



Annual Report 2016



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

Mission Statement

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

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

Vision Statement

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

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Branch Network

KARACHI

Main Branch:

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

HYDERABAD

M-06, Mezzanine Floor, Rabi Shopping Centre,
Cantonment Area, Saddar.
Phone: 022-9200747, Fax: 022-9201060

LAHORE

Office No. 805, 8th Floor, Al-Hafeez Heights,
65-D-A, Sir Syed/Ghalib Road, Gulberg III, Lahore.
Phone: 042-35750149, 35751660
Fax: 042-35751661

ISLAMABAD

Office No. 15, 2nd Floor, Rehmat Centre, I-8 Markaz.
Phone: 051-9257524, Fax: 051-9257520

SIALKOT

Chowk Shahab Pura, City Bazar, Street No. 3, Shop No. 195,
Opposite Sahab Marriage Hall, Sialkot.
Phone: 052-3572136

PESHAWAR

34, Ground Floor, State Life Building, The Mall, Peshawar Cantt.
Phone: 091-9211683, Fax: 091-9211683

Corporate Information

BOARD OF DIRECTORS

Ms. Mehnaz Saleem - Chairperson
Mr. Ihsan ul Haq Khan
Mr. Bilal Mustafa
Mir Javed Hashmat - CEO
Mr. Mohammad Farrukh Mansoor Malik
Mr. Ateeq Ur Rehman
Mr. Dilshad Ali Ahmad

CHIEF EXECUTIVE OFFICER

Mir Javed Hashmat

AUDIT COMMITTEE

Mr. Ateeq Ur Rehman Chairman
Mr. Mohammad Farrukh Mansoor Malik
Mr. Bilal Mustafa
Mr. Naeem-ul-Hasan Committee Secretary

HUMAN RESOURCE COMMITTEE

Mr. Bilal Mustafa Chairman
Mr. Dilshad Ali Ahmad Member
Mir Javed Hashmat Member

Corporate Information

COMPANY SECRETARY & CFO

S. Liaquat Ali

EXTERNAL AUDITORS

Grant Thornton Anjum Rahman
Chartered Accountants

INTERNAL AUDITOR

Mr. Naeem-ul-Hasan

TAX CONSULTANT

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company,
Advocate & Legal Consultant

CREDIT RATING

Long-term: B + Short-term: B

REGISTERED OFFICE

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

MAIN OFFICE

Office # 304, 3rd Floor, Business Arcade, Shakra-e-Faisal, Karachi.
Tel: (+92-21) 34322128-129-137
Fax: (+92-21) 34322082
E-mail: info@smelease.com

REGISTRAR AND SHARE TRANSFER OFFICE

Corptec Associates (Pvt.) Limited

503-E, Johar Town, Lahore.

BANKS AND LENDING INSTITUTIONS

Allied Bank Limited
MCB Bank Limited
SME Bank Limited
Meezan Bank Limited

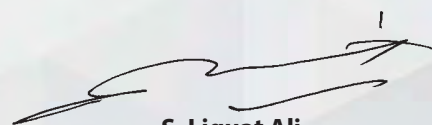
Notice of the 15th Annual General Meeting

Notice is hereby given that the Fifteenth Annual General Meeting of the shareholders of SME Leasing Limited (the Company) will be held at the Hotel Crown Plaza, Islamabad on Tuesday April 25, 2017 at 10:00 am to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 14th Annual General Meeting of the Company held on April 26, 2016.
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended December 31, 2016 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2017 and fix their remuneration. The Board of Directors has recommended appointment of M/s. Grant Thornton Anjum Rahman, Chartered Accountants as auditors of the Company for the year ending December 31, 2017.
4. To transact any other business with the permission of the Chair.

By Order of the Board



S. Liqat Ali
Company Secretary

Karachi: April 04, 2017

Notes:

1. The Register of the members of the Company will remain closed from April 18, 2017 to April 25, 2017 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint another member as proxy to attend, speak and vote in the meeting. Proxies in order to be effective must be received by the company at the main office situated at Office # 304, 3rd Floor, Business Arcade, Shahrah-e-Faisal, Karachi not less than 48 hours before the time of holding the meeting.
3. An instrument appointing proxy and the Power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, in order to be valid must be deposited at the main office of the company not less than 48 hours before the time of the meeting.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan

For attending the meeting.

- In case of individuals, the account holder or sub - account holder shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their participants I.D. numbers and account numbers in CDS.
- In case of a corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

For appointing proxies.

- In case of individuals, the account holder or sub - account holder and /or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
 - The proxy shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.
 - Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
 - In case of corporate entity, the Board of Directors resolution /power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with the proxy form for the meeting.
5. Shareholders are requested to notify the change of their address, if any, at our main office at Office # 304, 3rd Floor, Business Arcade, Shahrah-e-Faisal, Karachi.

Directors' Report

The Board of Directors of SME Leasing Limited is pleased to present before you the annual audited financial statements for the year ended December 31, 2016.

The Company

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

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

Operational Review

We are pleased to inform that despite of restrictive operational environment and financial stress, the company has mainly focused on recovery and utilizing the resources in doing fresh business. .

During the year, the company has exercised a very cautious approach in building its asset base by adding a healthy, performing and risk free lease portfolio with negligible defaults.

During the period under review, the company mainly focused on the recoveries from its non-performing assets and utilizing these resources in generating new business in order to remain as a going concern. The company despite financial pressures due to shrinkage of performing portfolio managed to curtail its losses to minimum.

Financial Review

As a result of our focus on recoveries the company has succeeded to have a direct impact on the P&L by reversal in its provisioning amounting to Rs. 5.67 million before charge. The company has also managed its cash flows and out of total cash generation of Rs. 145.26 million, recoveries from NPL has contributed Rs. 54.10 million during the year.

In view of the above the Company's current gross revenue has increased to Rs.37.42 million as compared to Rs.27.89 million in 2015. The operating expenses remained constant as compared to the last year due to controlled monitoring. Impact on reversals has been low due to change in classification and benefits of FSVs and collaterals taken into accounts. Financial Charges of the company reduced to Rs. 13.22 million as compared to Rs. 17.67 million in 2015 due to reduction in KIBOR rates and reduction of overall outstanding balance of the SME Bank line in the current period. The highlights of statement of income of the company for current year are as follows;

	2016 Rupees	Restated 2015 Rupees
Gross revenue	37,415,117	27,889,120
Operating Expenses	(51,335,889)	(56,044,111)
	(13,920,772)	(28,154,991)
Reversal of provisions /(Provisions)	863,862	5,974,922
Profit/(Loss) before taxation	(13,056,910)	(22,179,999)
Taxation:	(325,312)	3,794,318
(Loss) after taxation	(13,382,222)	(18,385,681)
Earnings/(loss) per share - basic and diluted	(0.42)	(0.57)

Economic review

Pakistan economy continues to maintain its growth momentum for the current year. The economy performed much as expected. Many economic indicators showed improvement during the current financial year. Inflation rates remained under control along with the discount rate being maintained at 6.5% increasing the demand for credits for investments as well as capital expenditures.

External sectors has become more stable on account of robust growth in workers' remittances, continued flows from International Financial Institutions (IFIs) and sharp decline of global oil prices. This also resulted in the increase of foreign reserves of the country. This improvement in external sector was critical in maintaining the exchange rate stability during the year.

Leasing companies play a vital part in the financial sector in the form of NBFIs contributing towards the economy of Pakistan. The leasing sector has remained an essential component of the financial industry and plays a vital role for promotion and development of the industrial sector through capital assets financing. The sector recorded a progressive growth in terms of numbers and volumes until it was hit by liquidity crises in 2008-09.

Despite of the economic growth in the country, the leasing companies have been facing financial stress in the form of liquidity, unwillingness from commercial banks to lend credit at flexible terms and escalating cost of doing business. Currently, few leasing companies are operating in Pakistan and are struggling for their survival with limited resources.

Commercial banks are still reluctant in taking exposure on the NBFIs sector. SLL is closely working on the options for resource mobilization and is in constantly negotiating terms with capital financing providers for working out solutions to overcome the challenging phase and to improve liquidity position of the company.

Subsequent Development

Subsequently to year end, State Bank of Pakistan has included leasing companies in its Credit Guarantee Scheme which was previously only extended to banks. The inclusion of leasing companies in this scheme would not only enhance the confidence of capital markets for capital lending but also would enhance the lending capacities of the leasing companies. Your company is currently studying the features of the plan and would move onwards after complete feasibility.

Dividend

Due to the company having incurred a loss the Board has not recommended any dividend for the year under review.

Minimum equity requirements

The minimum capital requirement of the non-deposit taking leasing company has been reduced to Rs. 50 million and for deposit taking leasing company to Rs. 500 million under the new reforms made to NBFC regulations. Your company being a non-deposit taking company is fully compliant with the minimum capital requirements imposed by SECP.

Future Prospects

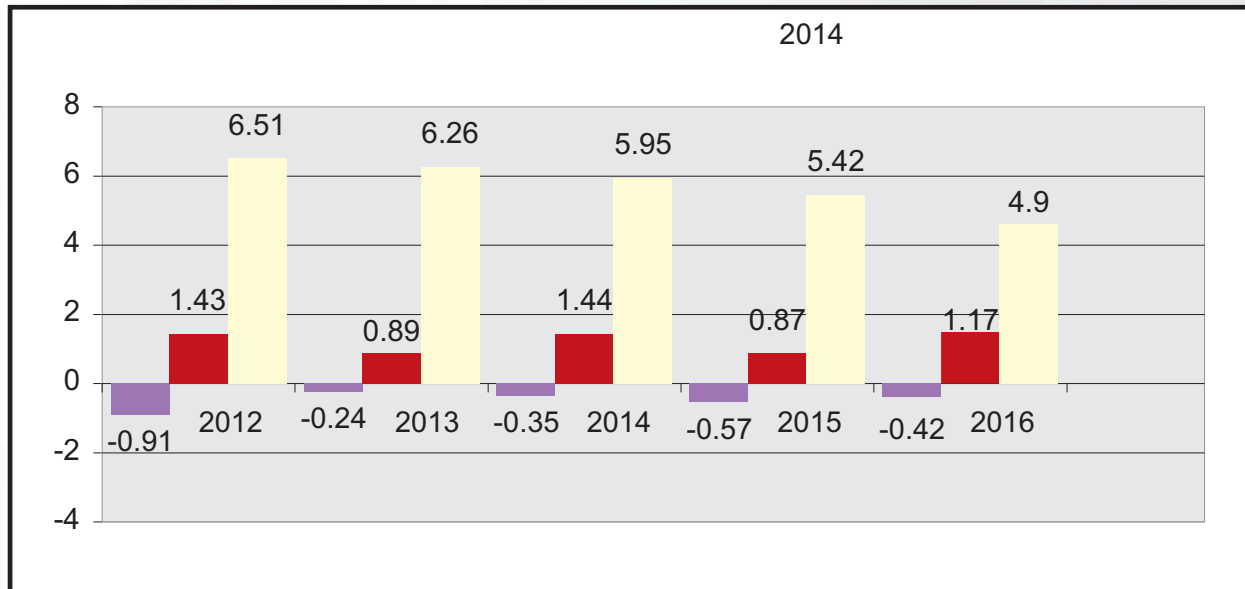
The stable economic outlook of the country is a vital part for any business to grow. Business requires adequate profit margins to get the room enough to maintain their liquidity and honor their repayment commitments. In present, the ability of business to service their liabilities has been impaired due to diminishing profits resulting from increased costs, direct and indirect taxes.

Leasing companies are currently facing resource constraints and also the high borrowing cost. Moreover, lending banks also look for collateral securities before undertaking any credit commitment to the leasing sector which makes it tougher for the companies to access funding.

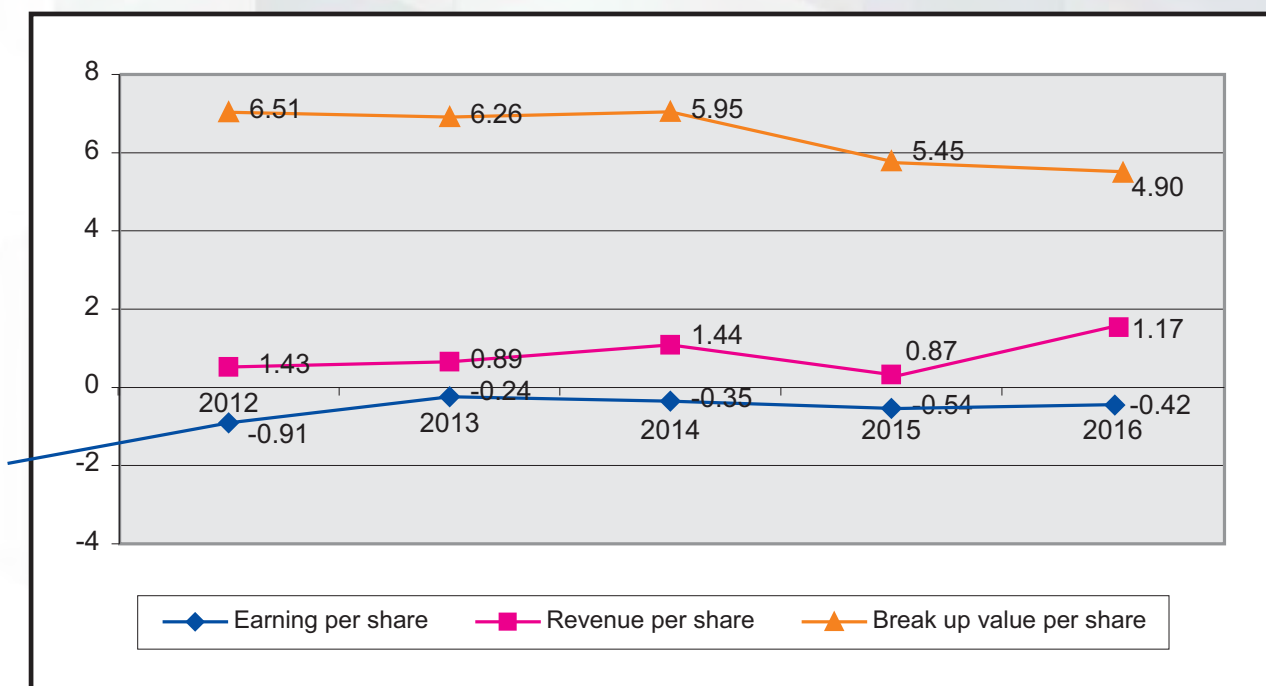
The situation has also become a little competitive for the leasing companies with the commercial banks offering funds under Islamic mode of leasing (Ijarah) as well as leasing facilities to its customers at much lower rates due to their lower costs making it hard for leasing companies to match those rates in the market.

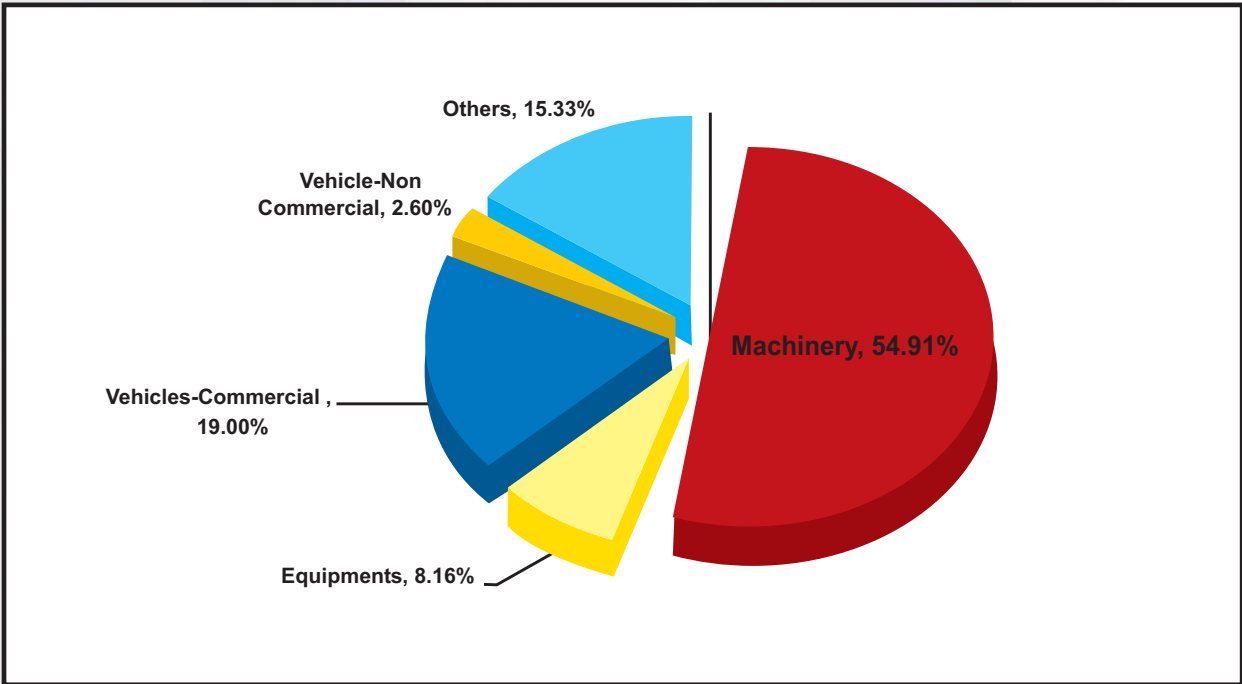
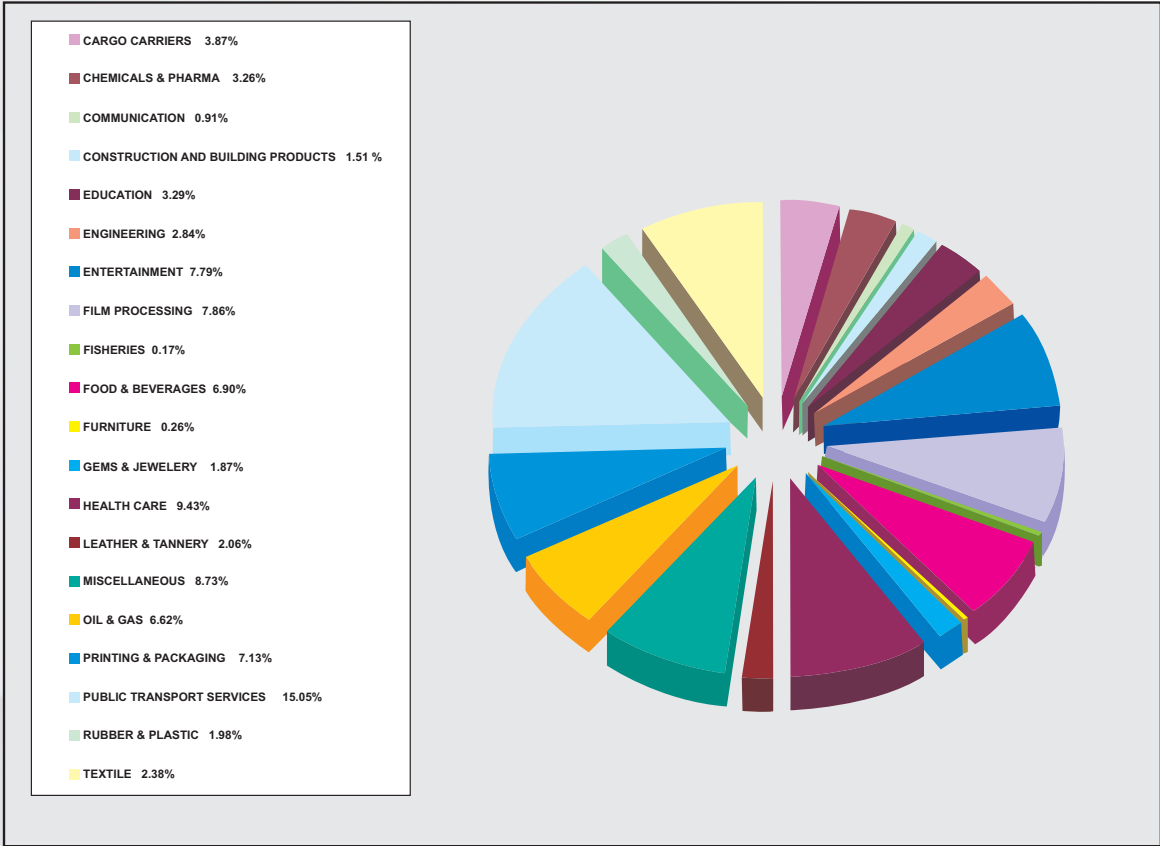
In the absence of access to funds from the market other than the line available from the parent bank, the company is solely relying on the internal cash generation through recovery measures which can help us in bringing a steady improvement in the years to come. The management is also working on various funding options from the market based on our past performance and future prospects.

Key Ratios



Key Ratios





Human Resources

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

Board of Directors

During the year Mr. Ali A. Rahim and Mian Tahir Bashir resigned from the office of Directorship of the company on September 21, 2016 and October 25, 2016 respectively.

Mr. Bilal Mustafa was appointed on the Board on September 22, 2016 to fill in the casual vacancy occurred due to resignation of Mr. Ali A. Rahim. Mr. Bilal Mustafa is a seasoned banker having 40 years of professional experience. Further, Mr. Muhammad Farrukh Mansoor Malik has been nominated as a director on the Board of the Company by the Parent bank, in place of Mian Tahir Bashir subsequent to year end.

The Board wishes to place on record its appreciation for the valuable contributions made by the outgoing/retiring Directors and welcomes the new Directors and expect them to play a positive role in bringing the company out of financial crises.

During the year, four meetings of the Board of Directors and Board Audit Committee were held. Detail of the attendance by each member of the Board and Audit Committee are as follows:

Board of Directors Meetings

Director	Meetings attended	Director	Meetings attended
Mr. Ihsan-ul-Haq Khan	4	Mian Tahir Bashir	3
Mr. Dilshad Ali Ahmad	3	Mr. Ateeq Ur Rehman	4
Mr. Ali A Rahim	3	Ms. Mehnaz Saleem	2
Mr. Bilal Mustafa	1	Mir Javed Hashmat	4

Audit Committee Meetings

Director	Meetings attended	Director	Meetings attended
Mr. Ateeq Ur Rehman	4	Mian Tahir Bashir	3
Mr. Ali Rahim	3	Mr. Bilal Mustafa	1

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

Corporate Governance - Public Sector Companies

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

Business Ethics

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

Directors' Declaration:

The Board of the company is fully cognizant of its responsibility as recognized by the Code of Corporate Governance, detailed in listing regulation and Public Sector Companies (Corporate Governance) Rules, 2013 issued by the Securities and Exchange Commission of Pakistan. Following are the comments on acknowledgement of SMEL's 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 Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements; and any departure there from has been adequately disclosed and explained
- vi) The system of internal control is sound in design and has been effectively implemented and monitored;
- vi) The non-executive members of the Board do not have fixed remuneration and are being paid a fixed fee for each meeting attended. The said fees are decided upon by the entire Board of directors collectively.
- vii) There are no significant doubts upon the Company's ability to continue as a going concern in view of the mitigating factors as stated in note number 1.2 of the financial statements;
- viii) There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations and Public Sector Code of Corporate Governance;
- ix) Key operating and financial data for last six years in summarized form is included in the Annual report.
- x) The value of investments of recognized provident fund as at December 31, 2016, was Rs 4.16 million (un-audited) and as at December 31, 2015, was Rs 3.99 million (Audited).
- xi) No trading in shares of the Company was carried out by the Directors, Chief Executive, Chief Financial Officer/Company Secretary and their spouses and minor children during the year.

Credit Rating

Based on the performance of company during the three quarters of 2016, the rating agency, PACRA has, subsequent to year end, assigned the initial long term entity rating to B+ (B positive) and short term to B with stable outlook.

Parent Company

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

Auditors

The present auditors M/s Grant Thornton Anjum Rahman & Company, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment for the year ending December 31, 2017. On the proposal of Board Audit Committee, the Board recommends the appointment of M/s Grant Thornton Anjum Rahman & Company, Chartered Accountant, as statutory auditors of the company for the year 2017.

Pattern of Shareholding

The pattern of shareholding of the Company as on December 31, 2016, is annexed with this report.

Acknowledgement

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

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

On behalf of Board of Directors



Ms. Mehnaz Saleem
Chairperson

Dated: February 27, 2017



ڈائریکٹرز رپورٹ:

ایس ایم ای لیزنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2016ء کو ختم ہونے والے سال کیلئے سالانہ آڈٹ شدہ مالیاتی حسابات آپ کے سامنے پیش کر رہے ہیں۔

کمپنی کا تعارف:

ایس ایم ای لیزنگ لمیٹڈ (ایس ایل ایل) جس کا قیام پاکستان میں جولائی 2002ء میں ہوا اور دسمبر 2006ء میں یہ ترقی کی منازل طے کرتے ہوئے لمیٹڈ کمپنی کی فہرست میں شامل ہو گئی۔ ایس ایل ایل جو کہ ایس ایم ای بینک سے الحاق شدہ ہے جس میں کمپنی کے 73.14% شیئرز ہیں۔ کمپنی لیزنگ کاروبار بطور نان بینکنگ فنانس کمپنی (این بی ایف سی) کو چلانے کی حامل لائسنس ہے اور یہ کاروبار ایس ایم ای سی پی کی جانب سے جاری کردہ نان بینکنگ فنانس کمپنیز رولز کے تحت ہے۔

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

عملی جائزہ:

ہم یہاں پر کچھ محدود عملی ماحول اور مالیاتی دباؤ کے بارے میں بھی مطلع کرنا چاہتے ہیں کہ کمپنی نے ریکوری اور نئے کاروبار کرنے کیلئے ذرائع استعمال کرنے پر نظر مرکوز کی ہوئی ہے۔

اس سال کے دوران کمپنی نے اپنے اثاثوں کو قائم رکھنے کیلئے احتیاط کے ساتھ اپنا عمل شروع کیا ہے اس کے علاوہ صحتمندانہ ماحول، خطرے سے پاک لیز پورٹ فولیو بغیر کسی غفلت کے اپنی کارکردگی کو سرانجام دیا ہے۔

زیر نظر مدت کے دوران کمپنی عدم کارکردگی کی بنیاد پر اثاثوں سے ریکوری پر اپنا نقطہ نظر مرکوز کئے ہوئے ہے اور نئے کاروبار کے حصول کیلئے ان ذرائع کو استعمال کیا جا رہا ہے۔ کمپنی مالیاتی دباؤ اور خسارہ کو کم کرنے کیلئے اپنا کردار ادا کر رہی ہے۔

مالیاتی جائزہ:

کمپنی کی ریکوریز پر اپنی نگاہ مرکوز کرنے کے نتیجے کا اثر براہ راست پی اینڈ ایل پر پڑا اس طرح سے چارج کرنے سے قبل مبلغ 5.81 روپے کا اضافہ ہوا۔ کمپنی نے اپنے کیش فلو کو بھی منظم کیا ہے اور مبلغ 145.26 روپے اور این پی ایل سے مبلغ 54.11 ملین روپے ریکوری حاصل ہوئی جو کہ اس سال کے دوران اہم کردار کا حامل ہے۔

مذکورہ بالا امور کی روشنی میں کمپنی کی موجودہ کل آمدنی 37.42 ملین روپے رہی ہے جس کا موازنہ سال 2015ء میں مبلغ 27.89 ملین روپے سے کیا جاسکتا ہے۔ عملی اخراجات میں کوئی ردوبدل نہیں ہوئی ہے جس کا موازنہ گزشتہ سال سے بھی کیا جاسکتا ہے۔ اس کے علاوہ واپسی کے عمل میں کمی ہوئی ہے جو کہ ایف ایس وی کے فوائد اور درجہ بندی میں تبدیلی کے سبب ہوئی۔ کمپنی کے مالیاتی چارجز میں مبلغ 13.22 ملین روپے تک کم ہوئے ہیں جس کا موازنہ سال 2015ء میں 17.67 ملین روپے سے کیا جاسکتا ہے جو کہ کیبور ریٹ میں کمی اور موجودہ مدت کے دوران ایس ایم ای بینک لائن کے واجب الادا میزانیہ میں کمی کے سبب ہوئی۔ کمپنی کی آمدنی کے حسابات موجودہ سال کیلئے درج ذیل ہیں:-

2015	2016	
27,889,120	37,415,117	کل آمدنی
(56,044,111)	(51,335,889)	عملی اخراجات
(28,154,991)	(13,920,772)	نفع/(نقصان) اطلاق سے قبل
5,974,922	863,862	قواعد کی تنزیلی
(22,179,999)	(13,056,910)	ٹیکس سے قبل نفع/(نقصان)
3,794,318	(325,312)	ٹیکسیشن
(18,385,681)	(13,382,222)	خسارہ بعد از ٹیکس
(0.57)	(0.42)	فی شیئر آمدنی/(خسارہ)۔ بنیادی اور اجمالی

اقتصادی جائزہ:

موجودہ سال میں پاکستان کی اقتصادی حالت مستقل طور پر ترقی کی جانب ہے اور اقتصادی حالت توقع کے مطابق ہے۔ کئی اقتصادی ماہرین نے موجودہ مالیاتی سال کے دوران بہتری کا اشارہ دیا ہے۔ انفراسٹرکچر کی قیمتیں مستقل طور پر کنٹرول میں ہیں اس کے علاوہ ڈسکاونٹ قیمتیں %6.5 پر مرتب کی گئی ہیں جس کی وجہ سے سرمایہ کاری کیلئے کریڈٹ اور سرمایہ کے اخراجات کیلئے طلب میں اضافہ ہو رہا ہے۔



بیرونی سیگٹرز میں ورکرز کی ریمیننس میں ترقی کے سبب زیادہ بہتری آرہی ہے اس کے علاوہ یہ سلسلہ انٹرنیشنل مالیاتی اداروں (آئی ایف آئی) سے مستقل جاری ہے۔ اس کے ساتھ ساتھ تیل کی قیمتوں میں بھی تیزی سے کمی واقع ہوئی ہے۔ اس بیرونی سیگٹر میں اصلاح کے سبب نے سال کے دوران ایکسچینج ریٹ کو مرتب کرنے کے سلسلے میں بڑا کردار ادا کیا ہے۔

لیزنگ کمپنیاں این بی ایف آئی کی شکل میں مالیاتی سیگٹر میں اہم کردار ادا کر رہی ہیں اور پاکستان کی اقتصادی حالت میں بھی معاون ہیں۔ لیزنگ سیگٹر مستقل طور پر مالیاتی صنعت کا اہم جز ہے اور صنعتی سیگٹر تو سب سے زیادہ ایسٹ فنانسنگ کے توسط سے ترقی کیلئے بھی اہم کردار ادا کر رہی ہیں۔ اس سیگٹر نے شاندار پروگریس کے حوالے سے تعداد اور والیوم میں ترقی حاصل کی جب تک 2008-09 میں لیکوڈٹی کا بحران آکھڑا ہوا۔

ملک میں اقتصادی ترقی کے باوجود لیزنگ کمپنیاں لیکوڈٹی، کمرشل بینک سے عدم رضامندی کے سبب دباؤ کا شکار ہیں۔ اس وقت چند لیزنگ کمپنیاں پاکستان میں آپریٹ کر رہی ہیں اور وہ اپنے محدود ذرائع کے تحت مستقل طور پر ترقی کیلئے جدوجہد کر رہی ہیں۔

کمرشل بینک اب تک این بی ایف آئی سیگٹر پر اعتبار کرنے پر رضامند نہیں ہے۔ ایس ایل ایل جو کہ موہیلانڈیشن ذرائع کے لئے کام کر رہی ہے اور مستقل طور پر سرمایہ فراہم کرنے والوں کے ساتھ بات چیت کر رہی ہے تاکہ ان چیلنجز کا مقابلہ کیا جاسکے اور کمپنی کی لیکوڈٹی پوزیشن کو بھی بہتر بنا سکے۔

بعد ازاں ترقی:

اسٹیٹ بینک آف پاکستان نے سال کے آخر میں اپنی کریڈٹ گارنٹی اسکیم میں لیزنگ کمپنیوں کو شامل کیا ہے جو کہ اس سے پہلے صرف بینک کو شامل کیا کرتے تھے۔ اس اسکیم میں لیزنگ کمپنیوں کی شمولیت سے نہ صرف سرمایہ کیلئے بڑی مارکیٹوں میں اعتماد پیدا ہوگا بلکہ لیزنگ کمپنیوں میں بھی اضافہ ہوگا۔ اس وقت آپ کی کمپنی اسی نقطہ نظر پر غور کر رہی ہے اور فریٹیبلٹی مکمل ہونے کے بعد اس پر کام کیا جائے گا۔

ڈویڈنڈ:

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

کم از کم ایکویٹی کی ضروریات:

غیر ڈپازٹ لیزنگ کمپنی کیلئے کم سے کم سرمایہ کی ضروریات 50 ملین روپے مقرر ہے اور ڈپازٹ لیزنگ کمپنی کے لئے سرمایہ 500 ملین روپے کر دیا گیا ہے اور این بی ایف سی کی جانب سے نئے قواعد کے تحت اس پر عملدرآمد کیا جائے گا۔ آپ کی کمپنی نان ڈپازٹ کمپنی کی حیثیت سے ایس ای سی پی کی جانب سے سرمایہ کی کم سے کم ضروریات پر مکمل عمل پیرا ہے۔

مستقبل کا نظریہ:

ملک کی بہتر اقتصادی حالت کسی بھی کاروبار کی ترقی کیلئے اہم کردار ادا کرتی ہے کیونکہ کاروبار میں منافع کا تناسب مناسب ہونا چاہئے تاکہ تمام تر اقتصادی حالت پر مکمل طور پر غور و خوض کیا جائے۔ اس وقت کاروباری مہارت کے حوالے سے اخراجات، بالواسطہ اور بلاواسطہ ٹیکسز میں اضافہ کے نتیجے میں منافع پر اثر پڑا ہے۔

اس وقت لیزنگ کمپنیاں اخراجات میں اضافہ کے سبب مسائل کا شکار ہیں اور قرض دینے والے بینکس کسی بھی کریڈٹ کیلئے سیکورٹیز لازمی قرار دیتے ہیں۔ اسی لئے لیزنگ سیکٹر میں فنڈنگ کے حوالے سے کمپنیاں سخت دباؤ کا شکار ہیں۔

تجارتی بینک کے مقابل لیزنگ کمپنیاں مشکلات کا شکار ہیں اور بینک اسلامک لیزنگ (ایجارہ) کے تحت فنڈز کی پیشکش کر رہے ہیں اس کے علاوہ بہت کم قیمت پر لیزنگ کی سہولیات اپنے صارفین کو فراہم کر رہے ہیں۔ لیزنگ کمپنیاں مارکیٹ میں ان قیمتوں کے حوالے سے اس کا موازنہ نہیں کر سکتی ہیں۔

کمپنی مکمل طور پر متعلقہ بینک سے دستیاب لائن کے علاوہ مارکیٹ سے فنڈز کے حصول کی عدم موجودگی میں ریکوری کے اقدامات کے توسط سے داخلی طور پر نقد حاصل کرنے پر توجہ دے رہی ہے جو کہ آنے والے سالوں میں زیادہ بہتری لاکر ہمیں مدد کر سکے۔ انتظامیہ بھی مارکیٹ کی بنیاد پر مختلف فنڈنگ پر کام کر رہی ہے جس کا انحصار ہماری گزشتہ اور مستقبل کی کارکردگی پر ہوگا۔

ہیومن ریورسز:

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



بورڈ آف ڈائریکٹرز:

اس سال کے دوران جناب علی اے رحیم اور میاں طاہر بشیر نے کمپنی کی ڈائریکٹرشپ سے مورخہ 21 ستمبر 2016ء اور 25 اکتوبر 2016ء بالترتیب استعفیٰ پیش کر دیئے ہیں۔

جناب علی اے رحیم کے استعفیٰ کے بعد جناب بلال مصطفیٰ کو 22 ستمبر 2016ء کی تفرری بورڈ پر کی گئی تھی۔ جناب بلال مصطفیٰ کو چالیس سال کا پیشہ ورانہ تجربہ حاصل ہے۔ مزید یہ کہ جناب محمد فرخ منصور ملک کو متعلقہ بینک کی جانب سے سال کے اختتام کے بعد میاں طاہر بشیر کی جگہ کمپنی کے بورڈ پر بحیثیت ڈائریکٹر نامزد کیا گیا۔

بورڈ یہ چاہتا ہے کہ جانے والے/ریٹائر ہونے والے ڈائریکٹرز کی خدمات کو شاندار طریقہ سے ریکارڈ پر لایا جائے اور بورڈ نئے آنے والے ڈائریکٹرز کو خوش آمدید کہنا چاہتا ہے اور ان سے امید ہے کہ وہ کمپنی کو اس مالیاتی بحران سے نکالنے میں مثبت کردار ادا کریں گے۔ اس سال کے دوران بورڈ آف ڈائریکٹرز اور بورڈ آف آڈٹ کمیٹی کی چار میٹنگز منعقد کی گئیں۔ بورڈ اور آڈٹ کمیٹی کے ہر ممبر کی شرکت کی تفصیل درج ذیل ہے:-

بورڈ آف ڈائریکٹرز کی میٹنگ:

ڈائریکٹرز	میٹنگ میں شرکت کی تعداد	ڈائریکٹرز	میٹنگ میں شرکت کی تعداد
جناب احسان الحق خان	4	میاں طاہر بشیر	3
جناب دلشاد علی احمد	3	جناب عتیق الرحمن	4
جناب علی اے رحیم	3	مس مہناز سلیم	2
جناب بلال مصطفیٰ	1	میر جاوید حشمت	4

آڈٹ کمیٹی کی میٹنگز:

ڈائریکٹرز	میٹنگ میں شرکت کی تعداد	ڈائریکٹرز	میٹنگ میں شرکت کی تعداد
جناب عتیق الرحمن	4	میاں طاہر بشیر	3
جناب علی رحیم	3	جناب بلال مصطفیٰ	1

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

کارپوریٹ گورننس - پبلک سیکٹر کمپنیز:

بورڈ آف ڈائریکٹرز نے اس بات کا اعادہ کیا ہے کہ کارپوریٹ گورننس کے معیار کو مزید بہتر کیا جائے۔ کمپنی نے پبلک سیکٹر کمپنیز کیلئے کارپوریٹ گورننس کے کوڈ پر بھی عملدرآمد کیا ہے۔ اس سلسلے میں جائزہ کی رپورٹ اور کارپوریٹ گورننس کوڈ پر مشتمل آڈیٹرز کی رپورٹ اس رپورٹ کے ساتھ منسلک ہے۔

کاروباری اصول:

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

ڈائریکٹرز کا اقرار نامہ:

کمپنی کا بورڈ جو کہ اپنی ذمہ داریوں کو اچھی طرح سے سمجھتا ہے اور کارپوریٹ گورننس کے کوڈ کے تحت ہے، اس سلسلے میں قواعد کی تفصیلات اور پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز 2013ء، جس کا اجراء سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے کیا ہے اور درج ذیل ایس ایم ای ایل کا اقرار نامہ جو کہ کارپوریٹ گورننس کے اعلیٰ معیار کے تحت ہے اور مستقل بہتری کیلئے ہے۔

۱- کارپوریٹ گورننس کے متعلقہ اصولوں پر پورا عملدرآمد کیا جا رہا ہے اور وہ رول جس پر عملدرآمد نہیں کیا جا رہا ہے اس کی شناخت کر دی گئی ہے اور اس پر عملدرآمد نہ کرنے کے اسباب بھی بیان کئے گئے ہیں۔

۲- مالیاتی حسابات کو ایس ایم ای لیزنگ لمیٹڈ کی انتظامیہ نے تیار کئے ہیں اور ان حسابات کے امور، اس کے آپریشنز کے نتائج، کیش فلو، آمدنی اور ایکویٹی میں تبدیلی سے متعلق حسابات مکمل اور شفاف پیش کئے گئے ہیں۔

۳- کمپنی کی بکس آف اکاؤنٹ کو درست رکھنے کا اہتمام کیا گیا ہے۔

۴- مناسب اکاؤنٹنگ کی پالیسیز پر بھی عملدرآمد کیا گیا ہے جس میں مالیاتی حسابات اور اکاؤنٹنگ کے تخمینہ کی بنیاد صحیح فیصلے پر ہے۔

۵- انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ جن کا اطلاق پاکستان میں ہے، جو کہ مالیاتی حسابات کی تیاری کیلئے استعمال کئے گئے ہیں۔



- ۶- کمپنی کا داخلی کنٹرول سسٹم مضبوط ہے اور اس پر موثر طور پر عملدرآمد کیا جاتا ہے اور اس کی نگرانی کی جاتی ہے۔
- ۷- بورڈ کے غیر ایگزیکٹو ممبران کی تنخواہوں کو مقرر نہیں کیا گیا ہے اور انہیں ہر مینٹنگ میں شرکت کیلئے مقرر کردہ فیس دی جاتی ہے۔ مذکورہ فیس کا فیصلہ بورڈ کے تمام ممبران مشترکہ طور پر کرتے ہیں۔
- ۸- کمپنی کے کاروباری معاملات کو جاری رکھنے کی اہلیت پر کسی قسم کے کوئی شبہات نہیں ہیں جسے مالیاتی حسابات کے تحریر کردہ نوٹ نمبر 1.2 میں شامل کیا گیا ہے۔
- ۹- کارپوریٹ گورننس کی بہترین پریکٹس سے کوئی اخراج نہیں کیا گیا ہے جس کی تفصیلات کارپوریٹ گورننس کے پبلک سیکٹر کوڈ میں موجود ہے۔
- ۱۰- اہم امور اور گزشتہ چھ سالوں کا مالیاتی ڈیٹا سالانہ رپورٹ میں شامل ہے۔
- ۱۱- سرمایہ کاری کی ویلیو کے حوالے سے پروویڈنٹ فنڈ 31 دسمبر 2016ء کو مبلغ 4.16 ملین روپے (غیر آڈٹ شدہ) اور 31 دسمبر 2015ء کو مبلغ 3.99 ملین روپے (آڈٹ شدہ) تھا۔
- ۱۲- ڈائریکٹر، چیف ایگزیکٹو، چیف فنانشل آفیسر/کمپنی سیکریٹری ان کی زوجات اور چھوٹے بچوں نے دوران سال کمپنی کے شیئر میں کوئی تجارت نہیں کی۔

کریڈٹ کی ریٹنگ:

2016 کی تین سہ ماہی کے دوران کمپنی کی کارکردگی کی بنیاد پر ریٹنگ ایجنسی، پی سی اے آراے نے بنیادی طویل مدتی ریٹنگ B+ (B مثبت) اور مختصر مدتی کا جائزہ B رکھا ہے۔

متعلقہ کمپنی:

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

آڈیٹرز:

کمپنی کے موجودہ آڈیٹر میسرز گرانٹ تھورنٹن انجم رحمان اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس جو کہ ریٹائر ہوئے اور انہوں نے 31 دسمبر 2017ء کیلئے اپنے آپ کو دوبارہ تقرری کیلئے پیش کیا۔ بورڈ آڈٹ کمیٹی کی تجویز پر بورڈ نے میسرز گرانٹ تھورنٹن انجم رحمان اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کی تقرری برائے سال 2017ء کی سفارش کی ہے۔

شیئر ہولڈنگ کی ساخت:

مورخہ 31 دسمبر 2016ء کی شیئر ہولڈنگ کی ساخت جو کارپوریٹ گورننس کو درکار ہے وہ اس رپورٹ کے آخر میں منسلک ہے۔


اظہار تشکر:

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

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

بتوسط بورڈ آف ڈائریکٹرز

مورخہ: 27 فروری 2017ء


مسز مہناز سلیم
چیر پرسن

Financial Highlights

(Rupees in 000)

Balance Sheet	2016	2015	2014	2013	2012	2011
Paid-up Capital	320,000	320,000	320,000	320,000	320,000	320,000
Total Equity	156,956	173,373	190,474	200,334	207,886	237,473
Gross Lease Receivable	632,010	676,450	777,084	697,016	718,133	914,494
Net Investment in Lease	406,932	443,243	519,173	459,877	481,606	662,865
Long-Term Liabilities	36,467	58,533	72,553	62,452	64,013	98,820
Current Liabilities	310,344	335,336	395,357	279,299	315,155	453,190
Current Assets	414,715	447,217	427,864	421,028	472,700	582,321
Total Assets	503,767	567,241	658,384	542,085	587,054	789,483

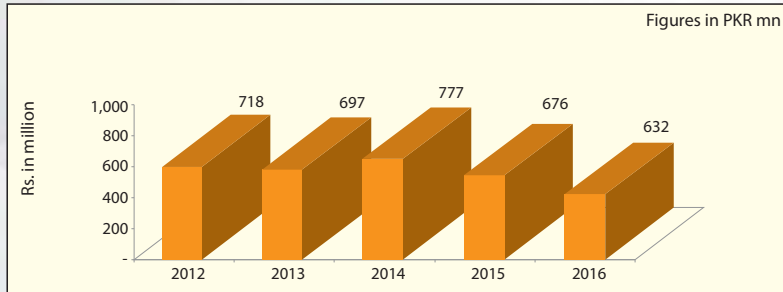
(Rupees in 000)

Income Statement	2016	2015	2014	2013	2012	2011
Lease Income	32,531	27,700	46,063	26,204	44,906	53,376
Total Revenue	37,415	27,889	46,220	28,392	45,827	59,718
Financial Charges	13,225	17,665	16,535	7,362	20,764	30,769
Administrative Expenses	38,111	38,378	37,945	29,416	40,555	47,249
Provisions	(864)	(5,975)	2,322	(954)	13,366	43,642
Total Expenses	50,472	50,068	56,803	35,824	74,685	121,660
(Loss) Before Taxation	(13,057)	(21,106)	(10,583)	(7,433)	(28,859)	(61,943)
(Loss) After Taxation	(13,382)	(17,312)	(11,046)	(7,717)	(29,088)	(62,540)

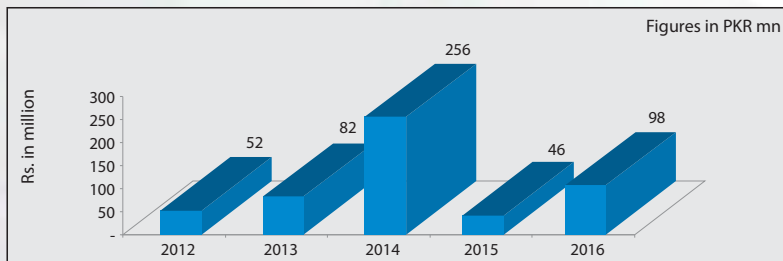
Financial Indicators	2016	2015	2014	2013	2012	2011
Breakup Value (Rs per share)	4.90	5.42	5.95	6.26	6.51	7.42
Current Ratio	1.34	1.33	1.08	1.51	1.50	1.28
Earning Per Share (Rs.)	(0.42)	(0.54)	(0.23)	(0.24)	(0.91)	(1.95)
Financial Charges to Total Exps (%)	26.20	35.28	29.11	20.55	27.80	25.29
Financial Charges to Total Revenue (%)	35.35	63.34	35.78	25.93	45.31	51.52
Income Expense Ratio (Times)	0.64	0.55	0.81	0.73	0.60	0.49
Net Profit Margin (%)	(35.77)	(62.07)	(23.90)	(27.18)	(63.47)	(104.71)
Return on Average Equity (%)	(7.70)	(9.27)	(5.55)	(3.78)	(13.05)	(23.11)
Return to Shareholders (%)	-	-	-	-	-	-
Revenue Per Share (Rs.)	1.17	0.87	1.44	0.89	1.43	1.87

Financial Highlights and Charts

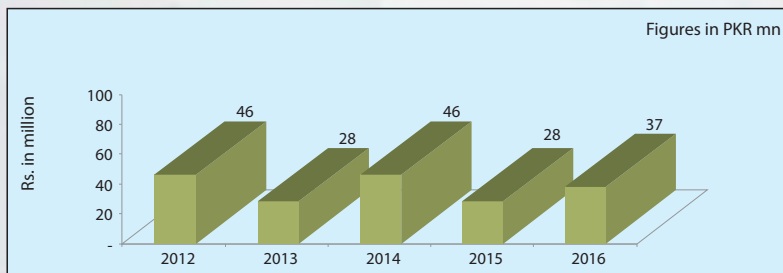
Gross Lease Receivables



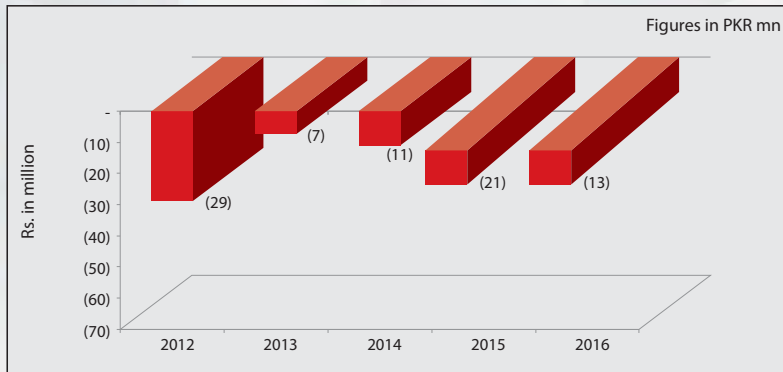
Disbursements



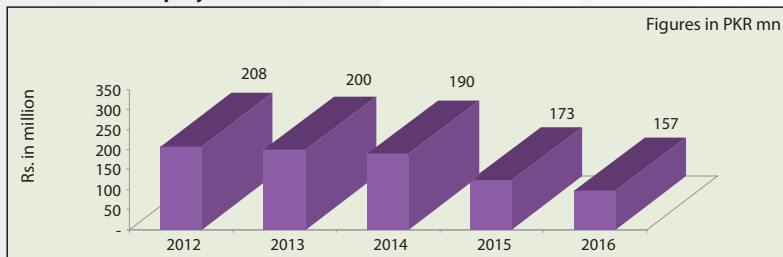
Total Revenue



Profit & Loss before taxation



Shareholder's Equity



Code of Conduct

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

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

The salient features of the Code are as follows;

1. Business conduct.

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

2. Compliance with laws and regulations.

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

3. Competition and fair dealing.

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

4. Conflict of interest.

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

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

5. Gifts and favors

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

Code of Conduct

6. Political contributions and activities.

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

7. Human rights and dignity of the individuals.

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

8. Guarding Corporate Assets.

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

9. Communication & disclosure.

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

Statement of Compliance

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

Schedule I

Name of Company: **SME Leasing Limited**

Name of Ministry: **Ministry of Finance**

For the year ended: **Dec 31, 2016**

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

II. The Company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule no.	Y	N	N/A	Remarks																	
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																				
2.	The Board has the requisite percentage of independent directors. At 30 December 2016 the Board includes:	3(2)	✓																				
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Independent Directors</td> <td>Mr. Ateeq ur Rehman</td> <td>23-07-2015</td> </tr> <tr> <td>Ms. Mehnaz Saleem</td> <td>23-07-2015</td> </tr> <tr> <td>Mr. Bilal Mustafa</td> <td>13-10-2016</td> </tr> <tr> <td>Executive Director</td> <td>Mr. Mir Javed Hashmat</td> <td>23-07-2015</td> </tr> <tr> <td rowspan="2">Non-Executive Directors</td> <td>Mr. Ihsan ul Haq Khan</td> <td>23-07-2015</td> </tr> <tr> <td>Mr. Dilshad Ali Ahmad</td> <td>23-07-2015</td> </tr> </tbody> </table>	Category	Names	Date of Appointment	Independent Directors	Mr. Ateeq ur Rehman	23-07-2015	Ms. Mehnaz Saleem	23-07-2015	Mr. Bilal Mustafa	13-10-2016	Executive Director	Mr. Mir Javed Hashmat	23-07-2015	Non-Executive Directors	Mr. Ihsan ul Haq Khan	23-07-2015	Mr. Dilshad Ali Ahmad	23-07-2015				
Category	Names	Date of Appointment																					
Independent Directors	Mr. Ateeq ur Rehman	23-07-2015																					
	Ms. Mehnaz Saleem	23-07-2015																					
	Mr. Bilal Mustafa	13-10-2016																					
Executive Director	Mr. Mir Javed Hashmat	23-07-2015																					
Non-Executive Directors	Mr. Ihsan ul Haq Khan	23-07-2015																					
	Mr. Dilshad Ali Ahmad	23-07-2015																					
3.	A casual vacancy occurring on the board was filled up by the directors within ninety days.	3(4)	✓			Casual vacancy is filled up on 16th January 2017. Mr. Farrukh Mansoor Malik is nominated against directorship position vacated by Mr. Tahir Bashir on 25th October 2016.																	
4.	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)	✓																				
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)	✓																				
6.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓																				
7.	The chairman has been elected from amongst the independent directors.	4(4)	✓			Ms. Mehnaz Saleem being independent director was elected as Chairman in the 58th Board Meeting.																	
8.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓																				

S. No.	Provision of the Rules	Rule no.	Y	N	N/A	Remarks
9.	(a) The company has prepared a "Code of Conduct" and 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. (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓			
10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓			Code of Conduct is disseminated through their website and also published in financial statements.
11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b)(ii)	✓			
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5) (b)(vi)	✓			
13.	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the company's code of conduct.	5(5) (c)(ii)	✓			
14.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules.	5(5) (c)(iii)	✓			
15.	The board has developed a vision or mission statement, corporate strategy and 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(6)	✓			
16.	The board has quantified the outlay of any action in respect of any service delivered or a good sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)			✓	
17.	(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)	✓ ✓ ✓			
18.	The board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management annually.	8	✓			
19.	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓			

S. No.	Provision of the Rules	Rule no.	Y	N	N/A	Remarks																		
20.	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, and has placed the annual financial statements on the company's website.	10	✓																					
21.	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		✓		No formal orientation training took place during the year.																		
22.	<p>(a) The board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the board members.</p> <p>(d) The committees were chaired by the following non -executive directors:</p> <table border="1" data-bbox="236 891 948 1400"> <thead> <tr> <th>Committee</th> <th>Number of members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>Mr. Ateeq ur Rehman Mr. Bilal Mustafa</td> <td>Mr Ateeq-ur-Rehman</td> </tr> <tr> <td>Risk Management Committee</td> <td>Mr. Dilshad Ali Ahmed Mr. Ateeq ur Rehman Ms. Mehnaz Sakeem</td> <td>Mr. Dilshad Ali Ahmad</td> </tr> <tr> <td>Human Resource Committee</td> <td>Mr. Bilal Mustafa Mr. Dilshad Ali Ahmed Mir Javed Hashmat</td> <td>Bilal Mustafa</td> </tr> <tr> <td>Procurement Committee</td> <td>-</td> <td>-</td> </tr> <tr> <td>Nomination Committee</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	Committee	Number of members	Name of Chair	Audit Committee	Mr. Ateeq ur Rehman Mr. Bilal Mustafa	Mr Ateeq-ur-Rehman	Risk Management Committee	Mr. Dilshad Ali Ahmed Mr. Ateeq ur Rehman Ms. Mehnaz Sakeem	Mr. Dilshad Ali Ahmad	Human Resource Committee	Mr. Bilal Mustafa Mr. Dilshad Ali Ahmed Mir Javed Hashmat	Bilal Mustafa	Procurement Committee	-	-	Nomination Committee	-	-	12		✓		<p>Majority members of Human resource committee are not independent</p> <p>The CEO evaluated that at present the Company is involved in very limited procurement of day to day items so Procurement Committee is not needed. The Board will be directly looking after procurement matters and all transactions in excess of Rs 1 million will be brought to the Board for approval.</p>
Committee	Number of members	Name of Chair																						
Audit Committee	Mr. Ateeq ur Rehman Mr. Bilal Mustafa	Mr Ateeq-ur-Rehman																						
Risk Management Committee	Mr. Dilshad Ali Ahmed Mr. Ateeq ur Rehman Ms. Mehnaz Sakeem	Mr. Dilshad Ali Ahmad																						
Human Resource Committee	Mr. Bilal Mustafa Mr. Dilshad Ali Ahmed Mir Javed Hashmat	Bilal Mustafa																						
Procurement Committee	-	-																						
Nomination Committee	-	-																						
23.	The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	✓																					
24.	The company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Ordinance.	16	✓																					
25.	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.	17	✓																					
26.	The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.	18	✓																					
27.	<p>A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place.</p> <p>The annual report of the company contains criteria and details of remuneration of each director.</p>	19	✓																					

S. No.	Provision of the Rules	Rule no.	Y	N	N/A	Remarks												
28.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.	20	✓															
29.	The board has formed an audit committee, with defined and written terms of reference, and having the following members: <table border="1" data-bbox="236 589 946 741"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr. Ateeq ur Rehman</td> <td>Chairman</td> <td>Businessman/ Member of KCC</td> </tr> <tr> <td>Mr Bilal Mustafa</td> <td>Member</td> <td>Chief Executive Officer, President & Director of KASB Group</td> </tr> <tr> <td></td> <td></td> <td></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. Ateeq ur Rehman	Chairman	Businessman/ Member of KCC	Mr Bilal Mustafa	Member	Chief Executive Officer, President & Director of KASB Group				21	✓			
Name of Member	Category	Professional Background																
Mr. Ateeq ur Rehman	Chairman	Businessman/ Member of KCC																
Mr Bilal Mustafa	Member	Chief Executive Officer, President & Director of KASB Group																
30.	The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22	✓															
31.	The company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	✓															
32.	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)	✓															
33.	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)	✓															
34.	The company has complied with all the corporate and financial reporting requirements of the Rules.		✓															

Statement of Compliance

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

Certain additional disclosures as required under Code of Corporate Governance (CCG) 2012

1. All the resident directors of the Company registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
2. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
3. Director's Training program was not arranged during the year for the member of the Board (including Chief Executive Officer). However, management is in process of arranging training programs for the members of the Board in due course.
4. The board has set up an effective internal audit function however, qualification criteria for internal auditor is not met for which Company has obtained exemption from SECP.
5. The meetings of the Audit Committee were held at least once in every quarter, prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Audit Committee have been framed and approved by the Board and have been advised to the Committee for compliance.
6. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold share of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
7. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to Directors, employees and stock exchange.
8. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
9. We confirm that all other material principles contained in the CCG have been complied with.



Ms. Mehnaz Saleem
Chairperson



Mir Javed Hashmat
Chief Executive Officer

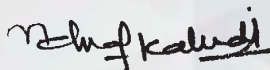
Statement of Compliance

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

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

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
21.	11	Management provides all updates of legal and business environments to directors in their meetings.	Formal orientation is being planned in this year.
22.	12(2)	The Company is a subsidiary of SME Bank Limited which holds 73.14% of the company' shares. Due to nomination of directors from Parent Bank, HR committee do not consist majority independent directors.	The matter will be placed before the Board in the upcoming meeting.



Ms. Mehnaz Saleem
Chairperson



Mir Javed Hashmat
Chief Executive Officer

Review Report to the Members On the Statement of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as Codes) prepared by the Board of Directors of SME Leasing Limited (the Company) for the year ended December 31, 2016 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange where the Company is listed and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the 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.

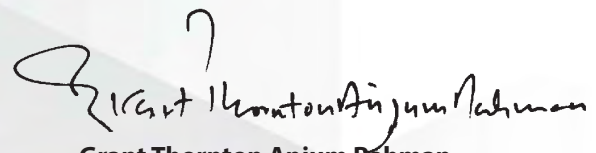
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control 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 requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Review Report to the Members On the Statement of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended December 31, 2016 except for the noncompliance of clause 21 and 22 as explained in the enclosed statement of compliance.



Grant Thornton Anjum Rahman

Chartered Accountants

Muhammad Shaukat Naseeb

Engagement Partner

Dated: **February 27, 2017**
Karachi

Chartered Accountants
Member of Grant Thornton International Ltd
Offices in Islamabad, Lahore

Auditors' Report to the Members of SME Leasing Limited

We have audited the annexed balance sheet of SME Leasing Limited (the Company) as at December 31, 2016 and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements'), for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2016 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

Auditors' Report to the Members of SME Leasing Limited

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the following

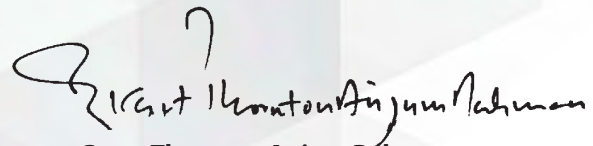
- i) note 1.2 to the financial statement which indicates that the Company has incurred net loss Rs. 13.382 million (2015: Rs. 18.386 million) during the year ended December 31, 2016, and as of that date, its accumulated losses amounted to Rs. 211.510 million (2015: Rs. 198.196 million). These conditions, along with other matters as set forth in the above referred note; indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Our opinion is not qualified in respect of above matters.

Other Matter

The financial statements of the Company for the year ended December 31, 2016 were audited by another firm of chartered accountants who in their audit report dated February 27, 2016, expressed an unqualified opinion.

Dated: **February 27, 2017**
Karachi



Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner

Balance Sheet

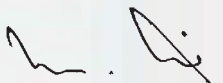
As at 31, December 2016

	Note	31 December 2016	31 December 2015
----- (Rupees) -----			
ASSETS			
Current assets			
Cash and bank balances	5	2,519,445	3,115,209
Advances	6	2,668,119	2,484,094
Deposits, prepayments and other receivables	7	1,543,998	556,552
Accrued interest on loan		3,752	13,843
Short term investments	8	-	4,283,091
Asset held for sale	9	-	3,979,986
Current maturity of non current assets	10	407,979,966	432,784,153
Total current assets		414,715,280	447,216,928
Non-current assets			
Long term finances and loans	11	7,252,950	17,380,776
Net investment in finance leases	12	71,986,638	91,803,251
Long-term deposits and prepayments	13	1,164,435	1,543,322
Fixed assets	14	8,647,726	9,297,595
Total non-current assets		89,051,749	120,024,944
Total assets		503,767,029	567,241,872
LIABILITIES			
Current liabilities			
Accrued and other payables	15	4,166,310	6,066,743
Mark-up accrued on borrowings	16	959,922	1,171,429
Short term borrowings	17	104,838,931	129,066,524
Current maturity of non current liabilities	18	190,076,235	189,774,946
Provision for compensated absences	19	2,102,277	1,069,901
Taxation - net		8,200,925	8,186,714
Total current liabilities		310,344,600	335,336,257
Non-current liabilities			
Liabilities against assets subject to finance lease	20	-	600,977
Long-term deposits	12	31,314,005	53,040,880
Defined benefit obligation	21	5,152,857	4,890,705
Total non-current liabilities		36,466,862	58,532,562
Total liabilities		346,811,462	393,868,819
NET ASSETS		156,955,567	173,373,053
FINANCED BY			
Authorized share capital			
100,000,000 (2015: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	22	320,000,000	320,000,000
Reserves		48,466,329	48,466,329
Accumulated loss		(211,510,762)	(198,196,367)
		156,955,567	170,269,962
Unrealized gain on available for sale investments		-	3,103,091
Total shareholders' equity		156,955,567	173,373,053
Contingencies and commitments			
	23		

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



Bilal Mustafa
Director



Mir Javed Hashmat
Chief Executive Officer

Profit and Loss Account

For the year ended 31, December 2016

	Note	2016 Rupees	2015 Rupees
INCOME			
Income from leasing operations	24	32,531,160	27,699,519
Income from other activities			
Profit on bank account/return on investment	25	1,790,051	18,881
Other income	26	3,093,906	170,720
		4,883,957	189,601
Total Income		37,415,117	27,889,120
EXPENSES			
Administrative and general	27	38,111,121	38,378,774
Finance cost	28	13,224,768	17,665,337
		51,335,889	56,044,111
Operating loss before provisions		(13,920,772)	(28,154,991)
PROVISIONS			
Reversal of provision for potential lease losses- net	12.4	(4,473,394)	(6,361,725)
Provision for doubtful finances and loans- net	11.3	3,609,532	386,733
Total provisions		(863,862)	(5,974,992)
LOSS BEFORE TAXATION		(13,056,910)	(22,179,999)
Taxation			
Current			
-For the year	29	(325,312)	(278,891)
-Prior		-	4,073,209
		(325,312)	3,794,318
LOSS FOR THE YEAR		(13,382,222)	(18,385,681)
Loss per share - basic and diluted	30	(0.42)	(0.57)

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



Bilal Mustafa
Director



Mir Javed Hashmat
Chief Executive Officer

Statement of Comprehensive Income

For the year ended 31, December 2016

	Note	2016 Rupees	2015 Rupees
Loss after taxation		(13,382,222)	(18,385,681)
Other Comprehensive Income			
Items to be reclassified to profit or loss in subsequent periods			
Surplus on revaluation of available-for-sale investment - net		-	1,073,968
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain on defined benefit obligation	21.5	67,827	210,559
Total comprehensive income for the year		(13,314,395)	(17,101,154)

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



Bilal Mustafa
Director



Mir Javed Hashmat
Chief Executive Officer

Cash Flow Statement

For the year ended 31, December 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(13,056,910)	(22,179,999)
Adjustment for:			
Depreciation and amortization	27	1,928,441	1,699,173
Charge for defined benefit obligation - gratuity	21.2	1,190,713	1,106,797
Finance Cost		13,106,021	17,399,275
Profit on bank accounts/ return on investment		(66,060)	(53,868)
Gain on disposal of available for sale investment	25	(1,569,478)	-
Dividend	25	(196,624)	-
Lease finance charges	28	118,747	266,062
Gain on disposal of property and equipment	26	(3,051,795)	(135,733)
Provision for other receivables	7.1	630,770	1,073,936
Provision for potential lease losses	12.4	(4,473,394)	(6,361,725)
Provision for doubtful loans and receivables	11.3	3,609,532	386,733
		11,226,873	15,380,650
Operating loss before working capital changes		(1,830,037)	(6,799,349)
Movement in working capital			
(Increase) / decrease in operating assets			
Accrued interest on loan		10,091	1,377,450
Net investment in lease		40,783,976	82,292,384
Decrease in finances and loans		14,828,512	10,792,708
Deposits, prepayments & other receivables		(1,618,216)	(648,092)
Long-term deposits and prepayments		378,887	83,332
Advances		(184,025)	(354,839)
		54,199,225	93,542,943
(Decrease) / increase in operating liabilities			
Accrued and other payables		(1,900,433)	(9,587,382)
Long term deposits received		-	(31,071,864)
Provision for compensated absences		1,032,376	36,133
		(868,057)	(40,623,113)
Cash generated from operations		51,501,131	46,120,481
Financial charges paid		(13,317,528)	(18,492,291)
Interest income received		66,060	53,868
Gratuity paid		(860,734)	(612,000)
Taxes paid		(311,101)	(534,554)
Long term deposits paid		(20,652,659)	-
		(35,075,962)	(19,584,977)
Net cash from operating activities		16,425,169	26,535,504
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(1,280,792)	(728,186)
Proceeds from disposal of fixed assets	14.2	384,000	333,500
Proceeds from asset held for sale		6,650,000	-
Proceeds from disposal of investment available for sale		2,749,479	-
Dividend Income		196,624	-
Net cash from / (used-in) investing activities		8,699,311	(394,686)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in long-term finances-Net		-	(892,256)
Lease rentals paid		(1,492,651)	(1,399,970)
Net cash from financing activities		(1,492,651)	(2,292,226)
Net increase in cash and cash equivalents		23,631,829	23,848,592
Cash and cash equivalents at beginning of the year		(125,951,315)	(149,799,907)
Cash and cash equivalents at end of the year	33	(102,319,486)	(125,951,315)

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



Bilal Mustafa
Director



Mir Javed Hashmat
Chief Executive Officer

Statement of Changes in Equity

For the year ended 31, December 2016

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves			Total shareholder equity
		Share premium	Statutory reserve	Reserve against future losses	Accumu- lated loss	Surplus / (deficit) on revaluation of available- for-sale investments	
----- (Rupees) -----							
Balance as at January 01, 2015	320,000,000	10,000,000	28,019,277	10,447,052	(180,021,245)	2,029,123	190,474,207
Total Comprehensive income for the year ended 31 December 2015							
Loss for the year - restated	-	-	-	-	(18,385,681)	-	(18,385,681)
Other comprehensive income							
Surplus on revaluation of available-for- -sale investments - net	-	-	-	-	-	1,073,968	1,073,968
Remeasurement gain on defined benefit obligation	-	-	-	-	210,559	-	210,559
Balance as at December 31, 2015 - restated	320,000,000	10,000,000	28,019,277	10,447,052	(198,196,367)	3,103,091	173,373,053
Balance as at January 01, 2016 - restated	320,000,000	10,000,000	28,019,277	10,447,052	(198,196,367)	3,103,091	173,373,053
Total Comprehensive income for the year ended 31, December 2016.							
Loss for the year	-	-	-	-	(13,382,222)	-	(13,382,222)
Other comprehensive income							
Surplus on revaluation of available-for- -sale investments - net	-	-	-	-	-	(3,103,091)	(3,103,091)
Remeasurement gain on defined benefit obligation	-	-	-	-	67,827	-	67,827
Balance as at December 31, 2016	320,000,000	10,000,000	28,019,277	10,447,052	(211,510,762)	-	156,955,567

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



Bilal Mustafa
Director



Mir Javed Hashmat
Chief Executive Officer

Notes to the Financial Statements

For the year ended 31, December 2016

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% (December 31, 2015: 73.14%) of the Company's shares. At the time of incorporation, the Company was a wholly owned subsidiary of the Holding Company, 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 (formerly Lahore 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.
- 1.2 The Company has been incurring losses since year ended December 31, 2009 which has resulted in erosion of equity. During the year ended December 31, 2016, the Company has incurred a loss of Rs. 13.382 million (2015: Rs. 18.386 million) and the accumulated losses to Rs. 211.510 million as at the year end (2015: Rs. 198.196 million). Further, the net assets of the Company amounting to Rs. 156.956 million (2015: Rs. 173.373 million) includes non-performing leases & loans and finances, net of provisions of Rs. 163.531 million (2015: Rs. 199.751 million).

Further the Company is dependent on the running finance facility granted by the holding company. The revised prudential regulation of State Bank of Pakistan (SBP) applicable from June 2015 has restricted the exposure by bank to a related party to the extent of 7.5% of its equity. However, the holding company has applied and obtained relaxation of the aforesaid requirement in respect of its financing to the Company by State Bank of Pakistan, which will expire on June 2017.

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

The holding company has granted a short term running finance facility to the Company amounting to Rs. 150 million (facility renewed on May 17, 2016) out of which Rs. 104.838 million has been utilized as at December 31, 2016. The said facility can be extended to the extent of Rs. 300 million as per the stand-by agreement for finance facility. Holding company has applied for relaxation to the State Bank of Pakistan from the requirements of related party exposure limits in order to continue its support towards the Company. Further, holding company has been in the list of privatization by Government of Pakistan;

- 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. 54.104 million has been recovered. Further, subsequent to the year ended December 31, 2016, Rs. 0.688 million has been recovered in respect of the non-performing loans till the end of January 31, 2017.
- Efforts are also being made by the management to reduce the overall cost of the Company.

Based on the above mentioned financial measures and the concerted operational measures being taken by the Company, the management is confident of the profitable operations in the foreseeable future and therefore, has prepared the financial statements on going concern basis.

Notes to the Financial Statements

For the year ended 31, December 2016

2 BASIS OF PREPARATION

2.1 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 Ordinance, 1984, the directives issued by the Securities Exchange Commission of Pakistan (SECP), requirements under 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). Wherever the requirement of Ordinance, the NBFC Rules, the NBFC Regulations, or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Ordinance, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investment classified as 'available-for-sale' are marked to market and carried at fair value and defined benefit obligation are measured at present value or stated specifically in relevant notes.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

2.4 Significant 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 estimates and associated assumptions are based on historical experiences, various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. 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.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that has significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent years are as follows:

- Provision for current and deferred taxation and recognition and measurement of deferred tax assets and liabilities (notes 4.14 and 29).
- Classification and provision of net investment in finance lease and loans and finances (notes 4.7, 11 and 12).
- Determination and measurement of useful life and residual value of operating fixed assets (note 4.2 and 14).
- Staff retirement benefits (4.5 and 21).
- Classification and valuation of investments (notes 4.9 and 8).

Notes to the Financial Statements

For the year ended 31, December 2016

3 Standards, Amendments and Interpretations to Approved Accounting Standards

3.1 Standards, amendments and interpretations to the published standards that are relevant to the company and adopted in the current year

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

Standard or Interpretation	Effective Date
IAS 1 - Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)	January 1, 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016
IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	January 1, 2016

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2015 and 2016.

Standards, amendments to published standards and interpretations that are effective but not relevant to the Company

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2016 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

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

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective Date
IAS 7 - Disclosure Initiative (Amendments to IAS 7)	January 1, 2017
IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
IFRS 9 - Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	January 1, 2018
IFRS 15 - Clarifications to IFRS 15 'Revenue from Contracts with Customers'	January 1, 2018

Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

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

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
IFRS 9 - Financial Instruments (2014)	January 1, 2018
IFRS 16 - Leases	January 1, 2019

Notes to the Financial Statements

For the year ended 31, December 2016

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These significant accounting policies applied in the preparation of these financial statements are set forth below:

4.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances 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.

4.2 Fixed assets

4.2.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to profit and loss accounts by using the straight line method at the rates specified in note 14.1 after taking into account residual value, if any. Depreciation on additions is charged from the month the assets are put to use while no depreciation is charged in the month in which the assets are disposed off. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet 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 profit and loss account as and when incurred.

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

4.2.2 Intangible

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using the straight line method over its estimated useful life at the rate specified in note after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate at each balance sheet date.

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

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

4.3 Assets held under finance lease

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

4.4 Assets held for sale

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

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

Notes to the Financial Statements

For the year ended 31, December 2016

4.5 Defined benefit obligation

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 percent 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 on the basis of actuarial advice under project unit credit method, when the employees render service that increase their entitlement to future compensated absences. Remeasurement gain and losses including experience adjustment pertaining to long term compensated absences are recognized in profit and loss.

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 (income) on the net defined benefit liability (asset) 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 (asset), taking into account and change in the net defined benefit liability (asset) 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 profit and loss account.

4.6 Net investment in lease finance

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

The leased asset is derecognized and the present value of the lease receivable is recognized on the balance sheet. 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 profit and loss account on a basis that reflects a constant periodic rate of return on the net investment in the finance lease

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

Notes to the Financial Statements

For the year ended 31, December 2016

4.7 Provision for potential lease losses and doubtful loans and receivables

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

4.8 Financial assets and liabilities

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

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

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

4.9 Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39; Financial instruments: Recognition and Measurement (IAS 39) at the time of initial recognition.

All purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date, which is the date the Company commits to purchase or sell the investment.

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 profit and loss.

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

Held to maturity

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

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

Notes to the Financial Statements

For the year ended 31, December 2016

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

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

4.10 Loans and receivables

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

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

4.11 Impairment

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

4.12 Derivative financial instruments

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

4.13 Offsetting of financial assets and financial liabilities

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

4.14 Taxation

Taxation charge in the profit and 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.

Notes to the Financial Statements

For the year ended 31, December 2016

4.15 Provisions

A provision is recognized in the balance sheet 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.

4.16 Long term finances

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

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

4.17 Revenue recognition

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

4.18 Earnings / (loss) per share

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

4.19 Dividend distribution and transfer between reserves

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

Notes to the Financial Statements

For the year ended 31, December 2016

4.20 Capital and Revenue reserves

Share premium

The share premium was recorded in the year 2006 on issue of shares in accordance with requirements of the Companies Ordinance, 1984. This premium is available for restrictive use as per section 83 of the Companies Ordinance 1984.

Statutory reserves

In accordance with the requirements of the NBFC Regulations, an amount of not less than 20 percent 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 (2015: 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 and loss for the period. The amount to be set aside against future losses is determined at the rate of 0.5 percent of the outstanding balance of the regular portfolio of leases and loans and receivables as at each year end. No such reserve has been created by the Company for the year ended December 31, 2016.

5 CASH AND BANK BALANCES

	Note	2016 Rupees	2015 Rupees
Cash in hand		56,412	66,412
Balances with State Bank of Pakistan in current account		23,431	23,431
Balances with banks in:			
- current accounts	5.1	2,300,218	2,729,541
- saving accounts	5.2	139,384	295,825
		<u>2,519,445</u>	<u>3,115,209</u>

5.1 These include balance with related party amounting to Rs. 0.210 million (2015: Rs. 1.451 million).

5.2 These carry profit rate of 4% per annum (2015: 4.5% to 6% per annum).

6 ADVANCES - considered good

	Note	2016 Rupees	2015 Rupees
Advances to:			
- employees	6.1	719,487	425,819
- others		1,948,632	2,058,275
		<u>2,668,119</u>	<u>2,484,094</u>

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

Notes to the Financial Statements

For the year ended 31, December 2016

	Note	2016 Rupees	Restated 2015 Rupees
7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposits against assets acquired under lease arrangements		428,600	-
Prepayments		1,070,812	556,552
Other receivable		1,749,292	1,073,936
		3,248,704	1,630,488
Less: Provision for other receivables	7.1	(1,704,706)	(1,073,936)
		1,543,998	556,552
7.1 Provision for other receivables			
Balance at beginning of the year		1,073,936	-
Provision for the year		630,770	1,073,936
Balance at end of the year		1,704,706	1,073,936

8 SHORT TERM INVESTMENTS

This represents investment in nil certificates (2015: 327,709 certificates) of Namco Balance Fund, which has been disposed of during the year at Rs. 2,749,478. The Company earned realized gain of Rs.1,569,478 (2015 Rs. nil) (refer note 25).

9 ASSETS HELD FOR SALE

This represents property located at F.B area classified as assets held for sale in accordance with the requirements of IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations. The Company sold asset to an individual person at Rs. 6,650,000, realizing gain of Rs. 2,670,014.

	Note	2016 Rupees	2015 Rupees
10 CURRENT MATURITY OF NON CURRENT ASSET			
Current portion of :			
- Long term finances and loans	11	73,034,569	81,344,787
- Net investment in finance leases	12	334,945,397	351,439,366
		407,979,966	432,784,153

Notes to the Financial Statements

For the year ended 31, December 2016

	Note	2016 Rupees	2015 Rupees
11 LONG TERM FINANCES AND LOANS - Secured			
Related parties - considered good			
- Employees	11.1	1,361,073	613,458
Other - Customers			
- considered good	11.2	17,873,824	20,795,532
- considered doubtful		70,101,955	82,756,374
		87,975,779	103,551,906
Less: Provision for doubtful finances and loans - net	11.3	(9,049,333)	(5,439,801)
		78,926,446	98,112,105
		80,287,519	98,725,563
Less: Current maturity			
Related parties - Employees		(250,000)	(70,907)
Other - Customers		(72,784,569)	(81,273,880)
		(73,034,569)	(81,344,787)
		7,252,950	17,380,776

11.1 These represent housing and vehicle loans given to employees. These loans are recovered through deduction from salaries over varying periods up to a maximum period of 20 years. These loans are granted to the employees in accordance with their terms of employment. The housing loans are secured by registered mortgage in favor of the Company. These loans carry mark-up at 5% - 7% (2015: 5% - 7%) per annum.

11.1.1 Movement in loan to employees

	2016 Rupees	2015 Rupees
Opening balance	613,458	1,211,419
Disbursements	963,500	190,500
Repayments	(215,885)	(788,461)
Closing balance	1,361,073	613,458

11.2 These represent loans to customers for a period of three to five years on mark-up basis and are secured by way of hypothecation of stock and immovable property. The rate of mark-up ranges from 11.5% to 27.02% (2015: 11% to 27.02%) per annum.

11.3 Provision for doubtful finances and loans - net

	2016 Rupees	2015 Rupees
Balance at beginning of the year	5,439,801	5,053,068
Provision for the year	3,740,916	418,255
Reversal for the year	(131,384)	(31,522)
Net provision for the year	3,609,532	386,733
Balance at end of the year	9,049,333	5,439,801

12 NET INVESTMENT IN FINANCE LEASES

	Note	2016 Rupees	2015 Rupees
Net investment in finance leases		406,932,035	443,242,617
Current portion shown under current assets		(334,945,397)	(351,439,366)
	12.1	71,986,638	91,803,251

Notes to the Financial Statements

For the year ended 31, December 2016

12.1 Net investment in finance leases

	2016			2015		
	Total	One to five year	Not later than five year	Total	One to five year	Not later than five year
----- (Rupees) -----						
Minimum lease payments	411,595,179	48,955,152	362,640,027	435,381,223	42,852,505	392,528,718
Residual value of leased assets 12.2	220,415,701	31,314,005	189,101,696	241,068,360	53,040,880	188,027,480
Gross investment in leases	632,010,880	80,269,157	551,741,723	676,449,583	95,893,385	580,556,198
Unearned lease Income	(19,615,984)	(8,282,519)	(11,333,465)	(20,887,333)	(4,090,134)	(16,797,199)
Markup held in Suspense account	(57,006,870)	-	(57,006,870)	(59,390,248)	-	(59,390,248)
	(76,622,854)	(8,282,519)	(68,340,335)	(80,277,581)	(4,090,134)	(76,187,447)
	555,388,026	71,986,638	483,401,388	596,172,002	91,803,251	504,368,751
Provision for potential lease losses 12.4	(148,455,991)	-	(148,455,991)	(152,929,385)	-	(152,929,385)
Net investment in finance leases	406,932,035	71,986,638	334,945,397	443,242,617	91,803,251	351,439,366

12.1.1 The internal rate of return (IRR) on lease contract receivable ranges from 8.42% to 28.01% per annum (2015: 8% to 29% per annum).

12.2 These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases. The amount is net of security deposit held against matured leases amounting to Rs. 147.31 million (2015: Rs. 251.81 million).

Based on the NBFC Regulation, the aggregate net exposure in finance lease against which income suspension is required amounted to Rs. 250.01 million (2015: Rs. 274.481 million).

12.3 Lease rentals received during the year aggregate to Rs. 145.305 million (2015: Rs. 123 million). Lease disbursed during the year amounts to Rs. 80.226 million (2015: Rs. 32.112 million)

12.4 Provision for potential lease losses - net

Balance at beginning of the year

Provision for the year

Recovered during the year

Net reversal for the year

Balance at end of the year

12.4.1

	2016 Rupees	2015 Rupees
Balance at beginning of the year	152,929,385	159,291,110
Provision for the year	1,205,348	3,815,790
Recovered during the year	(5,678,742)	(10,177,515)
Net reversal for the year	(4,473,394)	(6,361,725)
Balance at end of the year	148,455,991	152,929,385

12.4.1 This includes amount written off amounting to Rs. 248,876.

13 LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits against assets acquired under lease arrangements

Other deposits

Prepayments

14 FIXED ASSETS

Property and equipment

Intangible assets

14.1

14.3

8,100,442

547,284

8,647,726

775,100

768,222

-

1,543,322

9,282,095

15,500

9,297,595

Notes to the Financial Statements

For the year ended 31, December 2016

13.1 Property and Equipment

	COST			Depreciation Rate %	ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As at 1 January 2016	Additions/Transfer	Disposals		As at Dec 31, 2016	Charge for the year	On disposal	Transfer		As at Dec 31, 2016
	(Rupees)				(Rupees)					
Owned										
Furniture and fixtures	1,814,214	468,700	(774,531)	20	1,508,383	53,903	(774,531)	-	935,003	573,380
Office equipment	1,329,903	18,810	(168,849)	15	1,179,864	82,114	(166,630)	-	818,568	361,296
Building improvements	784,969	-	(34,036)	33.33	750,933	40,709	(34,036)	-	747,533	3,400
Office premises	9,514,190	-	-	5	9,514,190	475,720	-	-	4,262,708	5,251,482
Computers	1,672,825	93,282	(336,671)	33.33	1,429,436	133,979	(336,671)	-	1,204,127	225,309
Vehicles	4,250,184	1,732,500	(364,534)	20	3,956,369	198,699	(364,534)	1,126,124	4,916,658	701,492
	19,366,285	2,313,292	(1,676,621)		20,000,956	985,124	(1,676,402)	1,126,124	12,884,597	7,116,359
Leased										
Vehicles	3,875,500	(1,732,500)	-	20	2,143,000	775,101	-	(1,126,124)	1,158,917	984,083
	23,241,785	580,792	(1,676,621)		22,143,956	1,760,225	(1,676,402)	-	14,043,514	8,100,442

Notes to the Financial Statements

For the year ended 31, December 2016

	COST			Depreciatio Rate %	ACCUMULATED DEPRECIATION				NET BOOK VALUE
	As at 1 January 2015	Additions/ Transfer	As at Dec 31, 2015		As at January 1, 2015	Charge for the year	On disposal	Transfer	
	----- (Rupees) -----				----- (Rupees) -----				
Owned									
Furniture and fixtures	1,682,416	131,798	1,814,214	20	1,627,327	28,304	-	-	1,655,631
Office equipment	1,110,089	345,198	1,329,903	15	966,023	62,445	(125,384)	-	903,084
Building improvements	824,862	-	784,969	33.33	740,048	40,705	(39,893)	-	740,860
Office premises	9,514,190	-	9,514,190	5	3,311,278	475,710	-	-	3,786,988
Computers	1,421,635	251,190	1,672,825	33.33	1,322,222	84,597	-	-	1,406,819
Owned Vehicles	3,998,184	950,000	4,250,184	20	3,755,436	210,333	(500,233)	490,833	3,956,369
	18,551,376	1,678,186	19,366,285		11,722,334	902,094	(665,510)	490,833	12,449,751
Leased									
Vehicles	4,825,500	(950,000)	3,875,500	20	1,225,673	775,100	-	(490,833)	1,509,940
	23,376,876	728,186	23,241,785		12,948,007	1,677,194	(665,510)	-	13,959,691
									9,282,095

Notes to the Financial Statements

For the year ended 31, December 2016

14.2 Particulars of disposal of property and equipment

Particulars	Cost	WDV	Sale	Gain on	Mode of disposal	Particulars of buyers
			proceeds	disposal		
----- (Rupees) -----						
Building improvement	34,033	-	958	958	Tender	Ghulam Abbas
Office equipment	168,849	2,219	6,831	4,612	Tender	Ghulam Abbas
Owned vehicles	364,534	-	338,000	338,000	Tender	Abrar Hussain
Furniture & fixture	774,531	-	21,796	21,796	Tender	Ghulam Abbas
Computers	336,670	-	16,415	16,415	Tender	Ghulam Abbas
31 December 2016	1,678,617	2,219	384,000	381,781		
31 December 2015	863,277	197,767	333,500	135,733		

14.3 Intangible Assets

	COST			Amortization rate (%)	ACCUMULATED AMORTISATION			NET BOOK VALUE
	As at 1 January 2016	Additions	As at 31 December 2016		As at 1 January 2016	Charge for the year	As at 31 December 2016	As at 31 December 2016
	----- (Rupees) -----							
Software licenses and licenses	807,142	700,000	1,507,142	33%	791,642	168,216	959,858	547,284

	COST			Amortization rate (%)	ACCUMULATED AMORTISATION			NET BOOK VALUE
	As at 1 January 2015	Additions	As at 31 December 2015		As at 1 January 2015	Charge for the year	As at 31 December 2015	As at 31 December 2015
	----- (Rupees) -----							
Software licenses and licenses	807,142	-	807,142	33%	769,663	21,979	791,642	15,500

Notes to the Financial Statements

For the year ended 31, December 2016

	Note	2016 Rupees	2015 Rupees
15 ACCRUED AND OTHERS PAYABLES			
Accrued liabilities		505,935	998,362
Rentals received in advance		317,928	110,000
Payable on termination / maturity of leases		316,120	1,172,293
Insurance payable		2,683,735	3,635,128
Unclaimed dividend		20,629	20,629
Others		321,963	130,331
		<u>4,166,310</u>	<u>6,066,743</u>
16 ACCRUED MARK-UP ON BORROWINGS			
Interest accrued on:			
- Short term borrowings	16.1	959,922	1,171,429

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

17 SHORT TERM BORROWING

The Company has a running finance facility available from the holding company amounting to Rs. 150 million (2015: Rs.150 million) at mark-up rates ranging between 9.96% to 10.71% (2015: 10.71% to 13.49%) per annum. Above arrangements are secured by way of hypothecation of the Company's specific leased assets and related receivables of the Company. Further, the said facility can be extended to the extent of Rs. 300 million (2015: Rs. 300 million) as per the stand-by agreement for finance facility.

	Note	2016 Rupees	2015 Rupees
18 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term finance	18.1	373,233	373,233
Liabilities against assets subject to finance lease	20	601,306	1,374,233
Long term deposits	12.1	189,101,696	188,027,480
		<u>190,076,235</u>	<u>189,774,946</u>

18.1 This represents balance due against financing facilities amounting to Rs. 0.373 million (2015: Rs. 7.3 million) from National Energy Conservation Centre (Enercon). The facilities from Enercon have been obtained under an agreement whereby they have agreed to provide funds to the Company for granting lease / finance facility to its customers for procuring and using energy efficient equipments. The facility carries mark-up at the rate of 5% per annum payable on quarterly basis subject to the condition that the Company will provide lease /finance facility to its customers at a preferential mark-up rate.

	2016 Rupees	2015 Rupees
19 PROVISION FOR COMPENSATED ABSENCES		
Changes in present value of defined benefit obligations		
Present value of defined benefit obligations- Opening	1,069,901	1,033,768
Current service cost	674,304	94,452
Past service cost (credit)	1,029,358	-
Interest cost on defined benefit obligation	66,808	73,333
Benefits paid	(803,641)	(763,832)
- Experience adjustments	65,547	632,180
Present value of defined benefit obligations- Closing	<u>2,102,277</u>	<u>1,069,901</u>
Expenses to be charged to Profit and Loss account		
Current service cost	674,304	94,452
Past service cost	1,029,358	-
Experience adjustments	65,547	632,180
Interest cost on defined benefit obligation	66,808	73,333
Expense chargeable to Profit and Loss account	<u>1,836,017</u>	<u>799,965</u>

Notes to the Financial Statements

For the year ended 31, December 2016

Changes in net liability

Balance sheet liability/(asset)- Opening
Expenses chargeable to Profit and loss account
Benefits paid
Balance sheet liability/(asset)- Closing

	2016 Rupees	2015 Rupees
	1,069,901	1,033,768
	1,836,017	799,965
	(803,641)	(763,832)
	2,102,277	1,069,901

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2016			2015		
	Minimum lease payments	Financial charges for future period (Rupees)	Principal outstanding	Minimum lease payments	Financial charges for future period (Rupees)	Principal outstanding
Payable not later than one year	607,199	5,893	601,306	1,477,040	102,807	1,374,233
Payable later than one year but not later than five years	-	-	-	606,870	5,893	600,977
	607,199	5,983	601,306	2,083,910	108,700	1,975,210

20.1 The finance lease arrangements have been entered into with Commercial Banks & Leasing Companies for vehicles. Lease rentals are payable in monthly installments at mark-up rates ranging from 14.39% to 15.10% per annum (2015: 14.39% to 15.10% per annum). These finance lease arrangements will mature in the year 2017. At the end of lease term, the Company has the option to acquire the assets subject to the adjustment of security deposit which it intends to exercise.

21. DEFINED BENEFIT OBLIGATION

The Company operates an unapproved and unfunded gratuity scheme for all of its permanent employees. Number of employees covered under the scheme are 28 (2015:32).

Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out on 31 December 2016 by Nauman Associates using the Projected Unit Credit Method. The following significant assumptions were used for valuation of the scheme:

	2016	2015
Valuation Discount rate	9.50%	10.00%
Expected long term rate of increase in salary level	9.50%	10.00%

Notes to the Financial Statements

For the year ended 31, December 2016

	2016 Rupees	2015 Rupees
21.1 Liability in balance sheet		
Present value of defined benefit obligation	<u>5,152,857</u>	<u>4,890,705</u>
21.2 Movement in liability during the year		
Opening balance	4,890,705	4,306,467
Charged to profit and loss account	21.4 1,190,713	1,089,922
Remeasurement gain chargeable in other comprehensive income	21.5 (67,827)	106,316
Benefits paid during the year	(860,734)	(612,000)
Closing balance	<u>5,152,857</u>	<u>4,890,705</u>
21.3 Reconciliation of the present value of defined benefit obligations		
Present value of obligations as at 1 January	4,890,705	4,606,467
Current service cost	744,679	639,869
Interest cost	446,034	466,928
Benefits paid during the year	(860,734)	(612,000)
Remeasurements gain chargeable in other comprehensive income	(67,827)	(210,559)
Present value of obligations as at 31 December	<u>5,152,857</u>	<u>4,890,705</u>
21.4 Charge for the year		
Current services cost	744,679	639,869
Interest cost	446,034	466,928
	<u>1,190,713</u>	<u>1,106,797</u>
21.5 Re-measurements recognized in other comprehensive income		
Actuarial losses / (gains) on obligation	(3,674)	-
Experience adjustment	(64,153)	(210,559)
Total re-measurement gain recognized in other comprehensive income	<u>(67,827)</u>	<u>(210,559)</u>

21.6 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:

	2016	2015
21.7 Key statistics		
Average age	41.1	39.4
Average service	8.5	7.6
Average entry age	32.6	31.8
Retirement assumption age	60 years	60 years
Mortality rates	SLIC	SLIC
	2001 - 2005	2001 - 2005
	Set back	Set back
	1 year	1 year

Notes to the Financial Statements

For the year ended 31, December 2016

Discount rate effect

	(Rupees)	(Rate effect)
Original liability	5,152,857	9.5%
1% increase	4,651,522	10.5%
1% decrease	5,738,443	8.5%

Salary increase rate effect

Original liability	5,152,857	9.5%
1% increase	5,740,526	10.5%
1% decrease	4,640,301	8.50%

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.

21.8 Maturity profile

The weighted average duration of the obligation (in years)

	2016	2015
	<u>11</u>	<u>11</u>

22. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2016 (Number of shares)	2015		2016 Rupees	2015 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
<u>32,000,000</u>	<u>32,000,000</u>		<u>320,000,000</u>	<u>320,000,000</u>

22.1 At 31 December 2016 SME Bank Limited (holding company) and its nominees hold 73.14% (2015: 73.14%) ordinary shares of the Company.

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

There are no contingencies as at year end (2015: Nil)

23.2 COMMITMENTS

Lease disbursements

23.2.1.1

	2016 Rupees	2015 Rupees
	<u>2,300,000</u>	<u>14,466,000</u>
23.2.1.1 This represents those leases which have been approved by the Company as at the year end.		
23.2.2 Commitments in respect of rent agreements are as follows:		
Not later than one year	1,981,474	693,740
Later than one year	622,125	266,200
	<u>2,603,599</u>	<u>959,940</u>

Notes to the Financial Statements

For the year ended 31, December 2016

24 INCOME FROM LEASING OPERATIONS

Leases

Income from finance lease

Gain on termination of leases - net

Income on finances and loans to customers

25 PROFIT ON BANK ACCOUNTS / RETURN ON INVESTMENTS

Profit on redemption of Namco Mutual Fund

Profit on bank accounts

Dividend income

26 OTHER INCOME

Income from financial assets

Mark-up on loans to employees

Income from non-financial assets

Gain on disposal of fixed assets

27 ADMINISTRATIVE & GENERAL

Salaries, allowances and other benefits

Legal and professional

Rent

Depreciation and amortization

Travelling, conveyance and entertainment

Electricity, gas and water

Telephone and postage

Insurance

Printing and stationery

Provision for other receivables

Miscellaneous

Repairs and maintenance

Auditors' remuneration

Directors' fee

Advertising

Vehicle running

Commission and brokerage charges

Books and periodicals

Training and development

Fees and subscriptions

27.1 Salaries allowances and other benefits

Salaries allowances and other benefits includes:

Staff gratuity scheme

Staff provident fund

Compensated absences

	2016 Rupees	2015 Rupees
Income from finance lease	23,066,962	21,239,032
Gain on termination of leases - net	-	169,802
	23,066,962	21,408,834
Income on finances and loans to customers	9,464,198	6,290,685
	32,531,160	27,699,519
Profit on redemption of Namco Mutual Fund	1,569,478	-
Profit on bank accounts	23,949	18,881
Dividend income	196,624	-
	1,790,051	18,881
Income from financial assets		
Mark-up on loans to employees	42,111	34,987
Income from non-financial assets		
Gain on disposal of fixed assets	3,051,795	135,733
	3,093,906	170,720

Note	2016 Rupees	Restated 2015 Rupees
27.1	23,113,976	21,737,404
	2,723,275	3,225,960
	2,608,283	2,201,473
14.1 & 14.3	1,928,441	1,699,173
	1,078,632	2,033,313
	957,054	868,451
	891,216	885,428
	877,347	949,352
	740,157	678,681
	630,770	1,073,936
27.5	562,052	588,230
	503,857	434,924
27.4	467,325	540,125
27.3	450,000	500,000
	233,623	369,641
	221,205	406,638
	77,850	-
	31,758	37,994
	14,300	132,500
	-	15,551
	38,111,121	38,378,774
	2016 Rupees	2015 Rupees
	1,190,713	1,106,796
	591,606	569,757
	1,836,017	799,965

Notes to the Financial Statements

For the year ended 31, December 2016

27.2 Remuneration of Chief Executives and Executives

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

	2016		2015	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	2,590,000	3,573,430	1,903,226	3,763,080
Housing and utilities	1,080,000	1,445,537	761,290	1,505,232
Provident fund	-	284,652	-	301,128
Medical and other perquisites	259,000	374,831	190,323	376,296
Gratuity	352,000	323,140	-	218,623
Leave encashment	165,000	218,393	150,000	165,430
Leave fare assistance	330,000	-	-	-
Others	-	57,500	-	-
	<u>4,776,000</u>	<u>6,277,483</u>	<u>3,004,839</u>	<u>6,329,789</u>
Number of persons	<u>1</u>	<u>7</u>	<u>1</u>	<u>7</u>

The chief executive and certain executives were also provided with free use of Company owned and maintained cars in accordance with their terms of employment.

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

27.4 Auditors' remuneration

Note	2016 Rupees	2015 Rupees
Annual audit	250,000	250,000
Half yearly review	50,000	100,000
Other certifications	50,000	50,000
Out of pocket expenses	117,325	140,125
	<u>467,325</u>	<u>540,125</u>

27.5 This includes penalty amounting to Rs. 66,000 paid to State Bank of Pakistan for error in filing of monthly CIB report.

28 FINANCE COST

Mark-up on:		
- Long term finance	-	96,702
- Short term borrowings	13,010,647	17,164,534
	<u>13,010,647</u>	<u>17,261,236</u>
Lease finance charges	118,747	266,062
Bank charges	95,374	138,039
	<u>13,224,768</u>	<u>17,665,337</u>

Notes to the Financial Statements

For the year ended 31, December 2016

28.1 Finance cost includes mark up expense related to the holding company as follows:

	2016 Rupees	2015 Rupees
Short term borrowings	<u>13,010,647</u>	<u>17,164,534</u>

29. TAXATION

29.1 Current tax liability

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

29.2 Current status of tax assessments

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

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

29.3 Deferred tax asset of Rs. 96.159 million (2015: Rs. 99.215 million) has not been recognized as the Company does not foresee future taxable profits against which unused tax losses will be utilized.

30. LOSS PER SHARE - BASIC AND DILUTED

	2016 Rupees	2015 Rupees
Loss after taxation attributable to ordinary shareholders	<u>(13,382,222)</u>	<u>(18,385,681)</u>
	(Number of shares)	
Weighted average number of outstanding ordinary shares	<u>32,000,000</u>	<u>32,000,000</u>
	(Rupees)	
Loss per share - basic and diluted	<u>(0.42)</u>	<u>(0.57)</u>

30.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

31. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company include of SME Bank Limited (holding company), Staff Provident fund, directors, key management personnel and non- executive directors:

Notes to the Financial Statements

For the year ended 31, December 2016

	2016 Rupees	2015 Rupees
Balances		
SME Bank Limited (holding company)		
Short term borrowing	104,838,931	129,066,524
Staff Provident Fund		
(Payable) / receivable from staff provident fund	-	80,000
Transactions		
SME Bank Limited (holding company)		
Mark up expense for the period	13,010,647	17,164,534
(Utilization)/Repayment of short term borrowing facility	(24,227,593)	(26,253,553)
Rent expense	425,000	325,608
Total rentals receivable (for the entire lease period)	-	-
Key management personnel		
Key management remuneration	6,381,780	4,530,639
Post retirement benefits	497,400	-
Staff Provident Fund		
Company's contribution towards provident fund	126,864	89,376
32 PROVIDENT FUND		
Size of the fund (Net Assets)	4,255,720	4,940,125
Cost of Investment made	3,999,253	3,640,687
Percentage of investment made	93.97%	73.70%
Fair value of investments	4,164,395	3,999,252

All the investments of the provident fund are kept in mutual funds.

Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	Note	2016 Rupees	2015 Rupees
33 CASH AND CASH EQUIVALENTS			
Cash and bank balances	5	2,519,445	3,115,209
Short term borrowings	17	(104,838,931)	(129,066,524)
		(102,319,486)	(125,951,315)

34 FINANCIAL RISK MANAGEMENT

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing it.

Notes to the Financial Statements

For the year ended 31, December 2016

34.1 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 analyse 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.

34.2 Credit risk

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

34.2.1 Management of credit risk

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

34.2.2 Exposure to credit risk

In summary, compared to the maximum amount included in the balance sheet, the maximum exposure to credit risk as at 31 December 2016 is as follows:

		2016		2015	
		Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
----- (Rupees) -----					
Bank balances	5	2,463,033	2,439,602	3,091,778	3,025,366
Investments		-	-	4,283,091	4,283,091
Advances	6	2,668,119	2,668,119	2,484,094	2,484,094
Accrued interest on working capital loans		3,752	-	13,843	-
Net investment in finance lease	12	406,932,035	406,932,035	443,242,617	443,242,617
Long term finances and loans	11	80,287,519	80,287,519	98,725,563	98,725,563
Short term and long term deposits	7 & 13	2,531,514	2,531,514	1,842,158	1,842,158
		494,885,972	494,858,789	553,683,144	553,602,889

Notes to the Financial Statements

For the year ended 31, December 2016

34.2.3 Credit ratings and Collaterals

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

	2016	2015
Ratings		
A1+	29.44%	13.00%
A-1+	70.56%	50.00%
Others	0.00%	37.00%
	<u>100%</u>	<u>100%</u>

34.2.4 Description of Collateral held

The Company's leases are secured against assets leased out. In a few leases additional collateral is also obtained. Details of exposures and the collateral as at 31 December 2016 against them are as follows:

	Net Exposure	Lower of collateral and gross exposure
Lease Finance		
- Regular	105,500,922	105,500,922
- Non Performing net of provision	301,431,113	301,431,113
	<u>406,932,035</u>	<u>406,932,035</u>
Working Capital Finance		
- Regular	16,639,190	16,639,190
- Non Performing net of provision	62,287,256	62,287,256
	<u>78,926,446</u>	<u>78,926,446</u>

Settlement risk

Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash or other assets as contractually agreed on sale.

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

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

Notes to the Financial Statements

For the year ended 31, December 2016

34.2.5 Impairment losses and past due balances

	2016			Impairment recognised
	Total	Loans and receivables	Net investment in finance lease	
	------(Rupees)-----			
Not past due	115,955,066	17,630,587	98,324,479	-
1 - 179 days	53,013,277	264,285	52,748,992	-
180 days - 1 year	2,201,888	-	2,201,888	-
More than 1 year	315,922,884	70,080,907	402,112,667	(156,270,690)
	<u>487,093,115</u>	<u>87,975,779</u>	<u>555,388,026</u>	<u>(156,270,690)</u>

	2015			Impairment recognised
	Total	Loans and receivables	Net investment in finance lease	
	------(Rupees)-----			
Not past due	155,955,983	20,795,532	135,160,451	-
1 - 179 days	83,017,680	32,717,148	50,300,532	-
180 days - 1 year	25,985,262	17,443,965	8,541,297	-
More than 1 year	276,395,162	32,595,261	402,169,087	(158,369,186)
	<u>541,354,087</u>	<u>103,551,906</u>	<u>596,171,367</u>	<u>(158,369,186)</u>

34.2.6 Concentration of credit risk - gross investment in finance lease

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

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

Notes to the Financial Statements

For the year ended 31, December 2016

Details of Composition of finance lease and finances and loan portfolio of the company are given below:

Category	2016		2015	
	Rupees	Percentage	Rupees	Percentage
Cargo carriers	28,855,377	3.87	38,012,108	4.69
Chemicals	10,131,737	1.36	20,658,876	2.55
Communication	6,802,623	0.91	6,802,623	0.84
Confectionary	10,440,318	1.40	10,440,318	1.29
Construction and building products	11,271,745	1.51	9,972,339	1.23
Dates	565,867	0.08	550,947	0.07
Education	24,560,264	3.29	26,380,027	3.25
Engineering	21,151,793	2.84	24,269,640	2.99
Entertainment	47,063,784	6.31	52,792,056	6.51
Film processing	58,643,945	7.86	60,260,116	7.43
Fisheries	1,285,857	0.17	1,285,857	0.16
Food and beverages	51,478,238	6.90	49,588,143	6.11
Furniture	1,971,122	0.26	2,480,157	0.31
Garments	45,408,420	6.09	45,460,501	5.60
Gems and jewelry	13,917,062	1.87	13,921,662	1.72
Health care	70,301,198	9.43	50,677,697	6.25
Leather and tannery	15,364,218	2.06	15,364,218	1.89
Miscellaneous	65,080,809	8.73	64,479,172	7.95
Oil and gas	49,338,622	6.62	54,241,689	6.69
Pharma	14,180,800	1.90	17,950,954	2.21
Plastic	14,571,380	1.95	22,275,668	2.75
Printing and packaging	53,162,277	7.13	52,806,596	6.51
Public transport services	112,232,630	15.05	120,323,223	14.83
Rubber	230,036	0.03	614,190	0.08
Textile	17,731,083	2.38	49,502,038	5.90
	745,741,205	100	811,110,815	100

34.3 Liquidity risk

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

34.3.1 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Due to nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

34.3.2 Maturity analysis for financial liabilities

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

Notes to the Financial Statements

For the year ended 31, December 2016

	2016			
	Total	Contractual cash flow	Upto one year	More than one year
	----- (Rupees) -----			
Liabilities				
Accrued and other liabilities	4,166,310	4,166,310	4,166,310	-
Short term borrowings	104,838,931	104,838,931	104,838,931	-
Long term finances - secured	373,233	373,233	373,233	-
Long term deposits	220,415,701	220,415,701	189,101,696	31,314,005
Liabilities against asset subject to finance lease	601,306	607,199	607,199	-
Markup accrued	959,922	959,922	959,922	-
	331,355,403	331,361,296	300,047,291	31,314,005

	2015			
	Total	Contractual cash flow	Upto one year	More than one year
	----- (Rupees) -----			
Liabilities				
Accrued and other liabilities	6,066,743	6,066,743	6,066,743	-
Short term borrowings	129,066,524	129,066,524	129,066,524	-
Long term finances - secured	373,233	373,233	373,233	-
Long term deposits	241,068,360	241,068,360	188,027,480	53,040,880
Liabilities against asset subject to finance lease	1,975,210	2,083,910	1,477,040	606,870
	378,550,070	378,658,770	325,011,020	53,647,750

34.4 Market risk

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

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

34.4.1 Management of market risk

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

Notes to the Financial Statements

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34.4.2 Interest rate risk

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

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

		Carrying amount	
		2016	2015
		(Rupees)	(Rupees)
Fixed rate instruments			
Financial assets			
Net investments in finance lease	8.42%-28.01%	406,932,035	443,242,617
Long term finance and loans	8.42%-28.01%	80,287,519	98,725,563
		487,219,554	541,968,180
Financial liabilities			
Long term finance			
Liabilities against assets subject to finance lease	15.01%	373,233	373,233
		601,306	1,975,210
		974,539	2,348,443
Variable rate instruments			
Financial assets			
Bank balances	4%	139,384	295,825
		139,384	295,825
Financial liabilities			
Short term borrowings	9.95%	104,838,931	129,066,524
		104,838,931	129,066,524

34.4.3 Fair value sensitivity analysis for fixed rate instruments

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

34.4.4 Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by Rs. 1.047 million (2015: Rs.1.288 million). This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis which were used for the year ended December 31, 2015.

The sensitivity analysis prepared as of December 31, 2016 is not necessarily indicative of the impact on the Company's net assets of future movements in interest rates and profit for the year and assets / liabilities of the Company.

34.4.5 Interest rate gap position

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

Notes to the Financial Statements

For the year ended 31, December 2016

	Effective mark-up / interest / profit rate	2016			
		Total	Exposed to mark-up / interest / profit rate risk		
			Upto three months	More than three months and upto one year	More than one year
Financial assets	%	------(Rupees)-----			
Cash and bank balances	4	139,384	139,384	-	-
Long term finances and loans	11.5-27.2	80,287,519	57,870,383	15,164,186	7,252,950
Net investment in finance lease	8.42-28.01	406,932,035	279,618,645	54,411,206	72,902,184
Total financial assets as on December 31, 2016		487,358,938	337,628,412	69,575,392	80,155,134
Financial liabilities					
Short term borrowings	9.96-10.71	104,838,931	-	104,838,931	-
Long term finances		373,233	373,233	-	-
Liabilities against asset subject to finance lease	14.39-23	601,306	28,360	572,946	-
Total financial liabilities as on December 31, 2016		105,813,470	401,593	105,411,877	-
On balance sheet gap		381,545,468	337,226,819	(35,836,485)	80,155,134
Total interest rate sensitivity gap		381,545,468	337,226,819	301,390,334	381,545,468

	Effective mark-up / interest / profit rate	2015			
		Total	Exposed to mark-up / interest / profit rate risk		
			Upto three months	More than three months and upto one year	More than one year
Financial assets	%	------(Rupees)-----			
Cash and bank balances	4.5 - 6	295,825	295,825	-	-
Long term finances and loans	11-27.2	98,725,563	33,429,079	47,915,708	17,380,776
Net investment in finance lease	8-29	443,242,617	250,281,131	101,158,235	91,803,251
Total financial assets as on 31 December 2015		542,264,005	284,006,035	149,073,943	109,184,027
Financial liabilities					
Short term borrowings	10.79 - 13.49	129,066,524	-	129,066,524	-
Long term finances	5	373,233	373,233	-	-
Liabilities against asset subject to finance lease	14.39-15.10	1,975,210	276,531	1,097,702	600,977
Total financial liabilities as on 31 December 2015		131,414,967	649,764	130,164,226	600,977
On balance sheet gap		410,849,038	283,356,271	18,909,717	108,583,050
Total interest rate sensitivity gap		410,849,038	283,356,271	302,265,988	410,849,038

Notes to the Financial Statements

For the year ended 31, December 2016

34.5 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Company is not exposed to equity securities price risk as the Company does not hold any equity securities as at December 31, 2016.

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

35.3 As required under the NBFC Regulations, every leasing company not involved in deposit taking shall maintain minimum equity requirement of Rs. 50 million at all times. The Company has maintained and complied with the minimum equity requirement during the current year.

	2016 Rupees	2015 Rupees
Total debt	373,233	373,233
Total equity	156,955,567	170,269,962
Total capital employed	<u>157,328,800</u>	<u>170,643,195</u>
Gearing ratio	<u>0.24%</u>	<u>0.22%</u>

34.3 Financial risk management objectives and policies

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

35. FINANCIAL INSTRUMENTS

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 categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

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

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

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

As at 31 December 2016, the Fund held the following classes of financial instruments measured at fair value:



Notes to the Financial Statements

For the year ended 31, December 2016

	Note	Carrying amount		Fair value					
		Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2016									
Financial assets not measured at fair value									
Cash and bank balance	5	2,519,445	-	-	2,519,445	-	-	-	-
Advances	6	-	2,668,119	-	2,668,119	-	-	-	-
Deposits, prepayments and other receivables	7	-	1,543,998	-	1,543,998	-	-	-	-
Long term finances and loans and accrued interest thereon	12	-	80,287,519	-	80,287,519	-	-	-	-
Net investment in finance leases		-	406,932,035	-	406,932,035	-	-	-	-
		2,519,445	491,431,671	-	493,951,116	-	-	-	-
Financial liabilities not measured at fair value									
Accrued and other liabilities	15	-	-	4,166,310	4,166,310	-	-	-	-
Accrued mark-up on borrowings	16	-	-	959,922	959,922	-	-	-	-
Short term borrowings	17	104,838,931	-	-	104,838,931	-	-	-	-
Provision for compensated absences	19	-	-	2,102,277	2,102,277	-	-	-	-
Long term finances		-	-	373,233	373,233	-	-	-	-
Liabilities against assets subject to finance lease	20	-	-	601,306	601,306	-	-	-	-
Long term deposits	12	-	-	31,314,005	31,314,005	-	-	-	-
Deferred liabilities	21	-	-	5,152,857	5,152,857	-	-	-	-
		104,838,931	-	44,669,910	149,508,841	-	-	-	-

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

35.2 For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (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 policy is to recognise 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 31 December 2016, 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 31, December 2016

37. SEGMENT INFORMATION

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

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

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

	2016				Total
	Finance lease	Loans and receivables	Investment	Others	
	(Rupees)				
Segment revenue	<u>23,066,962</u>	<u>9,464,198</u>	<u>1,790,051</u>	<u>3,093,906</u>	<u>37,415,117</u>
Segment profit	<u>27,540,356</u>	<u>5,854,666</u>	<u>1,790,051</u>	<u>3,093,906</u>	<u>38,278,979</u>
Segment result					<u>38,278,979</u>
Unallocated cost					
Finance cost					13,224,768
Administrative and operating expenses					38,111,121
					<u>51,335,889</u>
Loss before tax					(13,056,910)
Taxation					325,312
Loss after tax					<u>(12,731,598)</u>
Other information					-
Segment assets	406,932,035	78,926,446	-	-	485,858,481
Unallocated assets				17,908,548	17,908,548
Total assets					<u>503,767,029</u>
Segment liabilities	223,733,484	-	-	-	223,733,484
Unallocated liabilities				123,077,978	123,077,978
Total liabilities					<u>346,811,462</u>
Net assets					<u>156,955,567</u>
Capital expenditure	-	-	-	1,280,792	<u>1,280,792</u>

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

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

Notes to the Financial Statements

For the year ended 31, December 2016

	2015				Total
	Finance lease	Loans and receivables	Investment	Others	
	----- (Rupees) -----				
Segment revenue	21,408,834	6,290,685	-	189,601	27,889,120
Segment profit	27,770,559	5,903,952	-	189,601	33,864,112
Segment result					33,864,112
Unallocated cost					
Finance cost					17,665,337
Administrative and operating expenses					38,111,121
					55,776,458
Loss before tax					(22,179,999)
Taxation					3,794,318
Loss after tax					(18,385,681)
Other information					
Segment assets	443,242,617	98,112,105	4,283,091	-	545,637,813
Unallocated assets				21,604,059	21,604,059
Total assets					567,241,872
Segment liabilities	245,985,781	-	-	-	245,985,781
Unallocated liabilities				147,883,038	147,883,038
Total liabilities					393,868,819
Net assets					173,373,053
Capital expenditure	-	-	-	728,186	728,186

38 COMPARATIVES

The management has identified that it has not recorded provision against other receivables in prior year. The Company, therefore, has retrospectively rectified the error by restating the amount for Deposits, prepayments and other receivables and accumulated loss as reported in the balance sheet as at December 31, 2015 and Administrative expenses as reported in the profit and loss account for the year ended December 31, 2015.

The effects of restatement has been limited to line items as presented below.

December 31, 2015	Note	As previously reported	Adjustment	As currently reported
			----- (Rupees) -----	
Balance sheet				
ASSETS				
Current assets				
Deposits, prepayments and other receivables	7	1,630,488	(1,073,936)	556,552

Notes to the Financial Statements

For the year ended 31, December 2016

December 31, 2015	Note	As previously reported	Adjustment ----- (Rupees) -----	As currently reported
Balance sheet				
Total shareholders' equity		174,446,989	(1,073,936)	173,373,053
Profit and loss account				
Administrative and general	27	37,480,351	1,073,936	38,554,287
Loss per share - basic and diluted	30	(0.40)	(0.17)	(0.57)

39 NUMBER OF EMPLOYEES

The number of employees as on the year end were 38 and average number of employees during the year were 40

40 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 27 February, 2017 by the Board of Directors of the Company.



Bilal Mustafa
Director



Mir Javed Hashmat
Chief Executive Officer

Pattern of Shareholding

As at December 31, 2016

Shareholding		No of Shareholders	Total Shares Held	Percentage %
From	To			
1	100	20	219	0.00
101	500	208	103,157	0.32
501	1,000	50	49,900	0.16
1,001	5,000	72	218,491	0.68
5,001	10,000	18	149,999	0.47
10,001	15,000	8	103,500	0.32
15,001	20,000	4	77,000	0.24
20,001	25,000	3	69,000	0.22
25,001	30,000	3	87,500	0.27
30,001	35,000	1	31,000	0.10
35,001	40,000	1	37,000	0.12
40,001	45,000	2	87,000	0.27
45,001	50,000	2	96,000	0.30
50,001	55,000	2	105,525	0.33
55,001	60,000	2	119,500	0.37
150,001	155,000	1	155,000	0.48
185,001	190,000	1	190,000	0.59
220,001	225,000	1	225,000	0.70
410,001	415,000	1	410,159	1.28
425,001	430,000	1	428,000	1.34
450,001	455,000	1	453,525	1.42
900,001	905,000	1	902,350	2.82
910,001	915,000	1	910,477	2.85
1,295,001	1,300,000	1	1,298,500	4.06
2,285,001	2,290,000	1	2,287,000	7.15
23,405,001	23,410,000	1	23,405,198	73.14
30,966,626	31,081,600	407	32,000,000	100

Categories of Shareholders

As at December 31, 2016

Category No.	Categories of	Numbers of Share Held	Category wise No. of Shareholders	Category wise Share Held	Percentage %
1	General Public		377	1,973,415	6.17%
2	Associated Companies, Undertaking & Related Parties		1	23,405,198	73.14%
3	Other Companies, Joint Stock Companies		16	3,079,053	9.62%
4	Banks, NBFCS, DFIs, Takaful, Pension Funds		4	3,336,327	10.43%
5	Insurance Companies		1	155,000	0.48%
6	Executives		1	51,000	0.16%
7	Directors, Chief Executives Officer, Their Spouses and Minor Children				
	Miss Mehnaz Kaludi	7	7	0.00%	
	Mr. Atiq-ur-Rehman	1			
	Mr. Dilshad Ali Ahmad	1			
	Mr. Ihsan-ul-Haq Khan	1			
	Mr. Mir Javed Hashmat	1			
	Other	2*			
	Total		407	32,000,000	100.00%

* In process of transfer to newly appointed directors : Mr. Bilal Mustafa & Mr. Farrukh Mansoor Malik.

Proxy Form

I/We _____
of _____ (full address)

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

or failing him/her _____
of _____ (full address)

as my / our Proxy to attend and vote for me / us and on my / our behalf at the 15th Annual General Meeting of the Company to be held on April 25, 2017 and at any adjournment thereof.

Signed this _____ of _____ 2017.
(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

www.smelease.com