

SME Leasing Limited  
First Quarterly Report 31 March 2022

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

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

*\* Approval from the SECP is in process*

### **CHIEF EXECUTIVE OFFICER**

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Mr. Asghar Maqsood

### **AUDIT COMMITTEE**

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

### **RISK MANAGEMENT COMMITTEE**

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

### **HUMAN RESOURCE COMMITTEE**

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

### **PROCUREMENT COMMITTEE**

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

### **NOMINATION COMMITTEE**

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

### **COMPANY SECRETARY & CFO**

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Mr. M Shahzad

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**EXTERNAL AUDITORS**

---

BDO Ebrahim & Co, Chartered Accountants

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**INTERNAL AUDITOR (ACTING)**

---

Mr. Khurram Ali

---

**TAX CONSULTANTS**

---

EY Ford Rhodes, Chartered Accountants

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**LEGAL ADVISOR**

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Mohsin Tayebaly & Co., Advocate & Legal Consultant

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**CREDIT RATING**

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

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**REGISTERED OFFICE**

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

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**MAIN OFFICE**

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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**

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Corptec Associates (Pvt.) Limited

503-E, Johar Town, Lahore

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**BANKS AND LENDING INSTITUTIONS**

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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 quarter ended March 31, 2022.

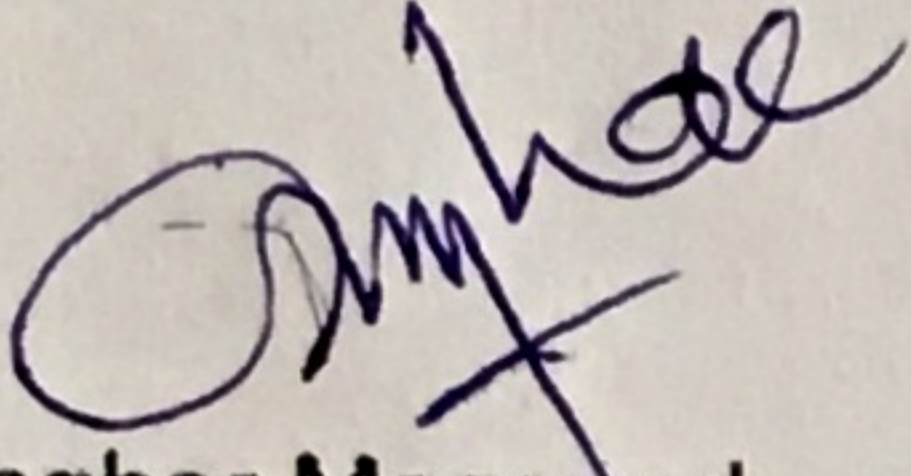
The company remained focused on Recoveries and enhancing its performing portfolio by writing fresh new business. During the period under review, the fresh business of Rs.5.50 million was written while total recoveries from the portfolio aggregated Rupees 23.54 million, out of which Rupees 17.25 million were from the non-performing portfolio. The Company continued to follow up on early settlements of the non-performing portfolio through legal processes and negotiations. Provisions for a non-performing portfolio recorded a net reversal of Rupees 2.95 million. Revenues on the other hand recorded an increase of Rupees 1.71 million when compared with the corresponding period last year. The loss before tax during the period under review was Rs. 9.96 million as compared to a profit of Rs. 6.08 million in the corresponding period last year. Funding constraints remained a major obstacle in converting the company into a profit-making institution.

The net equity of the Company reduced from 6.5 million in December 2021 to a negative of Rs 3.5 million as of March 31, 2022, due to the impact of current quarter loss of Rs 10.036 million. The minimum prescribed Equity requirement is Rs. 50 million for non-deposit leasing companies. In the current quarter, the current liabilities decreased by Rs. 12.484 million and non-current liabilities increased by Rs 1.38 million whereas the total assets recorded a net decrease of Rs. 21.139 Million mainly due to maturity of the current portion of lease financing during the quarter.

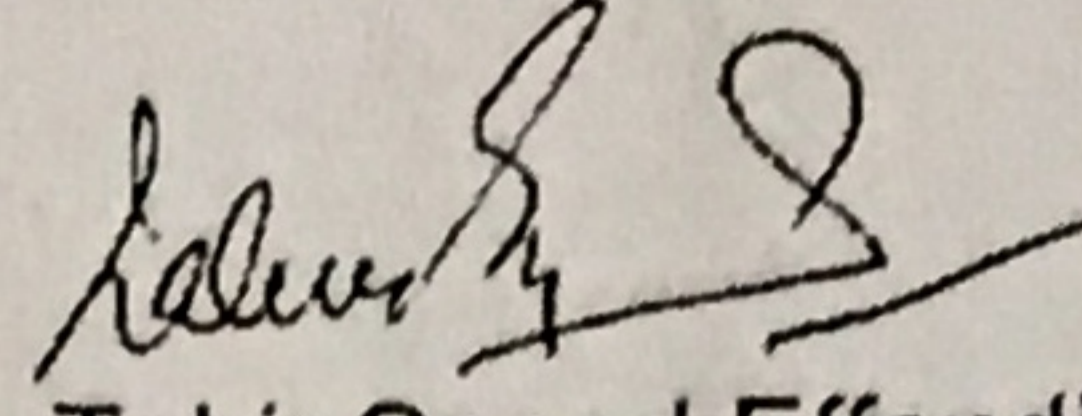
With respect to the privatisation of the Parent Company, SME Bank Limited (Bank) and its Subsidiary as you are aware, the Cabinet Committee on Privatisation (CCOP) approved the new privatisation program of the Bank on March 06, 2019, to divest the Government of Pakistan (GOP) equity stake in the Bank along with management control to a strategic investor as per the decision dated November 19, 2018, of the GOP, whereas the due process was started and various stakeholders participated including the prospective investors. However, due to the lack of interest from prospective investors, the Board of Privatisation Commission in its meeting held on November 25, 2021, has recommended the delisting of SME Bank Limited from the list of privatisations. The Financial Adviser (FA) of the Privatisation Commission asserted that despite all efforts and iterative interactions with the pre-qualified bidders to date positive feedback from the pre-qualified bidders is not forthcoming and owing to the deteriorating financial position of the Bank, the FA recommended shelving the Transaction.

Recommendation of the Board of Privatisation was presented to the CCOP in its meeting held on December 31, 2021, where the CCOP decided to ascertain the way forward for the bank before delisting from the list of privatisation; and in this regard constituted a committee consisting of Deputy Governor SBP, Secretary Finance, Secretary Privatisation Commission, Chairman SECP and Minister of Finance.

The Board recognizes and appreciates the continued support of its shareholders.



Asghar Maqsood  
Chief Executive Officer



Tahir Saeed Effendi  
Director

Dated: Islamabad, 26 April 2022



SME LEASING LIMITED  
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)  
AS AT MARCH 31, 2022

		March 31, 2022	December 31, 2021
	Note	----- Rupees -----	
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property and equipment	8	3,249,783	3,340,157
Right-of-use assets	9	5,960,026	6,697,288
Intangible Assets	10	-	-
Net investment in finance leases	11	172,332,485	177,323,371
Long term finances and loans - secured	12	40,600,481	43,914,041
Long term loans to employees - secured	13	307,902	343,921
Long term deposits and prepayments	14	787,222	787,222
		<b>223,237,899</b>	<b>232,406,000</b>
<b>CURRENT ASSETS</b>			
Advances	15	2,963,493	2,779,957
Prepayments and other receivables	16	1,318,480	749,393
Current maturity of assets subject to finance lease	11	84,280,187	98,019,136
Current maturity of non current assets	15	12,167,810	9,433,280
Cash and bank balances	18	1,437,894	3,157,864
		<b>102,167,864</b>	<b>114,139,630</b>
<b>TOTAL ASSETS</b>		<b><u>325,405,763</u></b>	<b><u>346,545,631</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 100,000,000 (2020: 100,000,000) Ordinary shares of Rs 10 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up capital 32,000,000 (2020: 32,000,000) Ordinary shares of Rs. 10 each		320,000,000	320,000,000
Capital reserves		38,019,277	38,019,277
		<b>358,019,277</b>	<b>358,019,277</b>
<b>REVENUE RESERVES</b>			
Reserve against future losses		10,447,052	10,447,052
Accumulated losses		(371,967,316)	(361,930,933)
		<b>(361,520,264)</b>	<b>(351,483,881)</b>
		<b>(3,500,987)</b>	<b>6,535,396</b>
<b>NON - CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease	19	3,101,884	4,020,884
Long-term deposits	11.1	130,403,595	130,202,795
Defined benefit obligation		11,863,133	9,764,513
		<b>145,368,612</b>	<b>143,988,192</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,556,580	2,736,096
Mark-up accrued on borrowings		3,914,222	4,209,212
Short term borrowings - secured	20	134,829,267	137,183,616
Current maturity of non-current liabilities	21	34,917,429	44,918,469
Current maturity of liabilities against assets subject to finance lease	19	3,624,393	3,594,336
Provision for compensated absences		3,346,097	3,045,411
Taxation - net		350,150	334,902
		<b>183,538,138</b>	<b>196,022,042</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>325,405,763</u></b>	<b><u>346,545,631</u></b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	22		

The annexed notes from 1 to 33 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE OFFICER


  
CHIEF FINANCIAL OFFICER

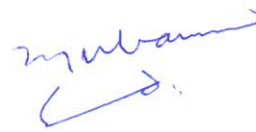
  
DIRECTOR

SME LEASING LIMITED  
 CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)  
 FOR THE PERIOD ENDED MARCH 31, 2022

		March 31, 2022	March 31, 2021
	Note	----- Rupees -----	
<b>REVENUE</b>			
Finance leases		1,645,900	3,085,503
Finance and loans		4,218,575	1,071,056
Other income	23	<u>9,658</u>	<u>11,979</u>
		<u>5,874,133</u>	<u>4,168,538</u>
<b>EXPENSES</b>			
Administrative and general expenses	24	14,594,438	9,815,443
Finance cost	25	<u>4,192,706</u>	<u>4,287,228</u>
		<u>18,787,144</u>	<u>14,102,671</u>
<b>Operating loss before reversal</b>		<u>(12,913,011)</u>	<u>(9,934,133)</u>
Potential lease losses written back		2,149,680	13,651,068
Credit losses on loans and receivables reversal		<u>800,375</u>	<u>2,367,702</u>
		<u>2,950,055</u>	<u>16,018,770</u>
<b>(Loss) / Profit for the period before taxation</b>		<u>(9,962,956)</u>	<u>6,084,637</u>
Taxation	26	73,427	62,348
<b>Net (loss) / Profit for the period</b>		<u><u>(10,036,383)</u></u>	<u><u>6,022,289</u></u>
<b>(Loss) / Profit per share - basic and diluted</b>	27	<b>(0.31)</b>	0.19

The annexed notes from 1 to 33 form an integral part of these condensed interim financial statements.

  
 CHIEF EXECUTIVE OFFICER

  
 CHIEF FINANCIAL OFFICER

  
 DIRECTOR






SME LEASING LIMITED  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2022

	March 31, 2022	March 31, 2021
	----- Rupees -----	
Loss after taxation for the period	(10,036,383)	6,022,289
Other comprehensive income	-	-
<b>Total comprehensive loss for the period</b>	<u><u>(10,036,383)</u></u>	<u><u>6,022,289</u></u>

The annexed notes from 1 to 33 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE OFFICER

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR



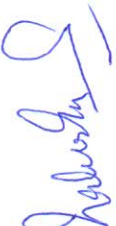
**SME LEASING LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2022**

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves		Total shareholder equity
		Share premium	Statutory reserve	Reserve against future losses	Unappropriated profit	
	----- Rupees -----					
Balance at January 01, 2021 - audited	320,000,000	10,000,000	28,019,277	10,447,052	(348,915,587)	19,550,742
<b>Total Comprehensive loss for the quarter ended March 31, 2021</b>						
Profit after taxation	-	-	-	-	6,022,289	6,022,289
Balance at March 31, 2021 - Un-audited	320,000,000	10,000,000	28,019,277	10,447,052	(342,893,298)	25,573,031
Balance at January 01, 2022 - Audited	320,000,000	10,000,000	28,019,277	10,447,052	(361,930,933)	6,535,396
<b>Total Comprehensive loss for the quarter ended March 31, 2022</b>						
(Loss) after taxation	-	-	-	-	(10,036,383)	(10,036,383)
Balance at March 31, 2022 - Un-audited	320,000,000	10,000,000	28,019,277	10,447,052	(371,967,316)	(3,500,987)

The annexed notes from 1 to 33 form an integral part of these condensed interim financial statements.

  
**CHIEF EXECUTIVE OFFICER**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

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SME LEASING LIMITED  
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2022

		Three months period ended	
		March 31, 2022	March 31, 2021
		-----Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	(Loss) / Profit before taxation	(9,962,956)	6,084,637
	Adjustment for:		
	Depreciation and amortization	895,636	862,045
	Provision of gratuity	3,041,548	-
	Provision for compensated absences	1,002,897	30,628
	Finance cost	3,914,502	4,287,228
	Interest income	(9,658)	(11,979)
	Finance charge on right of use of assets	278,204	-
	Potential lease losses written back	(2,149,680)	(13,651,068)
	Credit losses on loans and receivables reversal	(800,375)	(2,367,702)
		6,173,074	(10,850,848)
	<b>Operating loss before working capital changes</b>	<b>(3,789,882)</b>	<b>(4,766,211)</b>
	<b>(Increase)/Decrease in current assets:</b>		
	Accrued interest on loan	-	(163,439)
	Net investment in finance leases	20,453,535	12,330,709
	Long term finances and loans - secured	1,352,803	2,466,543
	Long term loans to employees - secured	62,621	(267,621)
	Prepayments and other receivables	(569,087)	(672,914)
	Long term deposits and prepayments	-	38,472
	Long term deposits (paid)/used in	-	(6,750,000)
	Advances	(183,536)	1,169,150
		21,116,336	8,150,900
	<b>Increase/(Decrease) in operating liabilities:</b>		
	Trade and other payables	(179,516)	52,133
	<b>Cash generated from operations</b>	<b>17,146,938</b>	<b>3,436,822</b>
	Financial charges paid	(4,209,492)	(3,962,699)
	Interest income received	9,658	11,979
	Gratuity paid	(942,928)	(77,850)
	Benefits paid	(702,211)	-
	Taxes paid	(58,178)	(101,738)
		(5,903,151)	(4,130,308)
	<b>Net cash flows generated from / (used in) operating activities</b>	<b>11,243,787</b>	<b>(693,486)</b>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	Additions to property and equipment	(68,000)	(25,000)
	Financial charges on lease finance	(9,658)	(324,529)
	<b>Net cash used in investing activities</b>	<b>(77,658)</b>	<b>(349,529)</b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	Lease rentals paid	(1,167,147)	(982,596)
	<b>Net cash used in financing activities</b>	<b>(1,167,147)</b>	<b>(982,596)</b>
	<b>Net decrease in cash and cash equivalents</b>	<b>9,998,982</b>	<b>(2,025,611)</b>
	<b>Cash and cash equivalents at beginning of the period</b>	<b>(143,390,355)</b>	<b>(141,364,744)</b>
	<b>Cash and cash equivalents at end of the period</b>	<b>(133,391,373)</b>	<b>(143,390,355)</b>

The annexed notes from 1 to 33 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE OFFICER

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

**SME LEASING LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 2022**

**1 THE COMPANY AND ITS OPERATIONS**

- 1.1 SME Leasing Limited (the Company) was incorporated in Pakistan on July 12, 2002 as an unlisted public company and acquired the status of a listed company on December 13, 2006. The Company is a subsidiary of SME Bank Limited (the Parent Company). At the time of incorporation, the Company was a wholly owned subsidiary of SME Bank Limited, whereby under an arrangement the assets and liabilities of the leasing division of SME Bank Limited were transferred to the Company on January 28, 2003. The Company is listed on Pakistan Stock Exchange and its registered office is situated at 56-F, Nazim-ul-Din Road F-6/1, Blue Area, Islamabad. The core objective of the Company is to extend lease and working capital financing facilities to small and medium enterprises of the country. The PACRA Credit Rating Agency has assigned a long term rating of B- (2021: B-) and a short term rating of A4 (2021: A4) to the Company in the month of April 2022.
- 1.2 The license of the Company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via application reference # SMEL/MO/2019 dated April 16, 2019 and thereafter the company applied via application reference # SMEL/MO/2022 dated April 15, 2022 for its renewal in the manner so required by the NBFC Rules, 2003. However, renewal of license was in progress till the release date of these condensed interim financial statements.
- 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 The Company has been incurring losses since year ended December 31, 2009 which has resulted in erosion of equity. During the period ended March 31, 2022 the Company has reported a loss of Rs.10.036 million (March 31, 2021: profit of Rs. 6.022 million) which has increased accumulated losses to Rs. 371.967 million (December 31, 2021: Rs. 361.931 million) as on March 31, 2022. Further, the net assets of the Company amounts to Rs. (3.51) million (December 31, 2021: Rs. 6.535 million). The Company has negative cash and cash equivalent of Rs.133.391 million (December 31, 2021: Rs.134.026 million) which comprise of running finance facility from SME Bank Limited and as of that date the Company's current liabilities exceed its current assets by Rs. 81.370 million (December 31, 2021: Rs. 81.882 million).

Further, the Company is dependent on the running finance facility granted by the Parent Company. The revised prudential regulation of State Bank of Pakistan (SBP) applicable from June 2015 has restricted the exposure by bank to a related party to the extent of 7.5% of its equity. However, SBP vide its letter BPRD/BA&CPD/646/332/20 dated January 06, 2020 had granted the Parent Company relaxation of the aforesaid requirement, which has expired on December 31, 2019.

During the financial year 2021, the Parent Company has requested SBP to allow exemption from related party exposure limit till December 31, 2021 and correspondence regarding this was in progress till the current period end. However, no intimation has so far been received from SBP in this regard.

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

- The Parent Company has granted a short term running finance facility to the Company amounting to Rs. 150 million out of which Rs. 134.829 million has been utilized as at March 31, 2022 (December 31, 2021: Rs. 137.184 million). The said facility can be extended to the extent of Rs. 300 million as per the stand-by agreement for finance facility. The Parent Company will not call off the said amount till December 31, 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 Parent 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 of the going concern status of the Company and therefore, has prepared these condensed interim financial statements on a going concern basis of accounting.

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

## 2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES

Net lease disbursements	2.1	5,500,000	-
Recoveries	2.2	23,539,109	18,419,479

- 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.17,248,898 (March 31, 2021 Rs.10,297,135) and regular parties amounting to Rs.6,290,211 (March 31, 2021 Rs.8,122,344).

## 3 IMPACT OF COVID-19 ON FINANCIAL STATEMENTS

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the COVID-19 outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is difficult to predict at this stage. As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Company's financial condition or results of operations except those disclosed in relevant notes to the financial statements.

## 4 BASIS OF PREPARATION

### 4.1 Statement of compliance

These condensed interim financial statements of the Company for the three-months period ended March 31, 2022 have been prepared in accordance with requirement of the International Accounting Standard 34 - Interim Financial Reporting and 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.

These condensed interim financial statements does not include all the disclosure required in the annual financial statements. Accordingly, the condensed interim financial statements should be read in conjunction with annual financial statements for the year ended December 31, 2021.

**4.2 New and amended standards and interpretations to published accounting and reporting standards that are effective in the current period**

There are certain amendments to the published accounting and reporting standards that are mandatory for the Company's accounting period beginning on January 1, 2022. 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.

**4.3 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective**

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after April 01, 2022 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computations followed for the preparation of these condensed interim financial statements are same as those applied in preparing the financial statements for the year ended December 31, 2021.

**6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT**

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effects the application of accounting policies and reported amounts of assets and liabilities, income and expenses. However, actual results may differ from estimates.

In preparing these condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimates uncertainty are the same as applied to the financial statements of the company for the year ended December 31, 2021.

**7 FINANCIAL RISK MANAGEMENT**

The Company's financial risk management objectives and policies are consistent with those disclosed in the financials statements of the Company as at and for the year ended December 31, 2021.

		March 31, 2022	December 31, 2021
	Note	(Un-Audited)	(Audited)
		----- Rupees -----	
<b>8</b>	<b>PROPERTY AND EQUIPMENT</b>		
	Balance as at January 1	3,340,157	3,903,810
	Additions during the period / year	68,000	163,413
	Depreciation charged for the period / year	<u>(158,374)</u>	<u>(727,066)</u>
		<u>3,249,783</u>	<u>3,340,157</u>
<b>9</b>	<b>RIGHT-OF-USE ASSETS</b>		
	Balance as at January 1	6,697,288	7,770,109
	Additions during the period / year	-	1,795,000
	Depreciation charged for the period / year	<u>(737,262)</u>	<u>(2,867,821)</u>
		<u>5,960,026</u>	<u>6,697,288</u>
<b>10</b>	<b>INTANGIBLE ASSETS</b>		
	Cost	1,507,142	1,507,142
	Accumulated amortization	<u>(1,507,142)</u>	<u>(1,507,142)</u>
		<u>-</u>	<u>-</u>
<b>11</b>	<b>NET INVESTMENT IN FINANCE LEASES</b>		
	Net investment in finance leases	256,612,672	275,342,507
	Less: Current maturity of net investment in leases	<u>(84,280,187)</u>	<u>(98,019,136)</u>
		<u>172,332,485</u>	<u>177,323,371</u>
<b>11.1</b>	<b>Net investment in finance leases</b>		

	March 31, 2022 (Un-audited)			December 31, 2021 (Audited)		
	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	274,285,234	220,154,253	54,130,981	286,239,684	227,716,296	58,523,388
Add: Residual value of leased assets	164,947,791	130,403,595	34,544,196	174,748,031	130,202,795	44,545,236
Gross investment in leases	<u>439,233,025</u>	<u>350,557,848</u>	<u>88,675,177</u>	<u>460,987,715</u>	<u>357,919,091</u>	<u>103,068,624</u>
Less: Unearned lease income	<u>(7,368,586)</u>	<u>(2,973,596)</u>	<u>(4,394,990)</u>	<u>(8,728,447)</u>	<u>(3,678,959)</u>	<u>(5,049,488)</u>
Less: Markup held in suspense account	<u>(45,014,705)</u>	<u>(45,014,705)</u>	<u>-</u>	<u>(44,530,019)</u>	<u>(44,530,019)</u>	<u>-</u>
	<u>(52,383,291)</u>	<u>(47,988,301)</u>	<u>(4,394,990)</u>	<u>(53,258,466)</u>	<u>(48,208,978)</u>	<u>(5,049,488)</u>
	386,849,734	302,569,547	84,280,187	407,729,249	309,710,113	98,019,136
Less: Provision for potential lease losses	<u>(130,237,062)</u>	<u>(130,237,062)</u>	<u>-</u>	<u>(132,386,742)</u>	<u>(132,386,742)</u>	<u>-</u>
Net investment in finance leases	<u>256,612,672</u>	<u>172,332,485</u>	<u>84,280,187</u>	<u>275,342,507</u>	<u>177,323,371</u>	<u>98,019,136</u>

		March 31, 2022	December 31, 2021
	Note	(Un-Audited)	(Audited)
----- Rupees -----			
<b>12</b>	<b>LONG TERM FINANCES AND LOANS - SECURED</b>		
	Considered good	13,898,020	12,489,003
	Considered doubtful	45,308,091	48,069,911
		59,206,111	60,558,914
	Less: Provision	(6,640,098)	(7,440,473)
		52,566,013	53,118,441
	Less: Current maturity	(11,965,532)	(9,204,400)
	17	<u>40,600,481</u>	<u>43,914,041</u>
<b>13</b>	<b>LONG TERM LOAN TO EMPLOYEES - SECURED</b>		
	Vehicle loan	510,180	572,801
	Less: Current Maturity	(202,278)	(228,880)
	17	<u>307,902</u>	<u>343,921</u>
<b>14</b>	<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>		
	Other deposits	<u>787,222</u>	<u>787,222</u>
<b>15</b>	<b>ADVANCES</b>		
	Considered good - unsecured		
	Employees	514,374	466,858
	Legal advisors	2,250,980	2,175,980
	SBP deposit	15,000	15,000
	Others	183,139	122,119
		<u>2,963,493</u>	<u>2,779,957</u>
15.1	This represents interest free advances given to employees against salaries. These are recovered through monthly deductions from salaries over a period upto one year from the date of granting loans.		
15.2	This represents advance payments made to the legal advisors of the Company for handling cases on behalf of the Company.		
<b>16</b>	<b>PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Prepayments	1,017,398	622,659
	Accrued interest on long term finances and loans	236,082	61,734
	Other receivable	65,000	65,000
		<u>1,318,480</u>	<u>749,393</u>



	Note	March 31,	December 31, 2021
		2022 (Un-Audited)	(Audited)
----- Rupees -----			
<b>17 CURRENT MATURITY OF NON CURRENT ASSETS</b>			
Current maturity of:			
Long term financies and loans	12	11,965,532	9,204,400
Long term loans to employees	13	202,278	228,880
		<u>12,167,810</u>	<u>9,433,280</u>
<b>18 CASH AND BANK BALANCES</b>			
Balances with banks in:			
in current accounts		1,378,482	3,091,452
Cash in hand		59,412	66,412
		<u>1,437,894</u>	<u>3,157,864</u>

	March 31, 2022 (Un-audited)		December 31, 2021 (Audited)	
	Minimum lease payment	Present value	Minimum lease payment	Present value
----- Rupees -----				
Upto one year	4,424,314	3,624,393	4,535,365	3,594,336
Later than one year but not later than five years	3,310,647	3,101,884	4,376,388	4,020,884
Total minimum lease payments	7,734,961	6,726,277	8,911,753	7,615,220
Less: Finance charges not due yet	(1,008,684)	-	(1,296,533)	-
Present value of minimum lease payments	6,726,277	6,726,277	7,615,220	7,615,220
Less: Current maturity	(3,624,393)	(3,624,393)	(3,594,336)	(3,594,336)
	<u>3,101,884</u>	<u>3,101,884</u>	<u>4,020,884</u>	<u>4,020,884</u>

## 20 SHORT-TERM BORROWING - SECURED

The facility for short-term running finance available from SME Bank Limited amounting to Rs. 150 million (December 31, 2021: Rs. 150 million). Mark-up is payable at rate of 11.65% (December 31, 2021: from 11.35% to 11.65%) per annum. The finance are secured by way of hypothecation of the Company's leased assets and related receivables.

		March 31, 2022 (Un-Audited)	December 31, 2021 (Audited)
		----- Rupees -----	
21	CURRENT MATURITY OF NON-CURRENT LIABILITIES		
	Long term finance	373,233	373,233
	Long term deposits	34,544,196	44,545,236
		<u>34,917,429</u>	<u>44,918,469</u>

## 22 CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

A suit has been filed against the Company impleaded it for declaration, injunction and damages amounting to Rs. 3.5 million in the Honourable High Court of Sindh. The evidence of the parties has been completed before the commissioner and the case is at the stage of final arguments.

### 22.2 Commitments

There are no commitments as at March 31, 2022 (March 31, 2021: nil).

## 23 OTHER INCOME

Income from financial assets

	March 31, 2022 (Un-Audited)	March 31, 2021 (Un-Audited)
	----- Rupees -----	
	9,658	11,979
	<u>9,658</u>	<u>11,979</u>

	March 31, 2022	March 31, 2021
	(Un-Audited)	(Un-Audited)
	----- Rupees -----	
<b>24 ADMINISTRATIVE AND GENERAL EXPENSES</b>		
Salaries, allowances and other benefits	10,916,289	6,169,801
Directors' fee	155,000	180,000
Rent	23,946	101,928
Electricity, gas and water	209,088	188,783
Telephone and postage	203,732	234,594
Repairs and maintenance	124,581	130,215
Books and periodicals	4,550	10,345
Vehicle running	90,819	86,210
Advertising	6,700	-
Travelling, conveyance and entertainment	163,460	268,654
Printing and stationery	98,938	75,988
Auditors' remuneration	50,750	37,400
Depreciation	895,636	862,045
Staff training and development	13,000	-
Legal and professional	1,231,425	1,009,956
Insurance	206,404	303,499
Miscellaneous	200,121	156,025
	<u>14,594,438</u>	<u>9,815,443</u>

<b>25 FINANCE COST</b>		
Mark-up on short term borrowings	3,914,222	3,948,114
Lease finance charges	278,204	324,529
Bank charges	280	14,585
	<u>4,192,706</u>	<u>4,287,228</u>

	March 31, 2022	March 31, 2021
	(Un-Audited)	(Un-Audited)
	----- Rupees -----	

<b>26 TAXATION</b>		
Minimum tax under Section 113 of the Income Tax Ordinance, 2001.	<u>73,427</u>	<u>62,348</u>

**26.1 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.

**27 LOSS PER SHARE - BASIC AND DILUTED**

	March 31, 2022	March 31, 2021
	(Un-Audited)	(Un-Audited)
Profit/(Loss) after taxation attributable to ordinary shareholders (Rupees)	<u>(10,036,383)</u>	<u>6,022,289</u>
Weighted average number of ordinary shares outstanding during the period	<u>32,000,000</u>	<u>32,000,000</u>
Basic loss per share (Rupees)	(0.31)	0.19

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

28 TRANSACTIONS WITH RELATED PARTIES

The related party of the Company include SME Bank Limited (the Parent Company), Staff Provident fund, directors, key management personnel and companies in which directors are common or hold office. Transactions with related parties and the balances outstanding at the period ended given below:

	March 31, 2022 (Un-Audited)	December 31, 2021 (Audited)
	----- Rupees -----	
<b>28.1 BALANCES</b>		
<b>SME Bank Limited (Parent Company)</b>		
Short term borrowings	134,829,267	137,183,616
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
	<b>(Un-Audited)</b>	<b>(Un-Audited)</b>
	----- Rupees -----	
<b>28.2 TRANSACTIONS</b>		
<b>SME Bank Limited (Parent Company)</b>		
Markup on Short term borrowings	3,914,222	3,948,114
Repayment of Short term borrowings facility-net	(2,354,349)	(3,225,671)
Rent expense paid for Peshawar branch	139,068	137,568
<b>Key Management Personnel</b>		
Key management remuneration	2,115,446	2,047,839
<b>Staff Provident Fund</b>		
Contribution towards provident fund	212,328	192,304

All transactions are carried out on commercial terms and on arm's length basis.

29 **SEGMENTAL 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 makers 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 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 particular segment.

Particulars	For three months period ended March 31, 2022 (Un-audited)			
	Finance Lease	Loans and Receivable	Others	Total
	----- Rupees -----			
Segment Revenue	1,645,900	4,218,575	9,658	5,874,133
Reversal of provision - net	2,149,680	800,375	-	2,950,055
<b>Segment Results</b>	<b>3,795,580</b>	<b>5,018,950</b>	<b>9,658</b>	<b>8,824,188</b>
<b>Unallocated Cost</b>				
Finance Cost	-	-	-	4,192,706
Administrative & selling expenses	-	-	-	14,594,438
Reversal of income tax provision	-	-	-	-
				18,787,144
Loss before income tax	-	-	-	(9,962,956)
Income tax expense	-	-	-	73,427
<b>Loss for the period</b>				<b>(10,036,383)</b>
Segment Assets	256,612,672	52,566,013	-	309,178,685
Unallocated Assets	-	-	16,227,078	16,227,078
<b>Total Assets</b>				<b>325,405,763</b>
Segment Liabilities	164,947,791	-	-	164,947,791
Unallocated Liabilities	-	-	163,958,959	163,958,959
<b>Total Liabilities</b>				<b>328,906,750</b>
<b>Net Assets</b>				<b>(3,500,987)</b>
<b>Other Information</b>				
Capital Expenditure	-	-	(68,000)	(68,000)

For three months period ended March 31, 2021 (Un-Audited)

Particulars	Rupees			
	Finance Lease	Loans and Receivable	Others	Total
Segment Revenue	3,085,503	1,071,056	11,979	4,168,538
Reversal of provision - net	13,651,068	2,367,702	-	16,018,770
<b>Segment Results</b>	<u>16,736,571</u>	<u>3,438,758</u>	<u>11,979</u>	<u>20,187,308</u>
<b>Unallocated Cost</b>				
Finance Cost	-	-	-	4,287,228
Administrative & selling expenses	-	-	-	9,815,443
				<u>14,102,671</u>
Profit before income tax	-	-	-	6,084,637
Income tax expense	-	-	-	62,348
<b>Profit for the period</b>				<u>6,022,289</u>
Segment Assets	318,539,063	60,981,808	-	379,520,871
Unallocated Assets			21,624,196	21,624,196
<b>Total Assets</b>				<u>401,145,067</u>
Segment Liabilities	197,095,651	-	-	197,095,651
Unallocated Liabilities	-	-	178,476,386	178,476,386
<b>Total Liabilities</b>				<u>375,572,037</u>
<b>Net Assets</b>	-	-	-	<u>25,573,031</u>
<b>Other Information</b>				
Capital Expenditure	-	-	-	-

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

29.2 Revenue from finance lease includes income from finance lease operations and gain/(loss) on termination of lease. Revenue from loan and receivable includes markup income on loans to customers and employees and revenue from investment includes gain on disposal of investment.

### 30 FAIR VALUE AND RISK MANAGEMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value of underlying financial assets are determined based on requirements of Regulation 66 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and directives if any, issued by the Securities and Exchange Commission of Pakistan.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorized into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1	Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
Level 2	Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
Level 3	Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

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

30.2 For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the period ended March 31, 2022, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

As at March 31, 2022, the Company held the following classes of financial instruments measured at fair value:

March 31, 2022 (Un-audited)	Note	Carrying amount			Fair value		
		Cash and cash equivalent	Loans and receivables	Other assets and liabilities	Total	Level 1	Level 2
----- Rupees -----							
<b>Financial assets not measured at fair value</b>							
Cash and bank balance	18	1,437,894	-	-	1,437,894	-	-
Advances	15	-	2,963,493	-	2,963,493	-	-
Deposits, prepayments and other receivables	16	-	1,318,480	-	1,318,480	-	-
Long term finances and loans and accrued interest thereon	12	-	52,566,013	-	52,566,013	-	-
Net investment in finance leases	11	-	256,612,672	-	256,612,672	-	-
		1,437,894	313,460,658	-	314,898,552	-	-
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables		-	-	2,556,580	2,556,580	-	-
Accrued mark-up on borrowings		-	-	3,914,222	3,914,222	-	-
Short term borrowings	20	134,829,267	-	-	134,829,267	-	-
Provision for compensated absences		-	-	3,346,097	3,346,097	-	-
Long term finance	21	-	-	373,233	373,233	-	-
Long term deposits	11	-	-	130,403,595	130,403,595	-	-
Defined benefit obligation		-	-	11,863,133	11,863,133	-	-
Lease liabilities	19	-	-	6,726,277	6,726,277	-	-
		134,829,267	-	159,183,137	294,012,404	-	-



As at December 31, 2021 the Company held the following classes of financial instruments measured at fair value:

December 31, 2021 (Audited)	Note	Carrying amount		Fair value		
		Cash and cash equivalent	Loans and receivables	Other assets and liabilities	Level 1	Level 2
----- Rupees -----						
<b>Financial assets not measured at fair value</b>						
Cash and bank balance	16	3,157,864	-	-	-	-
Advances	13	-	2,779,957	-	-	-
Deposits, prepayments and other receivables	14	-	749,393	-	-	-
Long term finances and loans and accrued interest thereon	10	-	53,118,441	-	-	-
Net investment in finance leases	9	-	275,342,507	-	-	-
		<u>3,157,864</u>	<u>331,990,298</u>	-	<u>335,148,162</u>	-
<b>Financial liabilities not measured at fair value</b>						
Trade and other payable		-	-	2,736,096	-	-
Accrued mark-up on borrowings		-	-	4,209,212	-	-
Short term borrowings	18	137,183,616	-	-	137,183,616	-
Provision for compensated absences		-	-	3,045,411	-	-
Long term finances	19	-	-	373,233	-	-
Long term deposits	9	-	-	130,202,795	-	-
Defined benefit obligation		-	-	9,764,513	-	-
Lease liabilities	17	-	-	7,615,220	-	-
		<u>137,183,616</u>	-	<u>157,946,480</u>	<u>295,130,096</u>	-

		March 31, 2022 (Un-Audited)	March 31, 2021 (Audited)
<b>31 CASH AND CASH EQUIVALENTS</b>	<b>Note</b>	----- Rupees -----	
Cash and bank balances	18	1,437,894	1,400,283
Short term borrowings	20	(134,829,267)	(144,790,638)
		<u>(133,391,373)</u>	<u>(143,390,355)</u>

**32 GENERAL**


**32.1** In order to comply with the requirement of IAS 34, the condensed interim financial position has been compared with the balances of annual audited financial statements of preceding financial year. Whereas, the condensed interim statement of profit or loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been compared with the balances of comparable period of immediately preceding financial year.

**32.2** The figures in the condensed interim financial statements are rounded off to the nearest rupee.

**33 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on 26 April 2022 by the Board of Directors of the Company.

  
CHIEF EXECUTIVE OFFICER

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR