی اس کی اثر پذیری کا جائزہ لیتی ہے۔

آڈیٹرز

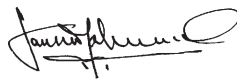
موجودہ آڈیٹرز میسرز BDO ابراہیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو چکے ہیں اور اہلیت کے باعث انہوں نے ختم ہونے والے سال 31 دسمبر 2023 کے لئے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ کی آڈٹ کمیٹی کی تجویز پر بورڈ نے میسرز BDO ابراہیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی بطور کمپنی کے آئینی آڈیٹرز برائے سال 2023 تقرری کی سفارش کی ہے جس کے معاوضہ کی تفصیل درج ذیل ہے:

فیس (روپے)*	تفصیل
500,000	سالانہ آڈٹ
200,000	ششماہی جائزہ
100,000	CCG جائزہ
75,000	CDC تصدیق
75,000	فنڈز تخلیق کی لاگت

* مذکورہ بالا فیس میں جیب کے اخراجات اور سندھ سبزی گیس شامل نہیں ہیں۔

اعتراف:

بورڈ تمام متعلقین کی مسلسل معاونت کا معترف ہے اور اسے تسلیم کرتا ہے۔



جاويد محمود

چیرمین



اصغر منصور

چیف ایگزیکٹو آفیسر

کراچی مورخہ: 02 نومبر 2023



Chairman's Review Report to the Shareholders

Dear Shareholders

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.

You will be pleased to know that despite a massive increase in the cost of doing business, your company was able to make a reasonably good profit of Rs. 1.23 million. This happened due to strenuous efforts to recover almost 53 million from long overdue or completely stuck-up leases.

Your company today survives only because of a Rs 150 million line of credit from its major shareholder, the SME Bank.

Due to rising interest rates, we do not foresee a very good year. Therefore, we may not be able to achieve the results of this year. The massive Non-Performing Portfolio and liquidity constraints remain our primary cause of concern. The Company is dependent 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.

As mentioned, we are endeavouring to reduce our limited operational costs wherever possible. Due to financial constraints, we are not in a position to award the good performance of our employees what they actually deserve. 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 material uncertainty related to going concern.

Effectiveness of the Board:

The Board and Audit Committee met four times during the year; however, due to a delay in the finalisation of the Financial Statements for the half year ended on 30 June 2022, no meeting of the Board and Audit was held in the third quarter of 2022. The Human Resource and Remuneration Committee met once a year, while the Risk Management Committee met four times 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.

I wish to offer my sincere thanks and gratitude to my colleagues and the management for their support. I also wish to offer thanks to SME Bank for their support which they continue to provide despite their own difficulties. I also wish to offer my sincere thanks to the SBP, SECP, PSX and other institutions for their support and guidance.

Javed Mahmood
Chairman

Karachi: 02 November 2023

چیمبر مین کی جائزہ رپورٹ برائے شیئر ہولڈرز

محترم حصص یافتگان!

یہ سال بھی ملک کے لئے دشوار گزار رہا۔ معاشی ابتری اور اس کے نتائج تباہ کن رہے خاص طور پر آپ کی کمپنی کے لئے جو کہ کئی سالوں سے اپنی بقا کی جدوجہد کر رہی ہے۔ منفی ایکویٹی کی وجہ سے ہمارے جمع شدہ خساروں میں مسلسل اضافہ ہو رہا ہے۔

آپ کو یہ جان کو خوشی ہوگی کہ کاروباری لاگت میں شدید اضافے کے باوجود آپ کی کمپنی ایک اچھا موزوں منافع 1.23 ملین روپے کمانے کے قابل رہی۔ اس کی وجہ انتھک کوششوں کے نتیجے میں طویل مدتی یا مکمل بھنسی ہوئی لیزوں سے تقریباً 53 ملین روپے کی بازیابی تھی۔

آپ کی کمپنی صرف اپنے بڑے حصص یافتہ SME بینک کی 150 ملین روپے کی قرضہ جاتی سہولت کی وجہ سے قائم ہے۔

بڑھتی ہوئی شرح سود کی وجہ سے مستقبل میں ہمیں کوئی بہت اچھا سال نظر نہیں آ رہا۔ لہذا ہم اس سال نتائج حاصل کرنے میں کامیاب نہیں ہونگے۔ بڑے پیمانے پر بیکار پورٹ فولیو اور روانی کی رکاوٹیں ہماری تسلیش کا بنیادی سبب ہیں۔ کمپنی کا انحصار سرپرست کمپنی پر ہے جو کہ درکار ایکویٹی اور نقد وسائل کر سکتی ہے جس سے کمپنی کے مسلسل آپریشن کو یقینی بنایا جاسکتا ہے اور اسے ایک خسارہ میں جانے والے ادارے سے منافع بخش ادارے میں تبدیل کیا جاسکتا ہے۔

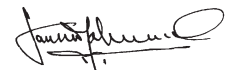
جیسا کہ اوپر بیان کیا گیا ہے کہ ہم جہاں تک ممکن ہو سکے کاروباری لاگتوں کو محدود کرنے کی کوشش کر رہے ہیں۔ مالیاتی رکاوٹوں کی وجہ سے ہم اس پوزیشن میں نہیں ہیں کہ ملازمین کی اچھی کارکردگی پر انعام دے سکیں جس کے وہ دراصل مستحق ہیں۔ ہم اپنے حصص یافتگان کو یقین دہانی کراتے ہیں کہ موجودہ معاشی صورتحال کی شدت کے باوجود ہم تسلسل کے ساتھ اپنے آپ کو رواں رکھنے کی انتہائی کوششیں کریں گے۔

کمپنی کے مالیاتی گوشواروں (FS) کو مختلف تخفیفی عوامل کی بنیاد پر چلتے ہوئے ادارے کے تحت تیار کیا گیا ہے جن کی وضاحت FS میں کی گئی ہے۔ مزید برآں کمپنی کے ممبران کے لئے اپنی رپورٹ میں آڈیٹرز نے چلتے ہوئے ادارے سے متعلق ٹھوس غیر یقینی کے بارے میں ایک پیرا گراف شامل کیا ہے۔

بورڈ کی اشرافیہ:

سال کے دوران بورڈ اور آڈٹ کمیٹی کے چار اجلاس ہوئے تاہم مالیاتی گوشوارے برائے سال مختتمہ 30 جون 2022 کو حتمی شکل دینے میں تاخیر کی وجہ سے بورڈ اور آڈٹ کمیٹی کا اجلاس 2022 کی تیسری سہ ماہی میں نہ ہو سکا۔ ہیومن ریسورس اور ریویژن کمیٹی کا اجلاس سال میں ایک مرتبہ ہوا جبکہ رسک مینجمنٹ کمیٹی کے سال میں چار اجلاس ہوئے۔ بورڈ اس کوتاہی سے آگاہ ہے اور یقینی بنائے گا کہ وہ آنے والے سال میں اپنی تمام ذمہ داریاں پوری کرنے کے قابل ہو جائے۔

میں اپنی مخلصانہ تشکر و تہنیت اپنے ساتھیوں اور انتظامیہ کے تعاون پر انہیں پیش کرتا ہوں۔ میں SME بینک کا بھی مشکور ہوں جنہوں نے اپنی مشکلات کے باوجود ہمیں مسلسل تعاون فراہم کیا۔ میں اپنی مخلصانہ تہنیت SBP، SECP، PSX اور دیگر اداروں کو ان کے تعاون اور رہنمائی پر پیش کرتا ہوں۔



جاوید محمود

چیمبر مین

کراچی مورخہ: 02 نومبر 2023



Financial Highlights

(Rupees in 000)

BALANCE SHEET	2022	2021	2020	2019	2018	2017
Paid up Capital	320,000	320,000	320,000	320,000	320,000	320,000
Total Equity	7,853	6,535	19,560	77,108	111,680	133,251
Gross Lease Receivable	408,941	460,988	533,660	587,376	621,899	609,310
Net Investment in Lease	280,324	275,342	323,368	383,222	411,412	389,669
Long-Term Liabilities	143,025	143,988	160,557	181,674	188,291	177,555
Current Liabilities	178,963	196,022	225,501	222,938	209,030	166,839
Current Assets	38,982	114,140	158,212	168,134	164,379	116,575
Total Assets	334,840	346,546	405,618	481,720	509,001	477,644

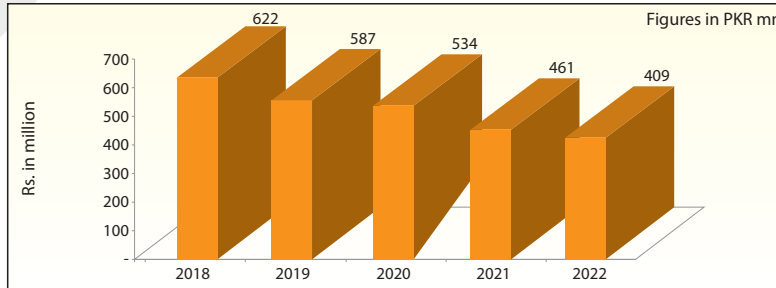
(Rupees in 000)

INCOME STATEMENT	2022	2021	2020	2019	2018	2017
Lease income	20,871	21,303	21,583	26,466	31,160	26,671
Total Revenue	20,998	21,394	21,955	26,578	31,451	27,363
Financial Charges	23,609	18,489	21,570	22,459	14,422	10,318
Administrative Expense	48,918	44,090	43,682	44,234	43,642	40,584
Provisions	53,022	(28,054)	14,056	(4,731)	(5,602)	(1,326)
Total Expenses	72,527	62,580	65,252	66,693	(58,064)	50,866
(Profit/loss) Before Taxation	1,493	(13,132)	(57,353)	(35,385)	(21,011)	(22,177)
(Profit/loss) After Taxation	1,230	(13,399)	(57,677)	(35,694)	(21,361)	(22,510)

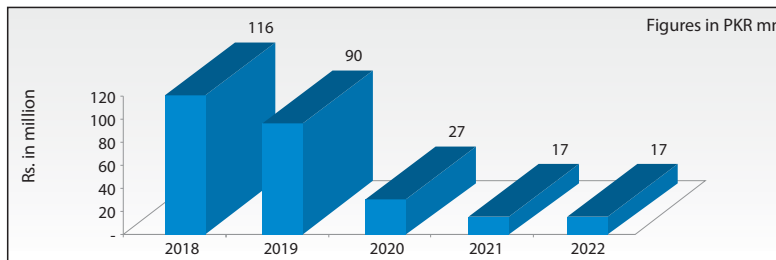
FINANCIAL INDICATORS	2022	2021	2020	2019	2018	2017
Break up Value (Rs per share)	0.25	0.20	0.61	2.41	3.49	4.16
Current Ratio (X)	0.22	0.58	0.70	0.75	0.79	0.70
Earning Per Share (Rs)	0.04	(0.42)	(1.80)	(1.12)	(0.67)	(0.70)
Financial Charges to Total Exps (%)	32.55	29.55	33.06	33.68	(24.84)	20.28
Financial Charges to Total Revenue (%)	112.43	86.43	98.25	84.51	45.86	37.71
Income Expense Ratio (Times)	0.29	0.34	0.33	0.40	(0.54)	0.52
Net Profit Margin (%)	5.86	(62.63)	(262.70)	(134.30)	(67.92)	(82.27)
Return on Average Equity (%)	17.10	(102.69)	(119.33)	(37.81)	(17.44)	(15.51)
Return To Shareholders (%)	-	-	-	-	-	-
Revenue Per Share (Rs)	0.66	0.67	0.69	0.83	0.98	0.86

Financial Highlights and Charts

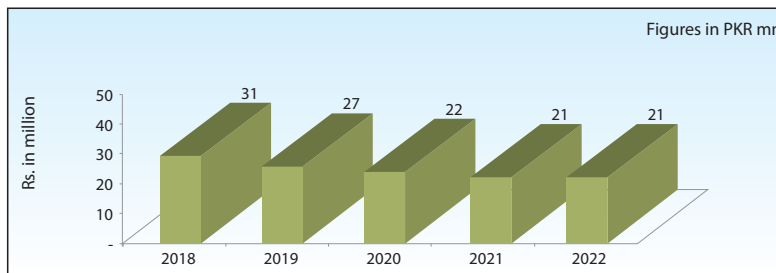
Gross Lease Receivables



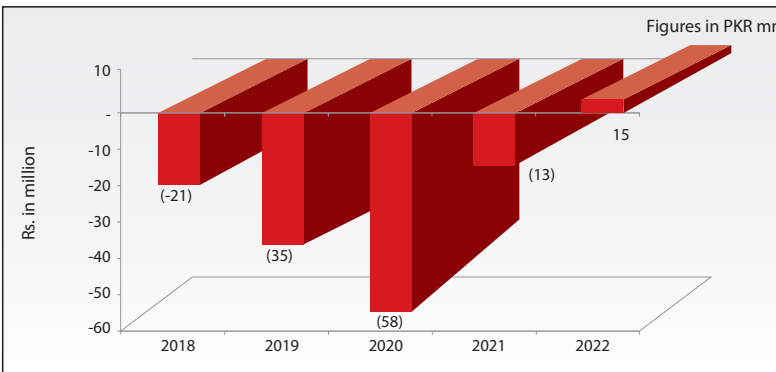
Disbursements



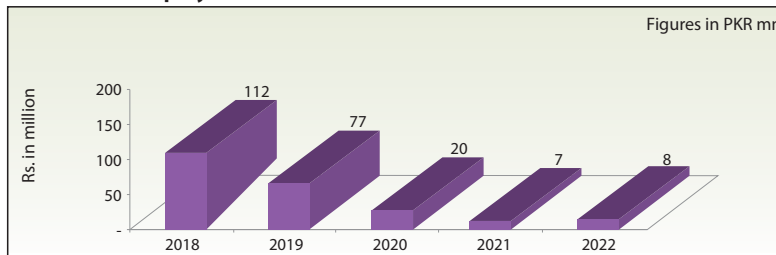
Total Revenue



Profit & Loss before taxation



Shareholder's Equity



Code of Conduct

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

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

The salient features of the Code are as follows;

1. Business conduct.

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

2. Compliance with laws and regulations.

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

3. Competition and fair dealing.

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

4. Conflict of interest.

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

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

5. Gifts and favors

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

Code of Conduct

6. Political contributions and activities.

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

7. Human rights and dignity of the individuals.

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

8. Guarding Corporate Assets.

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

9. Communication & disclosure.

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



Statement of Compliance

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

Schedule I

Name of Company: **SME Leasing Limited**
Name of Ministry: **Ministry of Finance**
For the year ended: **December 31, 2022**

- I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "The Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- II. The Company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule no.	Y	N	Remarks																				
1.	Company is directed and managed by a sufficient number of persons who are fit and proper persons to hold the positions which they hold.	2A (1)		✓	The application for issuance of NOC of the SECP in respect of two Directors is in process.																				
	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																						
2.	The Board has at least one third of its total members as independent directors. At present the Board includes:	3(2)	✓		* Application for issuance of the NOC by the SECP is in process																				
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td 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 rowspan="3">Non-Executive Directors</td> <td>Mr. Dilshad Ali Ahmad</td> <td>30-08-2021</td> </tr> <tr> <td>Mr. M. Mubeen Mufti</td> <td>30-08-2021</td> </tr> <tr> <td>Mr. Bilal Mohy Ud Din</td> <td>12-10-2021</td> </tr> <tr> <td>Executive Director</td> <td>Mr. Asghar Maqsood</td> <td>*</td> </tr> </tbody> </table>	Category	Names	Date of Appointment		Independent Directors	Mr. Javed Mahmood	30-08-2021	Mr. Tahir Saeed Effendi	30-08-2021	Ms. Darakhshan S. Vohra	11-03-2022	Non-Executive Directors	Mr. Dilshad Ali Ahmad	30-08-2021	Mr. M. Mubeen Mufti	30-08-2021	Mr. Bilal Mohy Ud Din	12-10-2021	Executive Director	Mr. Asghar Maqsood	*			
Category	Names	Date of Appointment																							
Independent Directors	Mr. Javed Mahmood	30-08-2021																							
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	Mr. Bilal Mohy Ud Din	12-10-2021																							
Executive Director	Mr. Asghar Maqsood	*																							
3.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓																						
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as board members under the provisions of the Act.	3(7)	✓																						
5.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓																						
6.	The chairman has been elected by the board of directors except where chairman of the Board has been appointed by the Government.	4(4)	✓																						
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓																						



S. No.	Provision of the Rules	Rule no.	Y	N	Remarks
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website (www.smelease.com) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓ ✓ ✓		Code of Conduct is disseminated through website and also published in financial statements.
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b)(ii)	✓		
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5) (b)(vi)	✓		
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5) (c)(ii)	✓		
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5) (c)(iii)	✓		
14.	The board has developed a vision or mission statement, corporate strategy and significant policies of the company.	5(6)	✓		
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(7)	✓		
16.	The board has quantified the outlay of any action in respect of any service delivered or a good sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A		
17.	The Board has ensured compliance with policy direction requirements received from the Government.	5(11)	✓		
18.	(a) The board has met at least four times during the year. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓ ✓ ✓		

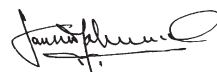


S. No.	Provision of the Rules	Rule no.	Y	N	Remarks																	
19.	The board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✓																			
20.	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓																			
21.	(a) The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end. (b) In case of listed PSCs, the board has prepared half yearly accounts and undertaken limited scope review by the auditors. (c) The Board has placed the annual financial statements on the company's website.	10	✓ ✓ ✓																			
22.	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓																			
23.	(a) The board has formed the requisite committees, as specified in the Rules. (b) The committees were provided with written term of reference defining their duties, authority and composition. (c) The minutes of the meetings of the committees were circulated to all the board members. (d) The committees were chaired by the following non -executive directors: <table border="1" data-bbox="236 1249 948 1630"> <thead> <tr> <th>Committee</th> <th>Number of members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>3</td> <td>Mr. Tahir Saeed Effendi</td> </tr> <tr> <td>Risk Management Committee</td> <td>3</td> <td>Mr. Javed Mahmood</td> </tr> <tr> <td>Human Resource Committee</td> <td>4</td> <td>Mr. Tahir Saeed Effendi</td> </tr> <tr> <td>Procurement Committee</td> <td>3</td> <td>Mr. Tahir Saeed Effendi</td> </tr> <tr> <td>Nomination Committee</td> <td>3</td> <td>Mr. Tahir Saeed Effendi</td> </tr> </tbody> </table>	Committee	Number of members	Name of Chair	Audit Committee	3	Mr. Tahir Saeed Effendi	Risk Management Committee	3	Mr. Javed Mahmood	Human Resource Committee	4	Mr. Tahir Saeed Effendi	Procurement Committee	3	Mr. Tahir Saeed Effendi	Nomination Committee	3	Mr. Tahir Saeed Effendi	12	✓ ✓ ✓ ✓	
Committee	Number of members	Name of Chair																				
Audit Committee	3	Mr. Tahir Saeed Effendi																				
Risk Management Committee	3	Mr. Javed Mahmood																				
Human Resource Committee	4	Mr. Tahir Saeed Effendi																				
Procurement Committee	3	Mr. Tahir Saeed Effendi																				
Nomination Committee	3	Mr. Tahir Saeed Effendi																				
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	✓																			
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the rules.	14	✓																			
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of subsection (1) of section 225 of the Act.	16	✓																			



S. No.	Provision of the Rules	Rule no.	Y	N	Remarks												
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓														
28.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	✓														
29.	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. (b) The annual report of the company contains criteria and details of remuneration of each director.	19	✓ ✓														
30.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before consideration and approval of the audit committee and the Board.	20	✓														
31.	The board has formed an audit committee, with defined and written terms of reference, and having the following members: <table border="1" data-bbox="236 913 944 1137"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr. Tahir Saeed Effendi</td> <td>Chairman</td> <td>Banker</td> </tr> <tr> <td>Mr. Muhammad Mubeen Mufti</td> <td>Member</td> <td>Head of IT</td> </tr> <tr> <td>Mr. Bilal Mohy Ud Din</td> <td>Member</td> <td>Banker</td> </tr> </tbody> </table> <p>The chief executive and chairman of the Board are not members of the audit committee.</p>	Name of Member	Category	Professional Background	Mr. Tahir Saeed Effendi	Chairman	Banker	Mr. Muhammad Mubeen Mufti	Member	Head of IT	Mr. Bilal Mohy Ud Din	Member	Banker	21(1) and 21(2)	✓ ✓		
Name of Member	Category	Professional Background															
Mr. Tahir Saeed Effendi	Chairman	Banker															
Mr. Muhammad Mubeen Mufti	Member	Head of IT															
Mr. Bilal Mohy Ud Din	Member	Banker															
32.	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. (b) The audit committee met the external auditors, at least once a year, without the presence of chief financial officer, the chief internal auditor and other executives. (c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	✓ ✓ ✓														
33.	(a) The Board has setup an effective internal audit function, which has an audit charter, duly approved by the audit committee. (b) The chief internal auditor has requisite qualification and experience prescribed in the Rules. (c) The internal audit reports have been provided to the external auditors for their review.	22	✓ ✓ ✓		The Chief Internal Auditor resigned during the year; and in his absence Head of Compliance is working as Officiating CIA. The process of hiring of CIA is in process.												
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓														
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓														


Asghar Maqsood
 Chief Executive Officer


Javed Mahmood
 Chairman



Statement of Compliance

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

SCHEDULE II

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

S. No.	Rule / sub-rule No.	Reasons for non-compliance	Future course of action
1.	2A(1)	The application has been submitted to the SECP for obtaining of approval for the remaining two Directors which is in process.	After issuance of NOC by the SECP remaining one Director 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 one Director is 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
Mr Bilal Mohy Ud Din	Member

b) HR and Remuneration Committee

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



c) Nomination Committee

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

d) Risk Management Committee

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

e) Procurement Committee

Name of Member	Designation
Mr Tahir Saeed Effendi, Chairman	Chairman
Mr Dilshad Ali Ahmad, Member	Member
Mr Bilal Mohy Ud Din, Member	Member

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

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

a) Audit Committee;

Quarterly

b) HR and Remuneration Committee;

Yearly

c) Nomination Committee;

As and when required.

d) Risk Management Committee;

Yearly

e) Procurement Committee;

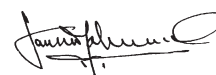
As and when required.

- 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 2022, 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, November 02, 2023

REVIEW REPORT TO THE MEMBERS ON THE STATEMENTS OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 AND PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as 'Codes') prepared by the Board of Directors of SME Leasing Limited for the year ended December 31, 2022 to comply with the requirements of regulation 36 of the Listed Companies (Code Of Corporate Governance) Regulations, 2019 and rule 24 of the Public Sector Companies (Corporate Governance) Rules, 2013.

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

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

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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

Further, we highlight below instance of non-compliance with the requirements of the Codes as reflected in the paragraph reference where this is stated in the Statement of Compliance:


Statement of Compliance as per Public Sector Companies (Corporate Governance) Rules, 2013

S. No	Reference	Description
1	2A(1)	The company does not comply with the requirement of minimum number of directors.
2	6(1)	The Board did not hold meeting in the 3 rd quarter of 2022.
3	22	The Chief internal auditor does not hold the requisite qualification and experience.

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

S. No	Reference	Description
1	3	The company does not comply with the requirement of minimum number of directors.
2	19 & 19(1)	The Criteria of acquiring director training Program of all the directors as on June 30, 2022 has not been achieved. 5 out of 6 directors on the Board have acquired the prescribed certification of said director training.
3	24	The Chief Financial Officer also holds the position of Company Secretary.

KARACHI

DATED: NOVEMBER 20, 2023

UDIN: CR202210067tHaU9X4jB



CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

INDEPENDENT AUDITORS' 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, 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, 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, 2022 and of the profits, its other comprehensive income, its cash flows and the changes in equity 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. The Company has been incurring losses since the year ended December 31, 2009, which has resulted in the erosion of equity. At the reporting date, the Company's current liabilities exceed its current assets by Rs. 139.981 million. The accumulated losses as at the reporting date amount to Rs. 360.613 million.

Further, the Company has negative cash and cash equivalents of Rs. 138.342 million. This indicates the Company's inability to meet its legal obligations.

As disclosed in note 1.6 of the annexed financial statements, 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 Company was dependent on the running finance facility amounting to Rs.150 million granted by the Holding Company. Due to inadequate availability of cash, the Holding Company was unable to meet its statutory solvency requirements by SBP. SBP had exempted the said requirements on Holding Company 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 Holding Company, if the Holding Company's privatization does not materialize by March 31, 2020.



However, the exemption had not been extended and no plan was submitted by Ministry of Finance (MoF). Subsequent to year-end, 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.

Further, the revised prudential regulation of the State Bank of Pakistan (SBP) applicable from June 2015 has restricted the exposure by the bank to a related party to the extent of 7.5% of its equity. During 2021, the Holding Company requested SBP to allow exemption from the related party exposure limit for the reporting period so far by the SBP.

In the absence of any direction from the Ministry of Finance (MoF) to support the operations of the Company, and that it will not direct the Holding Company to recall the running finance facility of Rs. 150 million to the Company is doubtful. Accordingly, we are unable to evaluate the likelihood of an extension of support by the Holding Company and ultimately the Ministry of Finance.

2. Due to financial difficulty, the Company is unable to maintain the minimum equity requirement of Rs. 50 million as per the provision of Schedule I, section 4 of NBFC Regulation, 2008. Furthermore, section 15(b) of NBFC regulation 2008, requires that the aggregate liabilities, excluding contingent liabilities and security deposits, of a non-deposit-taking NBFC shall not exceed ten times of equity. The Company is unable to meet this regulatory requirement as its aggregate liabilities exceed twenty-six times its equity at the reporting date.

Moreover, the license of the Company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via applications reference # 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. In the event of rejection of the said applications, the Company would not be able to continue its operations.

3. At the reporting date the Company has principal outstanding concerning net investment in finance leases and long-term finances and loans classified in the loss category as under the NBFC Regulations aggregating Rs. 210.763 million against which a provision is maintained aggregating to Rs. 86.805 million. During the year, the Company has reversed the provision for potential lease losses due to increasing change in reassessed forced sale values by an amount aggregating to Rs. 51.029 million, as reassessment is made by the management. Despite the management's explanation of compliance with NBFC Regulations, we could not satisfy ourselves about the recoverability of the outstanding amounts either through the recovery/repossession assets or on measurement basis/quality of such collateralized assets hence, the adequacy of the provision required at the reporting date, though the Company has filed legal suits against these customers and certain cases have been decreed in favor. Had the provision was not reversed the net investment in finance leases would have been decreased by Rs. 51.029 million and long-term finance and loans by Rs. 2.223 million. Similarly, the reported profit for the year of Rs. 1.230 million would have been a loss of Rs. 49.799 million.

Based on the above-stated factors, we believe that the Company will not be able to continue as a going concern. However, these financial statements have been prepared on a going concern basis without any adjustment to the carrying amount of assets and liabilities. 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 Matter

Key Audit matter is the matter that in our professional judgment, was of most significance in our audit of the financial statements of the current 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 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 cash flows, and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, 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: 20 NOV 2023

UDIN: AR202310067A9SDrQXpH


BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS



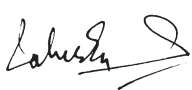
Statement of Financial Position

As At December 31, 2022

	Note	2022	2021
		Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	4,125,665	3,340,157
Right-of-use asset	7	2,535,715	6,697,288
Net investment in finance leases	8	249,698,037	177,323,371
Long term finances and loans - secured	9	38,197,867	43,914,041
Long-term loans to employees - secured	10	195,773	343,921
Long-term deposits and prepayments	11	1,105,566	787,222
TOTAL NON-CURRENT ASSETS		295,858,623	232,406,000
CURRENT ASSETS			
Advances	12	2,499,935	2,779,957
Prepayments and other receivables	13	853,893	749,393
Current maturity of non current assets	14	34,795,101	107,452,416
Cash and bank balances	15	832,854	3,157,864
TOTAL CURRENT ASSETS		38,981,783	114,139,630
TOTAL ASSETS		334,840,406	346,545,630
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
100,000,000 (2021: 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
REVENUE RESERVES		358,019,277	358,019,277
Reserve against future losses		10,447,052	10,447,052
Accumulated losses		(360,613,560)	(361,930,933)
TOTAL SHAREHOLDERS' EQUITY		7,852,769	6,535,396
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	17	-	4,020,884
Long-term deposits	8.1	137,841,991	130,202,795
Defined benefit obligations	18	10,182,680	9,764,513
TOTAL NON-CURRENT LIABILITIES		148,024,671	143,988,192
CURRENT LIABILITIES			
Trade and other payables	19	5,764,896	2,736,096
Mark-up accrued on borrowings	20	6,479,106	4,209,212
Short term borrowings - secured	21	139,175,806	137,183,616
Current maturity of non-current liabilities	22	19,707,733	44,918,469
Current maturity of liabilities against finance lease assets	17	3,871,502	3,594,336
Provision for compensated absences	23	3,613,944	3,045,411
Taxation - net		349,979	334,902
TOTAL CURRENT LIABILITIES		178,962,966	196,022,042
TOTAL EQUITY AND LIABILITIES		334,840,406	346,545,630
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes from 1 to 39 from an integral part of these financial statements.


Asghar Maqsood
Chief Executive Officer


Tahir Saeed Effendi
Director


Uzma Ehsan
Chief Financial Officer



Statement of Profit or Loss

For The Year Ended December 31, 2022

Note 2022 2021
Rupees

REVENUE

Income from operations

25 20,870,846 21,303,331

Other income

26 127,010 90,277
20,997,856 21,393,608

EXPENSES

Administrative and general

27 (48,918,465) 44,090,102

Finance cost

28 (23,608,992) 18,489,464

Operating loss

(72,527,457) 62,579,566
(51,529,601) (41,185,958)

REVERSALS OF PROVISIONS

Potential lease losses - net

8.6 50,798,754 16,426,638

Income tax provision

- 7,979,392

loans and receivables - net

9.2 2,223,481 3,648,177

53,022,235 28,054,207

PROFIT / (LOSS) BEFORE TAXATION

1,492,634 (13,131,751)

Taxation

29 (262,615) (267,420)

PROFIT / (LOSS) FOR THE YEAR

1,230,019 (13,399,171)

Earnings / (Loss) per share - basic and diluted

30 0.04 (0.42)

The annexed notes from 1 to 39 from an integral part of these financial statements.

Asghar Maqsood
Chief Executive Officer

Tahir Saeed Effendi
Director

Uzma Ehsan
Chief Financial Officer



Statement of Comprehensive Income

For The Year Ended December 31, 2022

	Note	2022 ----- Rupees -----	2021 ----- Rupees -----
Profit / (loss) for the year		1,230,019	(13,399,171)
Other comprehensive income			
Actuarial gain on defined benefit obligation -net	18	87,354	374,227
Total comprehensive income / (loss) for the year		<u>1,317,373</u>	<u>(13,024,944)</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.


Asghar Maqsood
 Chief Executive Officer


Tahir Saeed Effendi
 Director


Uzma Ehsan
 Chief Financial Officer



Statement of Changes in Equity

For The Year Ended December 31, 2022

	Issued, subscribed and paid-up share capital	Capital reserves		Revenue reserves		Total shareholders' equity
		Share premium	Statutory reserves	Reserve against future losses	Accumu- lated losses	
----- (Rupees) -----						
Balance as at January 01, 2021	320,000,000	10,000,000	28,019,277	10,447,052	(348,905,989)	19,560,340
Total Comprehensive loss for the year ended December 31, 2021						
Loss for the year	-	-	-	-	(13,399,171)	(13,399,171)
Other comprehensive gain						
Actuarial gain on defined benefit obligation	-	-	-	-	374,227	374,227
Balance as at December 31, 2021	320,000,000	10,000,000	28,019,277	10,447,052	(361,930,933)	6,535,396
Balance as at January 01, 2022	320,000,000	10,000,000	28,019,277	10,447,052	(361,930,933)	6,535,396
Total Comprehensive profit for the year ended December 31, 2022						
Profit for the year	-	-	-	-	1,230,019	1,230,019
Other comprehensive gain						
Actuarial gain on defined benefit obligation	-	-	-	-	87,354	87,354
Balance as at December 31, 2022	320,000,000	10,000,000	28,019,277	10,447,052	(360,613,560)	7,852,769

The annexed notes from 1 to 39 from an integral part of these financial statements.


Asghar Maqsood
Chief Executive Officer


Tahir Saeed Effendi
Director


Uzma Ehsan
Chief Financial Officer



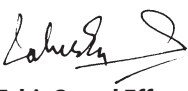
Statement of Cash Flows

For The Year Ended December 31, 2022

	Note	2022	2021
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		1,492,634	(13,131,751)
Adjustment for:			
Depreciation and amortization	27	3,557,400	3,594,888
Gratuity expense	18.2	1,898,449	1,761,032
Provision for compensated absences	23	1,443,497	1,384,461
Finance cost	28	23,576,904	18,437,187
Gain on disposal of property and equipment	26	(94,922)	(38,000)
Reversals for potential lease losses - net	8.6	(50,798,754)	(16,426,638)
Reversal of income tax provision		-	(7,979,392)
Reversals for loans and receivables - net	9.2	(2,223,481)	(3,648,177)
		(22,640,907)	(2,914,639)
Decrease / (Increase) in operating assets			
Net investment in lease		45,817,220	64,452,510
Finances and loans		13,123,071	11,610,385
Long-term loans to employees - secured		228,915	(78,600)
Prepayments and other receivables		(104,500)	747,545
Long-term deposits and prepayments		(318,344)	83,336
Long term deposits paid		(17,571,540)	(26,438,244)
Advances		280,022	2,227,068
		41,454,844	52,604,000
Increase / (decrease) in operating liabilities			
Trade and other payables		3,028,800	(2,303,946)
		3,028,800	(2,303,946)
Cash generated from operations		23,335,371	34,253,664
Financial charges paid		(20,468,845)	(16,843,325)
Interest income received		32,088	52,277
Gratuity paid	18.3	(1,392,928)	(787,147)
Benefits paid	23	(874,964)	(1,298,608)
Taxes paid		(247,537)	(156,872)
		(22,952,186)	(19,033,675)
Net cash generated from operating activities		383,185	15,219,989
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure	6	(1,467,489)	(163,413)
Proceeds from disposal of fixed assets	26	94,922	38,000
Net cash used in investing activities		(1,372,567)	(125,413)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		(3,327,818)	(5,955,997)
Net cash used in financing activities		(3,327,818)	(5,955,997)
Net (decrease) / increase in cash and cash equivalents		(4,317,200)	9,138,579
Cash and cash equivalents at beginning of the year		(134,025,752)	(143,164,331)
Cash and cash equivalents at end of the year	33	(138,342,952)	(134,025,752)

The annexed notes from 1 to 39 from an integral part of these financial statements.


Asghar Maqsood
Chief Executive Officer


Tahir Saeed Effendi
Director


Uzma Ehsan
Chief Financial Officer

Notes to the Financial Statements

For The Year Ended December 31, 2022

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** SME Leasing Limited (the 'Company') was incorporated in Pakistan on July 12, 2002 as an unlisted public company and acquired the status of a listed company on December 13, 2006. The Company is a subsidiary of SME Bank Limited (the 'Holding Company'), who holds 73.14% (2021: 73.14%) of the Company's shares. At the time of incorporation, the Company was a wholly owned subsidiary of SME Bank Limited, whereby under an arrangement the assets and liabilities of the leasing division of SME Bank Limited were transferred to the Company on January 28, 2003. The Company is listed on Pakistan Stock Exchange and its registered office is situated at 56-F, Nazim-ul-Din Road F-6/1, Blue Area, Islamabad. The core objective of the Company is to extend lease and working capital financing facilities to small and medium enterprises of the Country. The PACRA Credit Rating Agency has assigned a long term rating of B- (2021: B-) and a short-term rating of A4 (2021: A4) to the Company in the month of April 2022.
- 1.2** The license of the Company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via applications reference # 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, renewal of license was in progress till the year end.
- 1.3** The Company obtained license of non deposit taking NBFC and as per section 4 (Schedule I) of NBFC Regulations 2008, a non deposit taking NBFC shall have minimum equity of Rs 50 million. The Company being non deposit taking NBFC has not complied with said requirement of NBFC Regulations 2008 of maintaining minimum capital requirement.
- 1.4** During the year ended December 31, 2022, the Company has earned a net profit of Rs. 1.230 million (December 31, 2021: incurred net loss of Rs. 13.400 million), resulting in accumulated losses of Rs. 360.614 million (December 31, 2021: Rs. 361.931 million) at the end of the year. Further, the net assets of the Company amounts to Rs. 7.852 million (December 31, 2021: Rs. 6.535 million). The Company has negative cash and cash equivalent of Rs. 138.343 million (December 31, 2021: Rs. 134.026 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. 139.981 million (2021: Rs. 81.882 million).
- 1.5** Further, the Company is dependent on the running finance facility granted by the Holding Company. The revised prudential regulation of State Bank of Pakistan (SBP) applicable from June 2015 has restricted the exposure by bank to a related party to the extent of 7.5% of its equity. However, SBP on letter BPRD/BA&CPD/646/332/20 dated January 06, 2020 had granted Parent Company relaxation of the aforesaid requirement, which had expired on December 31, 2019. During the year, the Parent Company has requested SBP to allow exemption from related party exposure limit till December 31, 2021 and correspondence regarding this was in progress till the current period end. However, no intimation has so far been received from SBP in this regard.

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

- The Holding Company has granted a short term running finance facility to the Company amounting to Rs. 150 million out of which Rs. 139.175 million has been utilized as at December 31, 2022 (2021: Rs. 137.184 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.
- The management of the Company has prepared cash flow projections which reflect that based on financial support by the holding company the Company will be able to continue its business on going concern basis in the foreseeable future.
- Concerted efforts are being made for the recovery of non-performing leases and loans and finances and in this respect during the year Rs. 52.719 million (2021: Rs. 51.468 million) has been recovered.
- 'Business development plan and budget are being made by the management to reduce the overall operational cost of the Company.

Based on the above mentioned financial measures and the concerted operational measures being taken by the Company, the management is confident of the going concern status of the Company and the Board has approved the Revival plan of the Company's operations in its meeting held as on December 29, 2022. Therefore, the Company has prepared these financial statements on a going concern basis of accounting.



Notes to the Financial Statements

For The Year Ended December 31, 2022

- 1.6** With respect to privatization of the Parent Company, SME Bank Limited (Bank) and its Subsidiary, the Cabinet Committee on Privatization (CCOP) approved the new privatization program of the Bank on March 06, 2019 to divest the Government of Pakistan (GOP) equity stake in the Bank along with management control to a strategic investor as per the decision dated November 19, 2018 of the GOP, whereas the due process was started and various stakeholders participated including the prospective investors. However, due to lack of interest of prospective investors, Board of Privatization Commission in its meeting held on November 25, 2021 has recommended delisting of SME Bank Limited from list of privatizations.

The Financial Adviser (FA) of Privatization Commission asserted that despite all efforts and iterative interactions with the pre-qualified bidders to date positive feedback from the pre-qualified bidders is not forthcoming and owing to the deteriorating financial position of Bank, the FA recommended to shelve the Transaction. Recommendation of the Board of Privatization was presented to the CCOP in its meeting held on December 31, 2021, where the CCOP decided to ascertain the way forward of the bank prior to delisting from list of privatization; and in this regard constituted a committee consisting of Deputy Governor SBP, Secretary Finance, Secretary Privatization Commission, Chairman SECP and Minister of Finance.

The 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.

	Note	2022	2021
		Rupees	
2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES			
Total disbursements made during the year	2.1	14,983,300	13,403,200
Total recoveries made during the year	2.2 & 2.3	80,621,928	83,255,855

- 2.1** This represents Rs. 10.583 million disbursed against net investment in finance lease and Rs. 4.4 million disbursed against long term loans and finance during the year, as disclosed in note 8 and note 9 of these financial statements.
- 2.2** This represents Rs. 56.199 million recovered against net investment in finance lease and Rs.24.422 million against long term loans and finance during the year, as disclosed in note 8 and note 9 of these financial statements.
- 2.3** This represents recoveries from non-performing loans amounting to Rs. 52.719 million (2021: Rs. 51.468 million) and regular parties amounting to Rs. 27.905 million (2021: Rs. 31.787 million).

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.

Notes to the Financial Statements

For The Year Ended December 31, 2022

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, 2021.

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 and 18).
- 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).

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, 2022

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or are do not have significant impact on the financial statements other than certain additional disclosures.

	Effective date (Annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022



Notes to the Financial Statements

For The Year Ended December 31, 2022

Effective date (Annual periods beginning on or after)

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract January 01, 2022

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

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.

Amendments to IFRS 16 'Leases' - Lease liability in a sale and leaseback January 01, 2024

Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants 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' - 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

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.

Notes to the Financial Statements

For The Year Ended December 31, 2022

An extensive assessment is required to be made, because the actual impact of adopting IFRS 9 on or after June 30, 2024 may result in changes as:

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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



Notes to the Financial Statements

For The Year Ended December 31, 2022

5.2 Property and equipment

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

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

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

5.3 Right-of-use assets

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

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.

Notes to the Financial Statements

For The Year Ended December 31, 2022

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

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

5.7 Staff retirement benefits

Defined contribution plan

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

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

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.

Notes to the Financial Statements

For The Year Ended December 31, 2022

5.9 Provision for potential lease losses and doubtful loans and receivables

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

5.10 Financial assets and liabilities

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

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

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

5.11 Investments

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

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.



Notes to the Financial Statements

For The Year Ended December 31, 2022

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

5.12 Loans and receivables

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

5.13 Impairment of non-financial assets

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

5.14 Derivative financial instruments

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

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.

Notes to the Financial Statements

For The Year Ended December 31, 2022

5.18 Provisions

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

5.19 Long term finances

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

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

5.20 Revenue recognition

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

5.21 Earnings / (loss) per share

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

5.22 Dividend distribution and transfer between reserves

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



Notes to the Financial Statements

For The Year Ended December 31, 2022

5.23 Capital and revenue reserves

Share premium

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

Statutory reserves

In accordance with the requirements of the NBFC Regulations, an amount of not less than 20% of after tax profits shall be transferred to statutory reserve till such time when the reserve equals the amount of paid-up capital, and thereafter a sum of not less than 5 percent shall be transferred. Consequently, during the current year the Company has transferred an amount of Rs. nil due to loss (2021: 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, 2022.

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, 2022

6 PROPERTY AND EQUIPMENT

	COST					ACCUMULATED DEPRECIATION					BOOK VALUE	Depreciation rate per annum %	
	As at 1 January 2022	Additions/transfer	Disposal	As at Dec 31, 2022	As at January 1, 2022	For the year	On disposal	As at Dec 31, 2022	As at Dec 31, 2022				
2022													
Owned													
Furniture and fixtures	1,628,678	-	70,771	1,557,907	1,591,318	13,735	(70,771)	1,534,282	23,625	20			
Office equipment	1,592,726	143,000	206,437	1,529,289	1,271,466	86,381	(167,239)	1,190,608	338,681	15			
Building improvements	750,933	-	-	750,933	750,933	-	-	750,933	-	33.33			
Office premises	9,514,190	-	-	9,514,190	6,641,245	475,710	-	7,116,955	2,397,236	5			
Computers	1,525,527	166,266	70,450	1,621,343	1,503,291	48,777	(70,450)	1,481,618	139,725	33.33			
Motor vehicles	4,477,555	1,158,223	-	5,635,778	4,391,200	18,180	-	4,409,380	1,226,398	20			
	<u>19,489,609</u>	<u>1,467,489</u>	<u>347,658</u>	<u>20,609,440</u>	<u>16,149,453</u>	<u>642,783</u>	<u>(308,460)</u>	<u>16,483,775</u>	<u>4,125,665</u>				
2021													
Owned													
Furniture and fixtures	1,603,678	25,000	-	1,628,678	1,487,120	104,198	-	1,591,318	37,359	20			
Office equipment	1,545,213	47,513	-	1,592,726	1,151,121	120,345	-	1,271,466	321,261	15			
Building improvements	750,933	-	-	750,933	750,933	-	-	750,933	-	33.33			
Office premises	9,514,190	-	-	9,514,190	6,165,536	475,709	-	6,641,245	2,872,946	5			
Computers	1,525,527	-	-	1,525,527	1,481,021	22,270	-	1,503,291	22,236	33.33			
Motor vehicles	4,547,150	90,900	(160,495)	4,477,555	4,547,150	4,545	(160,495)	4,391,200	86,355	20			
	<u>19,486,691</u>	<u>163,413</u>	<u>(160,495)</u>	<u>19,489,609</u>	<u>15,582,881</u>	<u>727,067</u>	<u>(160,495)</u>	<u>16,149,453</u>	<u>3,340,157</u>				



Notes to the Financial Statements

For The Year Ended December 31, 2022

7 RIGHT-OF-USE ASSET

	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)	-	-
	14,745,191	-	-	2,066,555	12,678,636	8,047,903	2,926,409	(831,391)	10,142,921	2,535,715

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

Note	2022	2021
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8 NET INVESTMENT IN FINANCE LEASES

Net investment in finance leases	8.1	280,324,041	275,342,507
Less: Current maturity	14	(30,626,004)	(98,019,136)
		249,698,037	177,323,371

Notes to the Financial Statements

For The Year Ended December 31, 2022

9.1 Net investment in finance leases

		December 31, 2022			December 31, 2021		
		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	251,764,111	239,054,319	12,709,792	286,239,684	227,716,296	58,523,388
Add: Residual Value of leased assets	8.4	157,176,491	137,841,991	19,334,500	174,748,031	130,202,795	44,545,236
Gross Investment in leases		408,940,602	376,896,310	32,044,292	460,987,715	357,919,091	103,068,624
Less: Unearned lease Income		(6,371,584)	(4,953,296)	(1,418,288)	(8,728,447)	(3,678,959)	(5,049,488)
Less: Markup held in Suspense Account		(40,656,989)	(40,656,989)	-	(44,530,019)	(44,530,019)	-
		(47,028,573)	(45,610,285)	(1,418,288)	(53,258,466)	(48,208,978)	(5,049,488)
		361,912,029	331,286,025	30,626,004	407,729,249	309,710,113	98,019,136
Less: Provision for potential lease losses	8.6	(81,587,988)	(81,587,988)	-	(132,386,742)	(132,386,742)	-
Net Investment in Finance leases		280,324,041	249,698,037	30,626,004	275,342,507	177,323,371	98,019,136

- 8.2** The internal rate of return (IRR) on lease contract receivable ranges from 9.49% to 25.68% per annum (2021: 9.5% to 25% per annum).
- 8.3** This include amount receivable in respect of non performing leases of Rs. 173.978 million (2021: Rs. 190.664 million) which have not been fully provided due to forced sales value benefit amounting to Rs. 94.404 million (2021: Rs. 85.188 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. 131.421 million (2021: Rs. 143.907 million).
- 8.5** Lease rentals received during the year aggregate to Rs. 80.62 million (2021: Rs. 83.255 million). Lease disbursed during the year amounts to Rs. 10.583 million (2021: Rs. 6.703 million).



Notes to the Financial Statements

For The Year Ended December 31, 2022

8.6 Provision for potential lease losses

	2022	2021
	----- Rupees -----	
Balance at the beginning of the year	132,386,742	148,813,380
Provision for the year	534,460	2,038,658
Reversed during the due to revision in forced sale value	(51,333,214)	(18,465,296)
Net provision	(50,798,754)	(16,426,638)
Balance at the end of the year	<u>81,587,988</u>	<u>132,386,742</u>

9 LONG TERM FINANCES AND LOANS - SECURED

Customers

- considered good	9.1	6,349,199	12,489,003
- considered doubtful		41,086,644	48,069,911
	9.3	47,435,843	60,558,914
Less: Provision for doubtful finances and loans - net	9.2	(5,216,992)	(7,440,473)
		<u>42,218,851</u>	<u>53,118,441</u>
Less: Current maturity			
Customers	14	(4,020,984)	(9,204,400)
		<u>38,197,867</u>	<u>43,914,041</u>

9.1 These represent loans to customers for a period of three to five years on mark-up basis and are secured by way of hypothecation of stock and immovable property. The rate of mark-up ranges from 15% to 24.50% (2021: 15% to 24.50%) per annum.

9.2 Provision for doubtful finances and loans - net

	2022	2021
	----- Rupees -----	
Balance at the beginning of the year	7,440,471	11,088,648
Provision for the year	-	3,648,177
Reversed during the due to revision in forced sale value	(2,223,481)	(7,296,354)
Net provision	(2,223,481)	(3,648,177)
Balance at the end of the year	<u>5,216,990</u>	<u>7,440,471</u>

9.3 This includes non performing loans of Rs. 41.08 million (2021: Rs. 48.70 million) which have not been fully provided due to forced sale value benefits amount to Rs. 63.01 million (2021: 63.184 million).

9.4 Principle received during the year aggregate to Rs. 24.422 million (2021: Rs. 28.624 million). Loan disbursed during the year amounts to Rs. 4.40 million (2021: Rs. 6.70 million).



Notes to the Financial Statements

For The Year Ended December 31, 2022

	Note	2022	2021
		Rupees	
10 LONG-TERM LOANS TO EMPLOYEES - SECURED			
Related parties - considered good			
Car loans	10.1&10.2	343,886	572,801
Less: Current maturity	14	(148,113)	(228,880)
		<u>195,773</u>	<u>343,921</u>
10.1 Movement in loan to employees			
Balance at the beginning of the year		572,801	494,201
Disbursements		32,022	447,252
Repayments		(260,937)	(368,652)
Balance at the end of the year		<u>343,886</u>	<u>572,801</u>

10.2 These represent car loans given to employees. These loans are recovered through deduction from salaries over varying periods up to a maximum period of 20 years. These loans are granted to the employees in accordance with their terms of employment. Car loans are secured by the title of car in the Company's name. These loans carry mark-up at 5% to 7% (2021: 5% to 7%) per annum.

	Note	2022	2021
		Rupees	
11 LONG-TERM DEPOSITS AND PREPAYMENTS			
Other deposits	11.1	772,222	787,222
Prepayments		1,122,237	-
Less: Current maturity	13	(788,893)	-
Non-current prepayments		333,344	-
		<u>1,105,566</u>	<u>787,222</u>
11.1 Other deposits			
Rent		696,000	711,000
Central Depository Company		50,000	50,000
Miscellaneous		14,422	14,422
BRR security vault		11,800	11,800
		<u>772,222</u>	<u>787,222</u>
12 ADVANCES			
Considered good - unsecured			
- Employees	12.1	368,541	466,858
- Legal advisors	12.2	1,952,000	2,175,980
- Others		164,394	122,119
- SBP deposit		15,000	15,000
		<u>2,499,935</u>	<u>2,779,957</u>



Notes to the Financial Statements

For The Year Ended December 31, 2022

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	2022	2021
		Rupees	
13 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		788,893	622,659
Other receivable		65,000	65,000
Accrued interest on long term finances and loans		-	61,734
		853,893	749,393
14 CURRENT MATURITY OF NON CURRENT ASSETS			
Current maturity of :			
- Net investment in finance leases	8	30,626,004	98,019,136
- Long term finances and loans	9	4,020,984	9,204,400
- Long term loans to employees	10	148,113	228,880
		34,795,101	107,452,416
15 CASH AND BANK BALANCES			
Balances with banks in:			
- Current accounts		778,442	3,091,452
Cash in hand		54,412	66,412
		832,854	3,157,864

16 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2022	2021		2022	2021
(Number of shares)			Rupees	
10,100,000	10,100,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	101,000,000	101,000,000
19,900,000	19,900,000	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	199,000,000	199,000,000
2,000,000	2,000,000	Ordinary shares of Rs 10 each issued as fully paid bonus shares	20,000,000	20,000,000
32,000,000	32,000,000		320,000,000	320,000,000

Notes to the Financial Statements

For The Year Ended December 31, 2022

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, 2022, The Holding Company and its nominees hold 73.14% (2021: 73.14%) ordinary shares of the Company.

17 LIABILITIES AGAINST FINANCE LEASE ASSETS

	2022			2021		
	Minimum lease payment	Finance charges not due yet	Present value of minimum lease payments	Minimum lease payment	Finance charges not due yet	Present value of minimum lease payments
	----- (Rupees) -----			----- (Rupees) -----		
Payable not later than one year	4,219,827	348,325	3,871,502	4,535,365	941,029	3,594,336
Payable later than one year but not later than five years	-	-	-	4,376,388	355,504	4,020,884
Total	<u>4,219,827</u>	<u>348,325</u>	<u>3,871,502</u>	<u>8,911,753</u>	<u>1,296,533</u>	<u>7,615,220</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 16 (2021: 23).

Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out on December 31, 2022 by M/s Nauman Associates using the Projected Unit Credit Method. The following significant assumptions were used for valuation of the scheme:

	2022	2021
Valuation discount rate	11.75%	9.75%
Expected long term rate of increase in salary level	14.50%	11.75%

Note	2022	2021
	----- Rupees -----	

18.1 Liability in statement of financial position

Present value of defined benefit obligation	18.2	<u>10,182,680</u>	<u>9,764,513</u>
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18.2 Movement in liability during the year

Balance at the beginning of the year		9,764,513	9,164,855
Charged to statement of profit or loss account	27.1	1,898,449	1,761,032
Remeasurements chargeable in other comprehensive income		(87,354)	(374,227)
Benefits paid during the year	18.5	(1,392,928)	(787,147)
Balance at the end of the year		<u>10,182,680</u>	<u>9,764,513</u>



Notes to the Financial Statements

For The Year Ended December 31, 2022

Note	2022	2021
	Rupees	

18.3 Reconciliation of the present value of defined benefit obligations

Present value of obligations at beginning of the year	9,764,513	9,164,855
Current service cost	832,953	905,832
Interest cost	1,065,496	855,200
Benefits paid during the year	(1,392,928)	(787,147)
Remeasurements gain chargeable in other comprehensive income	(87,354)	(374,227)
Present value of obligations at the end of the year	<u>10,182,680</u>	<u>9,764,513</u>

18.4 Charged to statement of profit or loss account

Current services cost	832,953	905,832
Interest cost	1,065,496	855,200
	<u>1,898,449</u>	<u>1,761,032</u>

18.5 Remeasurements gain chargeable in other comprehensive income

Actuarial losses/(gains) on obligation	24,353	24,973
Experience adjustment	(111,707)	(399,200)
Net re-measurements recognized in other comprehensive income	<u>(87,354)</u>	<u>(374,227)</u>

18.6 Based on the actuarial advice, the company intends to charge an amount of approximately Rs. 2.327 million in respect of contribution to gratuity fund in the financial statements for the year ending December 31, 2023.

18.6 Sensitivity analysis

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

Discount rate effect	Rupees	Rate effect
Original liability	10,182,680	11.75%
1% increase	11,200,948	12.75%
1% decrease	9,164,412	10.75%
Salary increase rate effect		
Original liability	10,182,680	14.50%
1% increase	11,200,948	15.50%
1% decrease	9,164,412	13.50%



Notes to the Financial Statements

For The Year Ended December 31, 2022

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.

		2022	2021
18.7	Maturity profile		
	The weighted average duration of the obligation (in years)	10	10
		Rupees	
19	TRADE AND OTHER PAYABLES		
	Payable on termination/maturity of leases	2,303,873	325,788
	Insurance payable	1,570,260	1,619,667
	Provident fund payable		
	Accrued expenses	1,002,700	426,111
	Others	683,350	310,467
	Sales tax payable	204,713	54,063
		<u>5,764,896</u>	<u>2,736,096</u>
20	MARK-UP ACCRUED ON BORROWINGS		
	Interest accrued on:		
	- Short term borrowings	20.1 6,479,106	4,209,212
20.1	This amount represents accrued interest payable to the Holding Company.		
21	SHORT TERM BORROWINGS - SECURED		
	Short term borrowings	21.1 <u>139,175,806</u>	<u>137,183,616</u>
21.1	The Company has a running finance facility available from the Holding Company amounting to Rs.150 million (2021: Rs.150 million) at mark-up rates ranging between 11.35% to 11.65% (2021: 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	8.1 19,334,500	44,545,236
	Long term finance	22.1 373,233	373,233
		<u>19,707,733</u>	<u>44,918,469</u>
22.1	This represents balance due against financing facilities amounting to Rs. 0.373 million (2021: Rs. 0.373 million) from National Energy Conservation Centre (Enercon). The facilities from Enercon were obtained under an agreement whereby they agreed to provide funds to the Company for granting lease / finance facility to its customers at a preferential mark-up rate for procuring and using energy efficient equipments. The facility requires sharing of profit @ 5% of the financing amount on quarterly basis. However, this facility is no more active.		



Notes to the Financial Statements

For The Year Ended December 31, 2022

23 PROVISION FOR COMPENSATED ABSENCES

Changes in present value of defined benefit obligations

	2022	2021
	Rupees	
Present value of defined benefit obligations- Opening	3,045,411	2,959,558
Current service cost	760,339	1,005,186
Interest cost on defined benefit obligation	306,432	225,250
Benefits paid	(874,964)	(1,298,608)
Remeasurement		
- Actuarial losses / (gains) from changes in assumptions	8,623	7,213
- Experience adjustments	368,103	146,812
Present value of defined benefit obligations- Closing	<u>3,613,944</u>	<u>3,045,411</u>

Expenses to be charged to statement of profit or loss account

Current service cost	760,339	1,005,186
Experience adjustments	368,103	146,812
Actuarial gains from changes in financial assumptions	8,623	7,213
Interest cost on defined benefit obligation	306,432	225,250
Expense chargeable to statement of profit or loss account	<u>1,443,497</u>	<u>1,384,461</u>

27.1

Changes in net liability

Statement of financial position liability- Opening	3,045,411	2,959,558
Expenses chargeable to statement of profit or loss account	1,443,497	1,384,461
Benefits paid	(874,964)	(1,298,608)
Statement of financial position liability- Closing	<u>3,613,944</u>	<u>3,045,411</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, 2022 (2021: Nil).

25 INCOME FROM OPERATIONS

	2022	2021
	Rupees	
Income from finance leases	12,392,230	10,646,338
Income on finances and loans	8,478,616	10,656,993
	<u>20,870,846</u>	<u>21,303,331</u>



Notes to the Financial Statements

For The Year Ended December 31, 2022

	Note	2022	2021
		Rupees	
26 OTHER INCOME			
Income from financial assets			
Mark-up on loan to employees		32,088	47,277
Income from non-financial assets			
Gain on disposal of fixed assets		94,922	38,000
Miscellaneous income		-	5,000
		<u>127,010</u>	<u>90,277</u>
27 ADMINISTRATIVE AND GENERAL			
Salaries, allowances and other benefits	27.1	32,533,341	29,049,407
Depreciation	6 & 7	3,557,400	3,594,888
Legal and professional		4,496,445	3,628,273
Insurance		918,170	995,119
Travelling, conveyance and entertainment		1,284,440	968,518
Electricity, gas and water		1,285,272	1,042,373
Telephone and postage		764,487	786,820
Miscellaneous		624,917	683,486
Auditors' remuneration	27.6	692,568	430,400
Directors' fee	27.4	845,000	545,000
Printing and stationery		616,717	615,828
Repairs and maintenance		589,275	557,988
Rent, rates and taxes		161,036	445,712
Vehicle running		366,899	284,129
Advertising		127,811	411,776
Books and periodicals		41,687	39,885
Training and development		13,000	10,500
		<u>48,918,465</u>	<u>44,090,102</u>
27.1 Salaries allowance and other benefits include:			
Staff gratuity fund	18.4	1,898,449	1,761,032
Staff provident fund		789,475	750,155
Compensated absences	23	1,443,497	1,384,461
		<u>4,131,421</u>	<u>3,895,648</u>



Notes to the Financial Statements

For The Year Ended December 31, 2022

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:

	2022		2021	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	2,242,484	2,052,185	797,000	2,275,580
Housing and utilities	1,121,242	615,656	398,500	1,137,790
Provident fund	179,399	164,175	63,760	24,000
Medical and other perquisites	370,873	330,354	1,702,815	588,191
Leave encashment	150,000	136,125	52,400	286,417
	<u>4,063,998</u>	<u>3,298,494</u>	<u>3,014,475</u>	<u>4,311,978</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</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

	2022	2021
Annual audit fee	255,000	255,000
Half yearly review fee	56,000	50,000
Fee for other certifications	225,000	45,000
Out of pocket expenses	156,834	80,400
	<u>692,834</u>	<u>430,400</u>

28 FINANCE COST

Mark-up on short term borrowings	22,656,070	16,726,118
Interest expense for leasing arrangements	870,253	1,648,138
Bank charges	82,669	115,208
	<u>23,608,992</u>	<u>18,489,464</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, 2022

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.52.565 million (2021: Rs. 38.155 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:

	2021 Rupees	2020 Rupees	2019 Rupees
Tax provision as per accounts	267,420	323,749	309,759
Tax payable/paid as per tax return	156,872	287,924	350,627

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

Profit / (loss) after taxation attributable to ordinary shareholders

	2022 Rupees	2021 Rupees
Profit / (loss) after taxation attributable to ordinary shareholders	1,230,019	(13,399,171)
(Number of shares)	32,000,000	32,000,000
Weighted average number of outstanding ordinary shares	(Rupees)	(Rupees)
Profit / (loss) per share - basic and diluted	0.04	(0.42)

Weighted average number of outstanding ordinary shares

Profit / (loss) per share - basic and diluted

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, 2022

		2022	2021
		Rupees	
31.1 Balances at the year end:			
SME Bank Limited (holding company)			
Short term borrowing	21	139,175,806	137,183,616
31.2 Transactions during the year:			
SME Bank Limited (holding company)			
Mark up on short-term borrowings	28	22,656,070	16,726,118
Acquisition of short term borrowing facility-net		1,992,190	(7,607,022)
Rent expense paid for Peshawar branch		716,856	550,272
Director's and Key management personnel			
Compensation of directors and key management personnel			
Director's fee paid		845,000	545,000
Key management remuneration		7,362,492	7,326,453
Company's contribution towards provident fund	27.1	823,566	750,155
Total compensation of directors and key management personnel		9,031,058	8,621,608

		2022	2021
		Rupees	
32 Provident fund			
Size of the fund (Net assets)		7,385,571	5,949,846
Cost of Investment made		5,841,832	6,427,364
Percentage of investment made		79.10%	108.03%
Fair value of investments		4,681,832	6,697,291

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.

		2022	2021
		Rupees	
33 Cash and cash equivalents			
Cash and bank balances	15	832,854	3,157,864
Short term borrowings	21	(139,175,806)	(137,183,616)
		(138,342,952)	(134,025,752)

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, 2022

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, 2022 is as follows:

	2022		2021	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
	----- (Rupees) -----			
Bank balances	778,442	778,442	3,091,452	3,091,452
Advances	179,394	179,394	137,119	137,119
Net investment in finance lease	280,324,041	280,324,041	275,342,507	275,342,507
Long term finances and loans	42,218,851	42,218,851	53,118,441	53,118,441
Long-term loans to employees	343,886	343,886	572,801	572,801
Deposits and other receivables	837,222	837,222	852,222	852,222

Notes to the Financial Statements

For The Year Ended December 31, 2022

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:

	2022	2021
Ratings		
A1+	0.00%	0.00%
A-1+	100.00%	86.36%
Others	0.00%	13.64%
	<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

	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>

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

Notes to the Financial Statements

For The Year Ended December 31, 2022

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	2022		2021	
	Rupees	Percentage	Rupees	Percentage
Cargo Carriers	23,511,914	3.89%	99,362,614	18.45%
Chemicals	3,583,865	0.59%	40,848,222	7.58%
Communication	7,590,738	1.26%	43,814,320	8.14%
Confectionary	4,330,587	0.72%	44,799,057	8.32%
Construction	8,349,459	1.38%	32,668,305	6.07%
Dates	538,908	0.09%	39,176,723	7.27%
Education	16,987,688	2.81%	38,209,285	7.09%
Engineering	19,641,212	3.25%	26,857,389	4.99%
Entertainment	18,400,245	3.04%	26,715,593	4.96%
Film processing	67,777,886	11.21%	20,120,072	3.74%
Fisheries	880,885	0.15%	25,685,231	4.77%
Food and beverages	42,126,640	6.97%	3,772,518	0.70%
Furniture	421,872	0.07%	12,710,613	2.36%
Garments	24,047,926	3.98%	13,225,741	2.46%
Gems & jewelery	11,643,014	1.93%	14,592,745	2.71%
Health care	59,587,546	9.86%	13,691,662	2.54%
Hotels & tourism	139,887	0.02%	12,236,745	2.27%
Leather & tannery	4,336,518	0.72%	6,399,349	1.19%
Miscellaneous	30,329,268	5.02%	5,215,299	0.97%
Oil & gas	38,484,117	6.37%	6,802,623	1.26%
Others	9,571,420	1.58%	5,192,256	0.96%
Pharma	12,612,345	2.09%	3,779,865	0.70%
Plastic	16,641,267	2.75%	1,285,857	0.24%
Printing & packaging	58,173,127	9.62%	551,021	0.10%
Public transport services	102,801,399	17.01%	421,872	0.08%
Textile	21,951,561	3.63%	421,872	0.08%
	604,461,294	100%	538,556,849	100%



Notes to the Financial Statements

For The Year Ended December 31, 2022

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).

	2022			
	Total	Contractual cash flow	Upto one year	Two to five years
	----- (Rupees) -----			
Financial Liabilities				
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	-
	312,841,034	312,841,034	174,999,043	137,841,991
	2021			
	Total	Contractual cash flow	Upto one year	Two to five years
	----- (Rupees) -----			
Financial Liabilities				
Trade and other payables	2,736,096	2,736,096	2,736,096	-
Lease liability	7,615,220	7,615,220	3,594,336	4,020,884
Short term borrowings	137,183,616	137,183,616	137,183,616	-
Long term finances	373,233	373,233	373,233	-
Long term deposits	174,748,031	174,748,031	44,545,236	130,202,795
Markup accrued	4,209,212	4,209,212	4,209,212	-
	326,865,408	326,865,408	192,641,729	134,223,679

Notes to the Financial Statements

For The Year Ended December 31, 2022

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, 2022, details of the interest rate profile of the Company's interest bearing financial instruments were as follows:

	Effective Interest rate %	Carrying amount	
		2022 (Rupees)	2021 (Rupees)
Fixed rate instruments			
Financial assets			
Net investments in finance lease	9.5% to 25%	280,324,041	275,343,507
Long term finance and loans	15% to 24.5%	42,218,851	53,118,441
Long-term loans to employees - secured	5% to 7%	343,886	572,801
		<u>322,886,778</u>	<u>329,034,749</u>
Financial liabilities			
Long term finance	0%	373,233	373,233
Liabilities against assets subject to finance lease	17.33% to 18.26%	3,871,502	10,128,078
		<u>4,244,735</u>	<u>10,501,311</u>
Variable rate instruments			
Financial assets			
Bank balances		778,442	3,091,452
Financial liabilities			
Short term borrowings	11.65% to 18.10%	139,175,806	137,183,616
		<u>138,397,364</u>	<u>134,092,164</u>

Notes to the Financial Statements

For The Year Ended December 31, 2022

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. 0.139 million (2021: Rs. 0.137 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	2022			
		Total	Exposed to mark-up / interest / profit rate risk		
			Upto three months	More than three months and upto one year	More than one year
%		(Rupees)			
Financial assets					
Long term finances and loans	15% to 24.5%	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
Total financial assets as on December 31, 2022		322,886,778	3,980,774	30,774,117	288,091,677
Financial liabilities					
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	-	-
Total financial liabilities as on December, 2022		143,420,541	971,234	142,449,307	-
On balance sheet gap		179,466,237	3,009,540	(111,675,190)	288,091,677
Total interest rate sensitivity gap		179,466,237	3,009,540	(108,665,650)	179,426,027



Notes to the Financial Statements

For The Year Ended December 31, 2022

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

Notes to the Financial Statements

For The Year Ended December 31, 2022

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, 2022 (2021: 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	2022	2021
	----- Rupees -----	
Total debt	3,871,502	7,615,220
Total equity	7,852,769	(13,294,054)
Total capital employed	11,724,271	(5,678,834)
Gearing ratio	33.02%	-134.10%

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, 2022, 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, 2022

As at December 31, 2022, the Company held the following classes of financial instruments, none of which measured at fair value, as mentioned below:

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
(Rupees)									
Financial assets									
Cash and bank balance	15	832,854	-	-	832,854	-	-	-	-
Advances	12	-	2,499,935	-	2,499,935	-	-	-	-
Deposits, prepayments and other receivables	13	-	853,893	-	853,893	-	-	-	-
Long term finances and loans and accrued interest thereon	9	-	42,218,851	-	42,218,851	-	-	-	-
Net investment in finance leases	8	-	280,324,041	-	280,324,041	-	-	-	-
		832,854	325,896,720	-	326,729,574	-	-	-	-
Financial liabilities									
Accrued and other liabilities	19	-	-	5,764,896	5,764,896	-	-	-	-
Accrued mark-up on borrowings	20	-	-	6,479,106	6,479,106	-	-	-	-
Short term borrowings	21	139,175,806	-	-	139,175,806	-	-	-	-
Provision for compensated absences	23	-	-	3,613,944	3,613,944	-	-	-	-
Long term finances	22	-	-	373,233	373,233	-	-	-	-
Long term deposits	8	-	-	137,841,991	137,841,991	-	-	-	-
Defined benefit obligations	18	-	-	10,182,680	10,182,680	-	-	-	-
Lease liabilities	17	-	-	3,871,502	3,871,502	-	-	-	-
		139,175,806	-	168,127,352	307,303,158	-	-	-	-

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, 2022

December 31, 2021	Note	Carrying amount		Fair value					
		Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and bank balance	15	3,157,864	-	-	3,157,864	-	-	-	-
Advances	12	-	2,779,957	-	2,779,957	-	-	-	-
Deposits, prepayments and other receivables	13	-	749,393	-	749,393	-	-	-	-
Long term finances and loans and accrued interest thereon	9	-	53,118,441	-	53,118,441	-	-	-	-
Net investment in finance leases	8	-	275,342,507	-	275,342,507	-	-	-	-
		3,157,864	331,990,298	-	335,148,162	-	-	-	-
Financial liabilities									
Accrued and other liabilities	19	-	-	2,736,096	2,736,096	-	-	-	-
Accrued mark-up on borrowings	20	-	-	4,209,212	4,209,212	-	-	-	-
Short term borrowings	21	137,183,616	-	-	137,183,616	-	-	-	-
Provision for compensated absences	23	-	-	3,045,411	3,045,411	-	-	-	-
Long term finances	22	-	-	373,233	373,233	-	-	-	-
Long term deposits	8	-	-	130,202,795	130,202,795	-	-	-	-
Defined benefit obligations	18	-	-	9,764,513	9,764,513	-	-	-	-
Lease liabilities	17	-	-	7,615,220	7,615,220	-	-	-	-
		137,183,616	-	157,946,480	295,130,096	-	-	-	-

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



Notes to the Financial Statements

For The Year Ended December 31, 2022

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.

	2022			Total
	Finance lease	Loans and receivables	Others	
	----- (Rupees) -----			
Segment revenue	<u>12,392,230</u>	<u>8,478,616</u>	<u>127,010</u>	<u>20,997,856</u>
Reversal of provision	<u>50,798,754</u>	<u>2,223,481</u>	<u>-</u>	<u>53,022,235</u>
Segment result	<u>63,190,984</u>	<u>10,702,097</u>	<u>127,010</u>	<u>74,020,091</u>
Unallocated cost				
Finance cost				(23,608,992)
Administrative and general expenses				(48,918,465)
				<u>(72,527,457)</u>
Profit before tax				1,492,634
Provision for taxation				(262,615)
Profit for the year				1,230,019
Other information				8,214,867
Segment assets	280,324,041	42,218,851	-	322,542,892
Unallocated assets			12,297,514	12,297,514
Total assets				<u>334,840,406</u>
Segment liabilities	159,749,451	-	-	159,749,451
Unallocated liabilities	-	-	167,238,186	167,238,186
Total liabilities				<u>326,987,637</u>
Net assets				<u>7,852,769</u>
Capital expenditure	-	-	1,467,489	1,467,489

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, 2022

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

36.3 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 16 (2021: 23) and average number of employees during the year were 18 (2021: 25).

38 CORRESPONDING FIGURES

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

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 02 November, 2023 by the Board of Directors of the Company.

Asghar Maqsood
Chief Executive Officer

Tahir Saeed Effendi
Director

Uzma Ehsan
Chief Financial Officer



Pattern of Shareholding

As at December 31, 2022

Shareholding		No of Shareholders	Total Shares Held	Percentage %
From	To			
1	100	21	58	0.00
101	500	194	96,053	0.30
501	1,000	40	39,804	0.12
1,001	5,000	77	220,009	0.69
5,001	10,000	14	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
		390	32,000,000	100



Categories of Shareholders

As at December 31, 2022

Categories of	Physical	CDC	Total	Percentage %
Directors, Chief Executive Officer, Their Spouses and Minor Children				
Directors				
Mrs. Darakhshan Sheikh Vohra	1	-	1	0.00
Mr. Tahir Saeed Effendi	1	-	1	0.00
Mr Bilal Mohy Ud Din	1	-	1	0.00
Mr. Javed Mahmood	1	-	1	0.00
Mr. Dilshad Ali Ahmad	1	-	1	0.00
Mr. Muhammad Mubeen Mufti	1	-	1	0.00
Mr. Asghar Maqsood	500	-	1	0.00
	506	-	6	0.00
Executives	-	51,000	51,000	0.16
	-	51,000	51,000	0.16
Associated Companies, Undertakings & Related Parties				
M/s. SME BANK LIMITED	-	23,405,198	23,405,198	73.14
	-	23,405,198	23,405,198	73.14
Banks, NBFCs, DFIs, Takaful, Pension Funds				
Banks	-	5,352,977	5,352,977	16.73
NBFCs, DFIs	-	215,000	215,000	0.67
	-	5,567,977	5,567,977	17.40
Insurance Companies	-	155,000	155,000	0.48
Other Companies, Corporate Bodies, Trust etc.	46,000	941,702	987,702	3.09
General Public	136,001	1,747,116	1,883,617	5.89
	182,507	31,817,493	32,000,000	100.00

Shareholders More Than 5.00%

SME BANK LIMITED			23,405,198	73.14
SUMMIT BANK LIMITED			3,144,000	9.83



Proxy Form

I/We _____
of _____ (full address)
being a member of SME Leasing Limited hereby appoint _____
of _____ (full address)
or failing him/her _____ (full address)
of _____ (full address)
as my / our Proxy to attend and vote for me / us and on my / our behalf at the 21st Annual General Meeting of the Company to be held on January 11, 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.)

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

Phone No. +92-21-34322128-9 Fax No. +92-21-34322082

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