

SME Leasing Limited  
First Quarterly Report 31 March 2021

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

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Mr. Bilal Mustafa, Chairman  
Mr. Dilshad Ali Ahmad  
Mr. Mohammad Mubeen Mufti  
Mr. Javed Mehmood  
Ms. Darakhshan S. Vohra  
Ms. Sameena Gul

### **OFFICIATING CHIEF EXECUTIVE OFFICER**

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Mr. Asghar Maqsood

### **AUDIT COMMITTEE**

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Mr. Javed Mehmood, Chairman  
Mr. Mohammad Mubeen Mufti  
Ms. Darakhshan S. Vohra  
Mr. Sohail Imran, Committee Secretary

### **RISK MANAGEMENT COMMITTEE**

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Mr. Javed Mehmood, Chairman  
Mr. Bilal Mustafa  
Ms. Darakhshan S. Vohra  
Mr. M Ehsan Chishti, Secretary

### **HUMAN RESOURCE COMMITTEE**

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Mr. Bilal Mustafa – Chairman  
Mr. Dilshad Ali Ahmad  
Ms. Darakhshan S. Vohra  
Mr. Ather Habib – Committee Secretary

### **COMPANY SECRETARY & CFO**

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Mr. M Shahzad

### **EXTERNAL AUDITORS**

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BDO Ebrahim & Co, Chartered Accountants

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**INTERNAL AUDITOR**

Mr. Sohail Imran

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**TAX CONSULTANTS**

EY Ford Rhodes, Chartered Accountants

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**LEGAL ADVISOR**

Mohsin Tayebaly & Co., Advocate & Legal Consultant

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**CREDIT RATING**

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

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**REGISTERED OFFICE**

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

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**MAIN OFFICE**

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

Tel: (+92-21) 34322128-129-137      Fax: (+92-21) 34322082

E-mail: info@smelease.com

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**REGISTRAR AND SHARE TRANSFER CERTIFICATE**

Corptec Associates (Pvt.) Limited

503-E, Johar Town, Lahore

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**BANKS AND LENDING INSTITUTIONS**

SME Bank Limited

Meezan Bank Limited

## Directors' Review Report

The Board of directors of SME Leasing Limited (the Company) is pleased to present the un-audited condensed interim financial statements for the period ended March 31, 2021.

The company remained focused on recoveries and enhancing its performing portfolio by writing fresh new business. During the period under review, no fresh business was written while total recoveries from the portfolio aggregated Rupees 18.4 Million. The Company continued to follow up for early settlements of non-performing portfolio through legal process and negotiations. Provisions for non performing portfolio recorded a net reversal of Rupees 16 million. Revenues on the other hand recorded a decrease of Rupees 1.54 Million when compared with the corresponding period last year. Overall administrative expenses recorded increase of 0.4 million. Financial charges recorded decreased by 2.2 million due to decrease in cost of fund. The profit before tax during the period under review was Rs. 6 Million as compared to loss of Rs. 9.6 Million in the corresponding period last year. Funding constraint remained a major obstacle in converting the company into a profit-making institution.

The Net equity of the Company amounted to Rs 25.57 Million as at 31st March 2021 against the minimum prescribed equity requirement of Rs.50.00 million for non-deposit leasing companies. The current liabilities decreased by Rs. 10 million and non-current liabilities remained almost same whereas the total assets recorded a net decrease of Rs.4.47 Million. The efforts for recoveries from the portfolio and exploring new avenues of funding shall continue, going forward.

The matter of privatization of SME Bank, majority shareholder is at advanced stage. We shall keep our shareholders informed of development, in this regard.

The Board recognizes and appreciates the continued support of its shareholders, lenders and regulatory authorities and efforts and commitment of the management team and all the staff members of the Company.



Asghar Maqsood  
Chief Executive Officer  
(Officiating)

Dated: 27 April 2021



Director



Bilal Mustafa  
Chairman




SME LEASING LIMITED  
 CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)  
 AS AT MARCH 31, 2021

		March 31, 2021 Un Audited	December 31, 2020 Audited
	Note	----- Rupees -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	12,622,278	11,673,920
Intangible asset	7	-	-
Net investment in finance leases	8	201,831,145	187,152,253
Long term finances and loans - secured	9	49,918,239	47,385,562
Long-term loans to employees - secured	10	495,211	323,196
Long-term deposits and prepayments	11	832,086	870,558
<b>Total non-current assets</b>		<b>265,698,960</b>	<b>247,405,489</b>
<b>Current assets</b>			
Advances	12	3,837,875	5,007,025
Prepayments and other receivables	13	2,169,852	1,496,938
Current maturity of non current assets	14	128,038,098	150,082,218
Cash and bank balances	15	1,400,283	1,626,307
<b>Total current assets</b>		<b>135,446,108</b>	<b>158,212,488</b>
<b>Total assets</b>		<b>401,145,067</b>	<b>405,617,977</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorized share capital</b>			
100,000,000 (2020: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	21	320,000,000	320,000,000
Capital reserves		38,019,277	38,019,277
		358,019,277	358,019,277
<b>Revenue reserves</b>			
Reserve against future losses		10,447,052	10,447,052
Accumulated losses		(342,893,298)	(348,905,989)
		(332,446,246)	(338,458,937)
<b>Total shareholders' equity</b>		<b>25,573,031</b>	<b>19,560,340</b>
<b>Non-current liabilities</b>			
Liabilities against assets subject to finance lease	20	7,299,245	7,214,310
Long-term deposits	8	144,092,595	144,177,595
Defined benefit obligations		9,087,005	9,164,855
<b>Total non-current liabilities</b>		<b>160,478,845</b>	<b>160,556,760</b>
<b>Current liabilities</b>			
Trade and other payables	16	5,092,175	5,040,042
Mark-up accrued on borrowings	17	4,047,772	4,211,211
Short term borrowings - secured	18	141,564,967	144,790,638
Current maturity of non-current liabilities	19	50,716,913	57,381,913
Current maturity of liabilities against finance lease assets	20	2,578,078	2,913,768
Provision for compensated absences		2,928,930	2,959,558
Taxation - net		8,164,357	8,203,747
<b>Total current liabilities</b>		<b>215,093,192</b>	<b>225,500,877</b>
<b>Total equity and liabilities</b>		<b>401,145,067</b>	<b>405,617,977</b>
<b>Contingencies and commitments</b>			
	22		

The annexed notes from 1 to 35 form an integral part of these financial statements.

  
 Director

  
 Chief Executive Officer  
 (Officiating)

  
 Chief Financial Officer

  
 Director/Chairman

SME LEASING LIMITED  
 CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT (UNAUDITED)  
 FOR THE QUARTER ENDED MARCH 31, 2021

		March 31, 2021 <i>Unaudited</i>	March 31, 2020 <i>Unaudited</i>
	Note	Rupees	
<b>REVENUE</b>			
Income from operations	23	4,156,559	5,691,240
<b>Other operating income</b>			
Other income	24	11,979	24,753
Total revenue		<u>4,168,538</u>	<u>5,715,993</u>
<b>EXPENSES</b>			
Administrative and general	25	(9,815,443)	(9,374,940)
Finance cost	26	(4,287,228)	(6,488,545)
Total expenses		<u>(14,102,671)</u>	<u>(15,863,485)</u>
<b>Operating loss before reversals / (provisions)</b>		<u>(9,934,133)</u>	<u>(10,147,492)</u>
<b>(PROVISIONS)/REVERSALS</b>			
(Provisions)/reversals for potential lease losses - net		13,651,068	485,064
(Provisions)/reversals for loans and receivables - net		2,367,702	47,257
Total (provisions) / reversals		<u>16,018,770</u>	<u>532,321</u>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<u>6,084,637</u>	<u>(9,615,171)</u>
Taxation	27	(62,348)	(68,851)
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<u><u>6,022,289</u></u>	<u><u>(9,684,022)</u></u>
<b>Loss per share - basic and diluted</b>	28	0.19	(0.30)

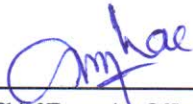
The annexed notes from 1 to 35 form an integral part of these financial statements.



Director



Director / Chairman



Chief Executive Officer  
(Officiating)




Chief Financial Officer

SME LEASING LIMITED  
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
 FOR THE QUARTER ENDED MARCH 31, 2021

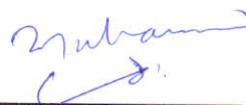
	March 31, 2021	March 31, 2020
Note	----- Rupees -----	----- Rupees -----
Profit / loss for the quarter / year	Unaudited 6,022,289	Unaudited (9,684,022)
<b>Other comprehensive loss</b>		
<i>Items that will be reclassified to profit or loss account in subsequent years</i>		
Actuarial gain on defined benefit obligation		
<i>Items not to be reclassified to profit or loss account in subsequent years</i>		
Total comprehensive loss for the year	<u>6,022,289</u>	<u>(9,684,022)</u>

The annexed notes from 1 to 35 from an integral part of these financial statements.

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director / Chairman

  
 \_\_\_\_\_  
 Chief Executive Officer  
 (Officiating)

  
 \_\_\_\_\_  
 Chief Financial Officer





SME LEASING LIMITED  
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY **UNAUDITED**  
 FOR THE QUARTER ENDED MARCH 31, 2021


	Capital reserves		Revenue reserves		Total shareholders' equity	
	*Share premium	*Statutory reserves	Reserve against future losses	Accumulated losses		
	----- Rupees -----					
Balance as at January 01, 2020	320,000,000	10,000,000	28,019,277	10,447,052	(291,358,265)	77,108,064
Total Comprehensive loss for the year quarter ended March 31, 2020						
Loss for the year	-	-	-	-	(9,684,022)	(9,684,022)
Balance as at March 31, 2020	320,000,000	10,000,000	28,019,277	10,447,052	(301,042,287)	67,424,042
Balance as at January 01, 2021	320,000,000	10,000,000	28,019,277	10,447,052	(348,915,587)	19,550,742
Total Comprehensive loss for the year quarter ended March 31, 2021						
Profit for the year	-	-	-	-	6,022,289	6,022,289
Balance as at March 31, 2021	320,000,000	10,000,000	28,019,277	10,447,052	(342,893,298)	25,573,031


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

The annexed notes from 1 to 35 from an integral part of these financial statements.

  
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 Director

  
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 Director

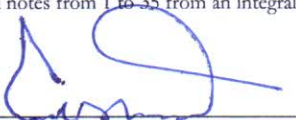
  
 \_\_\_\_\_  
 Chief Executive Officer (Officiating)


  
 \_\_\_\_\_  
 Chief Financial Officer

**SME LEASING LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE QUARTER ENDED MARCH 31, 2021**

	March 31, 2021	March 31, 2020
Note	----- Rupees -----	----- Rupees -----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	6,084,637	(9,615,171)
Adjustment for:		
Depreciation and amortization	25    862,045	925,175
Gratuity expense	-	(380,336)
Provision for compensated absences	30,628	181,437
Finance cost	26    4,287,228	6,485,976
Profit on bank accounts/return on investments	24    (11,979)	(24,753)
Obligation Under Finance Lease	-	(1,328,063)
Provision for potential lease losses	(13,651,068)	(485,064)
Provision for loans and receivables	(2,367,702)	(47,257)
	<u>(10,850,848)</u>	<u>5,327,115</u>
<b>Operating loss before working capital changes</b>	<b>(4,766,211)</b>	<b>(4,288,056)</b>
<b>Movement in working capital</b>		
(Increase) / decrease in operating assets		
Accrued interest on loan	17    (163,439)	(172,519)
Net investment in lease	8    12,330,709	9,087,230
Finances and loans	9    2,466,543	2,112,934
Long term loan to employees	10    (267,621)	-
Deposits, prepayments & other receivables	13    (672,914)	272,066
Long-term deposits and prepayments	11    38,472	(197,322)
Long term deposits (paid)/used-in	(6,750,000)	(367,525)
Advances	12    1,169,150	(237,094)
	<u>8,150,900</u>	<u>10,497,770</u>
(Decrease) / increase in operating liabilities		
Trade and other payables	52,133	(406,353)
<b>Cash generated from / (used in) operations</b>	<u>3,436,822</u>	<u>5,803,361</u>
Financial charges paid	(3,962,699)	(5,842,318)
Interest income received	11,979	24,753
Obligation under Finance Lease	-	1,328,063
Gratuity paid	(77,850)	-
Taxes paid	(101,738)	(82,607)
	<u>(4,130,308)</u>	<u>(4,572,109)</u>
<b>Net cash used in operating activities</b>	<b>(693,486)</b>	<b>1,231,252</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	6    (25,000)	-
Proceeds from disposal of fixed assets	-	17,000
Financial charges on lease finance	26    (324,529)	(483,399)
<b>Net cash (used in) / generated from investing activities</b>	<b>(349,529)</b>	<b>(466,399)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Lease rentals paid	(982,596)	(760,956)
<b>Net cash used in financing activities</b>	<u>(982,596)</u>	<u>(760,956)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,025,611)</b>	<b>3,897</b>
<b>Cash and cash equivalents at beginning of the year</b>	<u>(141,364,744)</u>	<u>(141,368,641)</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>(143,390,355)</u></u>	<u><u>(141,364,744)</u></u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Chief Executive Officer (Officiating)

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Chief Financial Officer

**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, 2020: 73.14%) of the Company's shares. At the time of incorporation, the Company was a wholly owned subsidiary of SME Bank Limited, whereby under an arrangement the assets and liabilities of the leasing division of SME Bank Limited were transferred to the Company on January 28, 2003. The Company is listed on Pakistan Stock Exchange and its registered office is situated at 56-F, Nazim-ul-Din Road F-6/1, Blue Area, Islamabad. The core objective of the Company is to extend lease and working capital financing facilities to small and medium enterprises of the country. The PACRA Credit Rating Agency has assigned a long term rating of B- (2020: B) and a short-term rating of A4 (2020: B) to the Company in the month of April 2021.
- 1.2 The license of the company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via application reference # SMEL./MO/2019 dated April 16, 2019 for its renewal in the manner so required by the NBFC rules, 2003. However, renewal of license was in progress till the quarter end.
- 1.3
- The Company obtained license of non deposit taking NBFC and as per section 4 (Schedule I) of NBFC Regulations 2008, a non deposit taking NBFC shall have minimum equity of Rs 50 million. The Company being non deposit taking NBFC has not complied with said requirement of NBFC Regulations 2008 of maintaining minimum capital requirement.
- 1.4 During the quarter ended March 31, 2021, the Company has incurred a net profit of Rs. 6.022 million (loss in March 31, 2020: Rs. 9.68 million), resulting in accumulated losses of Rs. 342.893 million (December 31, 2020: 348.906 million) at the end of the year. Further, the net assets of the Company amounts to Rs. 25.57 million (December 31, 2020: Rs. 19.56 million). The Company has negative cash and cash equivalent of Rs. 143.390 million (December 31, 2020: Rs. 143.164 million) which comprise of running finance facility from SME Bank Limited and as of that date the Company's current liabilities exceed its current assets by Rs. 79.64 million (December 31, 2020: Rs. 67.29 million)

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

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

However, these financials are prepared using going concern assumption considering the factors mentioned below:

- The holding company has granted a short term running finance facility to the Company amounting to Rs. 150 million out of which Rs. 141.564 million has been utilized as at March 31, 2021 (December 31, 2020: Rs. 144.790 million). The said facility can be extended to the extent of Rs. 300 million as per the standby agreement for finance facility. The holding company will not call off the said amount till June 30, 2022 and the holding company will facilitate, assist and support the Company in arrangement of finance from external sources as and when required by the Company.

- The management of the Company has prepared cash flow projections which reflect that based on financial support by the holding company the Company will be able to continue its business on going concern basis in the foreseeable future.

- Efforts are being made by the management to reduce the overall cost of the Company.

Based on the above mentioned financial measures and the concerted operational measures being taken by the Company, the management is confident that the company would be able to survive in the foreseeable future and therefore, has prepared the financial statements on going concern basis.

SME LEASING LIMITED  
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
 FOR THE QUARTER ENDED MARCH 31, 2021

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES

		<i>Unaudited</i> March 31, 2021	<i>Unaudited</i> March 31, 2020
	Note	----- Rupees-----	
Net lease disbursements	2.1	-	10,000,000
Recoveries	2.2	<u>18,419,479</u>	<u>24,494,658</u>

2.1 This represents amount disbursed against new leases written during the period.

2.2 This represents recoveries from non-performing loans amounting to Rs. 10,297,135 (March 31, 2020: Rs. 4,495,060) and regular parties amounting to Rs. 8,122,344 (March 31, 2020: Rs. 19,999,602).

3 IMPACT OF COVID-19 ON FINANCIAL STATEMENTS

The existence of novel coronavirus (COVID 19) was confirmed in early 2020 and had spread across the globe, causing disruption to businesses and economic activities. The impact of outbreak on the company's operations resulted in decline in recoveries during 2020. However, with the reducing affects of the pandemic, the Company's performance is expected to improve in near future.

4 BASIS OF PREPARATION

4.1 Statement of compliance

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

4.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except that defined benefit liability, compensated absences and liabilities against asset subject to finance lease, which is carried at present value. These financial statements are prepared on accrual basis of accounting.

4.3 This condensed interim financial statements does not include all the information required for a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Company for the year ended December 31, 2020.

4.4 The comparative statement of financial position presented in this condensed interim financial statements has been extracted from the annual published audited financial statements of the Company for the year ended December 31, 2020, whereas the comparative profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flow are stated from the unaudited condensed interim financial statements for the period ended March 31, 2020

4.5 These condensed interim financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. The figures are rounded off to the nearest rupee.

SME LEASING LIMITED  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED MARCH 31, 2021

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**5 SIGNIFICANT POLICIES, ESTIMATES, ASSUMPTIONS AND CHANGES THEREIN**

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published audited financial statements of the Company for the year ended December 31, 2020.

The preparation of these condensed interim financial statements in conformity with accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

The significant judgments, estimates and assumptions made by Management in applying the Company's accounting policies and the factors used in making those estimates and associated assumptions were the same as those that were applied to the audited annual published financial statements for the year ended December 31, 2020.

**5.1 Standards, interpretations and amendments to approved accounting standards that are not yet effective.**

There are certain amendments to the published accounting and reporting standards that are mandatory for the Company's accounting period beginning on July 1, 2020. However, these do not have any significant impact on the Company's operations and, therefore, have not been detailed in these condensed interim financial statements.

**5.2 Risk Management Policies**

The financial risk management objectives and policies are consistent with those disclosed in the annual audited published financial statements of the Company for the year ended December 31, 2020.

SME LEASING LIMITED  
NOTES TO THE CONDENSED INTEIRM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED MARCH 31, 2021

	Note	March 31, 2021 Un Audited	December 31, 2020 Audited
		----- Rupees -----	
<b>6. FIXED ASSETS</b>			
Property And Equipments		3,734,597	3,903,811
Right-Of-Use Assets		8,887,681	7,770,109
		<u>12,622,278</u>	<u>11,673,920</u>
<b>7. INTANGIBLE ASSET</b>			
Software and licenses		-	-
<b>8. NET INVESTMENT IN FINANCE LEASES</b>			
Net investment in finance leases	8.1	318,539,063	323,368,379
Less: Current maturity	14	(116,707,918)	(136,216,126)
		<u>201,831,145</u>	<u>187,152,253</u>

8.1 Net investment in finance leases

	Note	March 31, 2021			December 31, 2020		
		Total	Later than one year and less than five years	Not later than one year	Total	Later than one year and less than five years	Not later than one year
----- (Rupees) -----							
Minimum lease payments	8.3	317,449,964	244,520,755	72,929,209	332,473,338	252,615,664	79,857,674
Add: Residual Value of leased assets	8.4	194,436,275	144,092,595	50,343,680	201,186,275	144,177,595	57,008,680
Gross Investment in leases		511,886,239	388,613,350	123,272,889	533,659,613	396,793,259	136,866,354
Less: Unearned lease Income		(10,120,783)	(3,555,812)	(6,564,971)	(12,813,448)	(12,163,220)	(650,228)
Less: Markup held in Suspense Account		(48,064,081)	(48,064,081)	-	(48,664,406)	(48,664,406)	-
		(58,184,864)	(51,619,893)	(6,564,971)	(61,477,854)	(60,827,626)	(650,228)
		453,701,375	336,993,457	116,707,918	472,181,759	335,965,633	136,216,126
Less: Provision for potential lease losses	8.6	(135,162,312)	(135,162,312)	-	(148,813,380)	(148,813,380)	-
Net Investment in Finance leases		<u>318,539,063</u>	<u>201,831,145</u>	<u>116,707,918</u>	<u>323,368,379</u>	<u>187,152,253</u>	<u>136,216,126</u>

9 LONG TERM FINANCES AND LOANS - SECURED

Customers

-considered good  
-considered doubtful

Less: Provision for doubtful finances and loans - net

Less: Current maturity

Customers

10,804,728	20,351,243
58,898,028	51,818,056
69,702,756	72,169,299
(8,720,948)	(11,088,650)
<u>60,981,808</u>	<u>61,080,649</u>
(11,063,569)	(13,695,087)
<u>49,918,239</u>	<u>47,385,562</u>

SME LEASING LIMITED  
NOTES TO THE CONDENSED INTEIRM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED MARCH 31, 2021

		March 31, 2021 Un Audited	December 31, 2020 Audited
		----- Rupees -----	
<b>10 LONG-TERM LOANS TO EMPLOYEES - SECURED</b>	<b>Note</b>		
<b>Related parties - considered good</b>			
- Employees - Car loan		761,822	494,201
Less: Current maturity		<u>(266,611)</u>	<u>(171,005)</u>
		<u>495,211</u>	<u>323,196</u>
<b>11 LONG-TERM DEPOSITS AND PREPAYMENTS</b>			
Other deposits	11.1	787,222	787,222
Prepayments		<u>1,493,397</u>	<u>864,004</u>
Less: Current maturity	13	<u>(1,448,533)</u>	<u>(780,668)</u>
Non-current prepayments		<u>44,864</u>	<u>83,336</u>
		<u>832,086</u>	<u>870,558</u>
<b>11.1 Other deposits</b>			
Deposit On Rent: Branches		711,000	711,000
Deposit - Central Depository Company		50,000	50,000
Miscellaneous Deposits		14,422	14,422
Deposit On BRR Security Vault		<u>11,800</u>	<u>11,800</u>
		<u>787,222</u>	<u>787,222</u>
<b>12 ADVANCES</b>			
<b>Considered good - unsecured</b>			
- employees	12.1	1,420,111	1,678,710
- legal advisors	12.2	2,401,880	2,289,853
- others		884	137,426
- Advance against lease vehicle		-	886,036
- SBP deposit		<u>15,000</u>	<u>15,000</u>
		<u>3,837,875</u>	<u>5,007,025</u>
<b>12.1</b>			
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.			
<b>12.2</b>			
These represents advance payments made to the legal advisors of the Company for handling the cases on behalf of the Company.			
<b>13 PREPAYMENTS AND OTHER RECEIVABLES</b>			
Prepayments		1,448,533	780,668
Other receivable		65,000	65,000
Accrued interest on long term finances and loans		<u>656,319</u>	<u>651,270</u>
		<u>2,169,852</u>	<u>1,496,938</u>
<b>14 CURRENT MATURITY OF NON CURRENT ASSETS</b>			
<b>Current maturity of:</b>			
- Net investment in finance leases	8	116,707,918	136,216,126
- Long term finances and loans	9	11,063,569	13,695,087
- Long term loans to employees	10	<u>266,611</u>	<u>171,005</u>
		<u>128,038,098</u>	<u>150,082,218</u>

SME LEASING LIMITED  
 NOTES TO THE CONDENSED INTEIRM FINANCIAL STATEMENTS  
 FOR THE QUARTER ENDED MARCH 31, 2021

		March 31, 2021	December 31, 2020
	Note	Un Audited	Audited
----- Rupees -----			
<b>15 CASH AND BANK BALANCES</b>			
Balance with State Bank of Pakistan in current account		-	-
Balances with banks in:			
- Current accounts		1,333,871	1,466,000
- Saving accounts		-	93,895
Cash in hand		66,412	66,412
		<u>1,400,283</u>	<u>1,626,307</u>
<b>16 TRADE AND OTHER PAYABLES</b>			
Payable on termination/maturity of leases		2,132,445	2,132,445
Insurance payable		1,777,780	1,829,706
Accrued expenses		881,596	798,429
		283,974	255,933
Sales tax payable		16,379	23,529
		<u>5,092,175</u>	<u>5,040,042</u>
<b>17 MARK-UP ACCRUED ON BORROWINGS</b>			
Interest accrued on:			
- Short term borrowings	17.1	4,047,772	4,211,211
17.1 This amount represents accrued interest payable to the holding company.			
<b>18 SHORT TERM BORROWINGS - SECURED</b>			
Short term borrowings		<u>141,564,967</u>	<u>144,790,638</u>
<b>19 CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>			
Long term deposits	8.1	50,343,680	57,008,680
Long term finance		373,233	373,233
		<u>50,716,913</u>	<u>57,381,913</u>
<b>20 CURRENT MATURITY OF LIABILITIES AGAINST FINANCE LEASE ASSETS</b>			

	March 31, 2021		December 31, 2020	
	Minimum Lease Payment	Present value	Minimum Lease Payment	Present value
----- Rupees -----				
Upto one year	3,723,906	2,578,078	4,200,835	2,913,768
Later than one year but not later than five years	8,300,239	7,299,245	8,392,048	7,214,310
Total minimum lease payments	12,024,145	9,877,323	12,592,883	10,128,078
Less: Finance charges not due yet	(2,146,822)	-	(2,464,805)	-
Present value of minimum lease payments	9,877,323	9,877,323	10,128,078	10,128,078
Less: Current portion	(2,578,078)	(2,578,078)	(2,913,768)	(2,913,768)
Non-current portion	7,299,245	7,299,245	7,214,310	7,214,310



SME LEASING LIMITED  
 NOTES TO THE CONDENSED INTEIRM FINANCIAL STATEMENTS  
 FOR THE QUARTER ENDED MARCH 31, 2021

21 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

March 31, 2021 (Un-audited) (Number of shares)	December 31, 2020 (Audited)		March 31, 2021 (Un-audited)	December 31, 2020 (Audited)
			----- 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 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

There are no contingencies as at March 31, 2021 (2020: Nil).

22.2 Commitments

There are no commitments as at March 31, 2021 (2020: Nil).

23 INCOME FROM OPERATIONS

Income from finance leases	3,085,503	4,908,112
Income on finances and loans	1,071,056	783,128
	<u>4,156,559</u>	<u>5,691,240</u>

31 Mar 2021 31 Mar 2020  
 UNAUDITED

24 OTHER INCOME

Income from financial assets

Mark-up on loan to employees	11,979	17,880
Profit on bank account/return on investment	-	6,873
	<u>11,979</u>	<u>24,753</u>

25 ADMINISTRATIVE AND GENERAL

Salaries, allowances and other benefits	6,169,801	6,329,423
Directors' fee	180,000	-
Rent	101,928	55,029
Electricity, gas and water	188,783	205,733
Telephone and postage	234,594	210,089
Repairs and maintenance	130,215	108,177
Books and periodicals	10,345	7,815
Vehicle running	86,210	66,868
Travelling, conveyance and entertainment	268,654	170,326
Printing and stationery	75,988	98,375
Auditors' remuneration	37,400	-
Depreciation and amortization	862,045	925,175
Legal and professional	1,009,956	743,899
Insurance	303,499	311,436
Miscellaneous	156,025	142,595
	<u>9,815,443</u>	<u>9,374,940</u>

SME LEASING LIMITED  
 NOTES TO THE CONDENSED INTEIRM FINANCIAL STATEMENTS  
 FOR THE QUARTER ENDED MARCH 31, 2021

	March 31, 2021	March 31, 2020
	(Un-audited)	
	----- Rupees-----	
<b>26 FINANCE COST</b>		
Mark-up on short term borrowings	3,948,114	5,987,310
Interest expense for leasing arrangements	324,529	483,399
Bank charges	14,585	17,836
	<u>4,287,228</u>	<u>6,488,545</u>
<b>27 TAXATION</b>		
<b>Current tax</b>		
- Minimum tax U/S 113	<u>62,348</u>	<u>68,851</u>
<b>27.1 Current tax liability</b>		
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.		
<b>28 LOSS PER SHARE - BASIC AND DILUTED</b>		
	----- Rupees-----	
Profit / (Loss) after taxation attributable to ordinary shareholders	<u>6,022,289</u>	<u>(9,684,022)</u>
	(Number of shares)	
Weighted average number of outstanding ordinary shares	<u>32,000,000</u>	<u>32,000,000</u>
	March 31, 2021	March 31, 2020
	----- Rupees-----	
Profit / (Loss) per share - basic and diluted	<u>0.19</u>	<u>(0.30)</u>
<b>28.1</b> No figure for diluted earnings per share has been presented as the Company has no potential ordinary shares outstanding at the quarter end.		

SME LEASING LIMITED  
 NOTES TO THE CONDENSED INTEIRM FINANCIAL STATEMENTS  
 FOR THE QUARTER ENDED MARCH 31, 2021

29 TRANSACTIONS WITH RELATED PARTIES

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

		March 31, 2021 Un Audited	December 31, 2020 Audited
	Note	----- Rupees -----	
<b>29.1 Balances</b>			
<b>SME Bank Limited (holding company)</b>			
Short term borrowing	18	141,564,967	144,790,638
<b>29.2 Transactions</b>		March 31, 2021 Un Audited	March 31, 2020 Un Audited
<b>SME Bank Limited (holding company)</b>			
Mark up on short-term borrowings	26	3,948,114	5,987,310
Acquisition of short term borrowing facility-net		-	1,127,686
Repayment of short term borrowing facility - net		(3,225,671)	-
Rent expense paid for Peshawar branch		137,568	137,568
<b>Key management personnel</b>			
Key management remuneration		2,047,839	1,755,000
<b>Staff provident fund</b>			
Company's contribution towards provident fund		192,304	161,409
<b>30 Cash and cash equivalents</b>	Note		
Cash and bank balances	15	1,400,283	1,626,307
Short term borrowings	18	(144,790,638)	(144,790,638)
		<u>(143,390,355)</u>	<u>(143,164,331)</u>

SME LEASING LIMITED  
 NOTES TO THE CONDENSED INTEIRM FINANCIAL STATEMENTS  
 FOR THE QUARTER ENDED MARCH 31, 2021

31 SEGMENT INFORMATION

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

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

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

	March 2021 <i>Unaudited</i>			
	Finance lease	Loans and receivables	Others	Total
	(Rupees)			
Segment revenue	3,085,503	1,071,056	11,979	4,168,538
Segment profit	16,736,571	3,438,758	11,979	20,187,308
Segment result				20,187,308
<i>Unallocated cost</i>				
Finance cost				(4,287,228)
Administrative and general expenses				(9,815,443)
				(14,102,671)
Profit before tax				6,084,637
Taxation				(62,348)
Profit after tax				6,022,289
<i>Other information</i>				
Segment assets	318,539,063	60,981,808	-	379,520,871
Unallocated assets			21,624,196	21,624,196
Total assets				401,145,067
Segment liabilities	197,095,651	-	-	197,095,651
Unallocated liabilities			178,476,386	178,476,386
Total liabilities				375,572,037
Net assets				25,573,031
Capital expenditure	-	-	-	-

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

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

**SME LEASING LIMITED**  
**NOTES TO THE CONDENSED INTEIRM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED MARCH 31, 2021**

	March 2020 <i>Unaudited</i>				
	Finance lease	Loans and receivables	Investment	Others	Total
	----- (Rupees) -----				
Segment revenue	4,908,112	783,128	-	24,753	5,715,993
Segment profit	5,393,176	830,385	-	24,753	6,248,314
Segment result					6,248,314
<i>Unallocated cost</i>					
Finance cost					(6,488,545)
Administrative and general expenses					(9,374,940)
					(15,863,485)
Loss before tax					(9,615,171)
Taxation					(68,851)
Loss after tax					(9,684,022)
<i>Other information</i>					
Segment assets	374,641,174	71,498,596	-	-	446,139,770
				25,130,693	25,130,693
Total assets					471,270,463
Segment liabilities	226,580,199	-	-	-	226,580,199
Unallocated liabilities				177,226,221	177,226,221
Total liabilities					403,806,420
Net assets					67,464,043
Capital expenditure	-	-	-	17,000	17,000

### 31.3 Geographical segment analysis

The Company's operations are restricted to Pakistan only.

### 32 FAIR VALUE OF 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. Consequently, differences can arise between carrying values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of investments classified as "at fair value through profit or loss" and "at fair value through other comprehensive income" are based on active market. The investment in associate is accounted for using the equity method while the subsidiaries have been kept at cost.

Fair values of net investments in finance lease, long term loans and finances, long term deposits and other assets, other liabilities, long term certificates of deposit and other accounts are approximate to their carrying value. The provision for impairment of finance lease and long term loans and finances has been calculated in accordance with the Company's accounting policy.

In the opinion of management, fair values of the remaining financial assets and liabilities are not significantly different from their carrying values since these assets and liabilities are short term in nature or are periodically repriced.

#### Fair value hierarchy

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).

SME LEASING LIMITED  
 NOTES TO THE CONDENSED INTEIRM FINANCIAL STATEMENTS  
 FOR THE QUARTER ENDED MARCH 31, 2021

March 31, 2021	Note	Carrying amount				Fair value			
		Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>									
Cash and bank balance	15	1,400,283	-	-	1,400,283	-	-	-	-
Advances	12	-	3,837,875	-	3,837,875	-	-	-	-
Deposits, prepayments and other receivables	13	-	2,169,852	-	2,169,852	-	-	-	-
Long term finances and loans and accrued interest thereon	9	-	60,981,808	-	60,981,808	-	-	-	-
Net investment in finance leases	8	-	318,539,063	-	318,539,063	-	-	-	-
		<u>1,400,283</u>	<u>385,528,598</u>	<u>-</u>	<u>386,928,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>									
Accrued and other liabilities	0	-	-	5,092,175	5,092,175	-	-	-	-
Accrued mark-up on borrowings	13	-	-	4,047,772	4,047,772	-	-	-	-
Short term borrowings	14	128,038,098	-	-	128,038,098	-	-	-	-
Provision for compensated absences	0	-	-	2,928,930	2,928,930	-	-	-	-
Long term finances	15	-	-	373,233	373,233	-	-	-	-
Long term deposits	8	-	-	144,092,595	144,092,595	-	-	-	-
Defined benefit obligations	10	-	-	9,087,005	9,087,005	-	-	-	-
Lease liabilities	8	-	-	9,877,323	9,877,323	-	-	-	-
		<u>128,038,098</u>	<u>-</u>	<u>175,499,033</u>	<u>303,537,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

December 31, 2020	Note	Carrying amount				Fair value			
		Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>									
Cash and bank balance	15	1,626,307	-	-	1,626,307	-	-	-	-
Advances	12	-	5,007,025	-	5,007,025	-	-	-	-
Deposits, prepayments and other receivables	13	-	1,496,938	-	1,496,938	-	-	-	-
Long term finances and loans and accrued interest thereon	9	-	61,080,649	-	61,080,649	-	-	-	-
Net investment in finance leases	8	-	323,368,379	-	323,368,379	-	-	-	-
		<u>1,626,307</u>	<u>390,952,991</u>	<u>-</u>	<u>392,579,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>									
Accrued and other liabilities	16	-	-	5,040,042	5,040,042	-	-	-	-
Accrued mark-up on borrowings	17	-	-	4,211,211	4,211,211	-	-	-	-
Short term borrowings	18	144,790,638	-	-	144,790,638	-	-	-	-
Provision for compensated absences	0	-	-	2,959,558	2,959,558	-	-	-	-
Long term finances	19	-	-	373,233	373,233	-	-	-	-
Long term deposits	8	-	-	144,177,595	144,177,595	-	-	-	-
Defined benefit obligations	0	-	-	9,164,855	9,164,855	-	-	-	-
Lease liabilities	20	-	-	10,128,078	10,128,078	-	-	-	-
		<u>144,790,638</u>	<u>-</u>	<u>176,054,572</u>	<u>320,845,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

SME LEASING LIMITED  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED MARCH 31, 2021

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33 SUBSEQUENT EVENTS

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

34 CORRESPONDING FIGURES

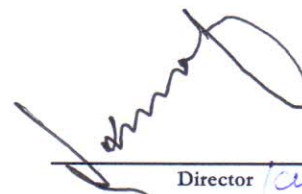
Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

35 DATE OF AUTHORISATION FOR ISSUE


These financial statements were authorized for issue on \_\_\_\_\_ by the Board of Directors of the Company.



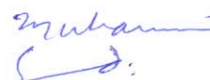
Director



Director



Chief Executive Officer



Chief Financial Officer