

SME Leasing Limited
Third Quarterly Report 30 September 2020

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Mr. Asghar Maqsood

AUDIT COMMITTEE

Mr. Javed Mehmood, Chairman
Mr. Mohammad Mubeen Mufti
Ms. Darakhshan S. Vohra
Mr. Asad Ali, Committee Secretary

RISK MANAGEMENT COMMITTEE

Mr. Javed Mehmood, Chairman
Mr. Bilal Mustafa
Ms. Darakhshan S. Vohra
Mr. Naeem ul Hasan, Secretary

HUMAN RESOURCE COMMITTEE

Mr. Bilal Mustafa – Chairman
Mr. Dilshad Ali Ahmad
Ms. Darakhshan S. Vohra
Mr. Adnan Sajar – Committee Secretary

COMPANY SECRETARY & CFO

Mr. M Shahzad

EXTERNAL AUDITORS

Grant Thornton Anjum Rahman, Chartered Accountants

INTERNAL AUDITOR

Mr. Asad Ali

TAX CONSULTANTS

EY Ford Rhodes, Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Co., Advocate & Legal Consultant

CREDIT RATING

Long Term: B Short Term: B

REGISTERED OFFICE

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

MAIN OFFICE

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

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

E-mail: info@smelease.com

REGISTRAR AND SHARE TRANSFER CERTIFICATE

Corptec Associates (Pvt.) Limited

503-E, Johar Town, Lahore

BANKS AND LENDING INSTITUTIONS

Allied Bank Limited

MCB Bank Limited

SME Bank Limited

Meezan Bank Limited

Directors' Review Report

The Board of directors of SME Leasing Limited (the Company) is pleased to present unaudited condensed interim financial statements for the nine month's period ended on September 30, 2020.

During the period, the management remained very focused on recoveries and progress has been made in recoveries from NPL portfolio. The Company results are reflective of unprecedented business conditions, and unavailability of funds.

The loss before tax during the period under review was Rs. 33 Million compared to Rs. 21 million in the corresponding period last year. After recovering Rs 54 Million from the portfolio and writing new Gross leases worth Rs. 10 Million during the period. A decrease of Rs 6 Million was recorded in the revenues when compared with the corresponding period last year. Net provision reversals on account of recoveries during the period aggregated Rs. 1.3 million compared to a reversal of net provision charge of Rs. 3.88 million last year. Administrative expenses recorded increase of 2% when compared with the previous period last year. Funding constraint remained a major obstacle in converting the company into a profit-making institution.

On 06 April 2020, PACRA maintained the entity ratings, which is as under:

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

The Net equity of the Company amounted to Rs. 43 Million as at September 30, 2020, against the prescribed minimum equity requirement of Rs 50 Million for non-deposit taking leasing companies.

Shareholders are informed that the due diligence for privatisation of SME Bank, our major shareholder, is at an advanced stage. We shall keep our shareholders informed of development, in this regard.

The Board recognises 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.

Dated: October 16, 2020



Bilal Mustafa
Chairman

ڈائریکٹرز کا جائزہ:

ایس ایم ای لیزنگ لمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز 30 ستمبر 2020ء کو ختم ہونے والی ششماہی مدت کیلئے غیر آڈٹ شدہ مجموعی مالیاتی حسابات پیش کر رہے ہیں۔

دوران مدت انتظامیہ کی توجہ وصولیوں پر مرکوز رہی اور NPL پورٹ فولیو سے وصولیوں میں پیشرف ہوئی۔ کمپنی کے نتائج غیر معمولی کاروباری حالات اور فنڈز کی عدم دستیابی کی عکاس ہیں۔

زیر جائزہ مدت کے دوران قبل از ٹیکس مبلغ 33 ملین روپے کا خسارہ ہوا جو کہ گذشتہ سال کی اسی مدت میں 21 ملین روپے تھا۔ بعد ازاں زیر جائزہ مدت کے دوران پورٹ فولیو سے مبلغ 54 ملین روپے کی وصولی ہوئی اور مبلغ 10 ملین روپے کی نئی مجموعی لیزز لکھی گئیں۔ گذشتہ سال کے اسی عرصہ کے مقابلے میں محصولات میں 6 ملین روپے کی کمی ریکارڈ کی گئی۔ زیر جائزہ مدت کے دوران خالص پروویژن کے حساب میں مجموعی طور پر مبلغ 1.3 ملین روپے کا ریورسل ہوا جس کا موازنہ گذشتہ سال کے خالص پروویژن چارج مبلغ 3.88 ملین روپے سے کیا جاسکتا ہے۔ گذشتہ سال کی مدت کے مقابلے میں انتظامی اخراجات میں 2 فیصد کا اضافہ ریکارڈ کیا گیا۔ فنڈز کی عدم فراہمی کمپنی کو منافع بخش ادارے میں تبدیل کرنے میں بڑی رکاوٹ رہی۔

PACRA نے 06 اپریل 2020ء کو کمپنی کی پچھلی ریٹنگ کو برقرار رکھا ہے جو کہ درج ذیل ہے:

- طویل مدتی ریٹنگ "B"
- مختصر مدتی "B"
- آؤٹ لک "منفی"

نان ڈپازٹ لینے والی لیزنگ کمپنیوں کے لئے کم از کم ایکویٹی 50 ملین روپے کے مقابلے میں 30 ستمبر 2020ء کو کمپنی کی مجموعی ایکویٹی مبلغ 43 ملین روپے تھی۔

شیر ہولڈرز کو مطلع کیا جاتا ہے کہ اکثریتی شیر ہولڈرز کے حامل ایس ایم ای بینک کی نجکاری کا معاملہ ایڈوانسڈ مرحلے میں ہے۔ ہم اپنے شیر ہولڈرز کو اس سلسلے میں پیشرفت سے آگاہ کریں گے۔

بورڈ اپنے شیر ہولڈرز، لینڈرز، ریگولیٹری اتھارٹیز کی جانب سے کئے جانے والے مستقل تعاون پر بے حد مشکور ہے اور انتظامی ٹیم کی کوششوں کو سراہنے کے تمام اسٹاف ممبران کے تعاون کے بھی شکر گزار ہیں۔

بلال مصطفیٰ

چیرمین

مورخہ: 16 اکتوبر 2020ء



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SME Leasing Limited Report on review of Condensed Interim Financial Statements

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Modern Motors House
Beaumont Road,
Karachi 75530

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Introduction

We have reviewed the accompanying condensed interim statement of financial position of **SME Leasing Limited** (the Company) as at **September 30, 2020** and the related condensed interim profit or loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the financial statements for the nine-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

- a) We draw attention to the note 1.3 to the condensed interim financial statements which indicates that, the Company has incurred a loss of Rs. 33.68 million which has further increased accumulated losses to Rs. 325.04 million as at period ended September 30, 2020. Further, the net assets of the Company amounts to Rs. 43.42 million as against the minimum equity requirement of Rs. 50 million. These conditions, along with other matters as set forth

in the above referred note indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

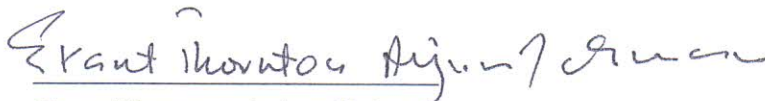
- b) We draw attention to the note 1.2 to the condensed interim financial statements which fully explain the status of application filed with Securities and Exchange Commission of Pakistan for renewal of license to operate as leasing company.

Our conclusion is not modified in respect of above matters.

Other Matter

The figures of the condensed interim profit or loss account, condensed interim statement of comprehensive income for the three-month period and cumulative figures for the nine-month period ended September 30, 2019 have not been reviewed, as we are required to review only the cumulative figures for the nine-month period ended September 30, 2020.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb**.



Grant Thornton Anjum Rahman
Chartered Accountants

Karachi


Date: 16 OCT 2020

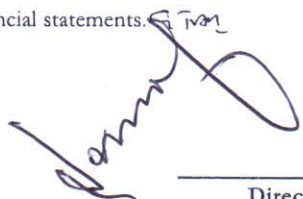
SME LEASING LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

	Note	September 30, 2020 Un Audited	December 31, 2019 Audited
-----Rupees-----			
ASSETS			
Non-current assets			
Property and equipment	8	4,077,743	4,510,324
Right-of-use asset	9	8,417,619	12,053,712
Intangible assets	10	-	-
Net investment in finance leases	11	196,723,500	237,195,651
Long term finances and loans - secured	12	50,486,907	57,932,105
Long-term loans to employees - secured	13	388,888	732,683
Long-term deposits and prepayments	14	933,060	1,162,410
Total non-current assets		261,027,717	313,586,885
Current assets			
Advances	15	4,171,503	3,369,958
Prepayments and other receivables	16	3,219,846	951,154
Current maturity of non-current assets	17	178,095,441	163,024,745
Cash and bank balances	18	1,538,145	787,718
Total current assets		187,024,935	168,133,575
Total assets		448,052,652	481,720,460
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
100,000,000 (2019: 100,000,000) Ordinary shares of Rs 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital		320,000,000	320,000,000
Capital reserves		38,019,277	38,019,277
		358,019,277	358,019,277
Revenue reserves			
Reserve against future losses		10,447,052	10,447,052
Accumulated losses		(325,042,653)	(291,358,265)
		(314,595,601)	(280,911,213)
Total shareholder's equity		43,423,676	77,108,064
Non-current liabilities			
Liabilities against assets subject to finance lease	19	8,252,539	10,505,675
Long-term deposits		166,189,870	163,545,094
Defined benefit obligation		8,374,830	7,623,230
Total non-current liabilities		182,817,239	181,673,999
Current liabilities			
Trade and other payables		5,954,356	4,870,238
Unclaimed dividend		19,694	19,694
Mark-up accrued on borrowings		4,280,543	2,143,384
Short term borrowings - secured	20	142,160,079	142,156,359
Current maturity of non-current liabilities	21	56,578,638	60,590,939
Current maturity of liabilities against assets subject to finance lease	19	1,895,397	2,489,296
Provision for compensated absences		2,796,343	2,500,565
Taxation - net		8,126,687	8,167,922
Total current liabilities		221,811,737	222,938,397
Total equity and liabilities		448,052,652	481,720,460
Contingencies and commitments			
	22		

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


 Chief Executive Officer (Acting)


 Chief Financial Officer


 Director

SME LEASING LIMITED
 CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT - UNAUDITED
 FOR THE PERIOD ENDED SEPTEMBER 30, 2020

Note	Nine months period ended		Three months period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
-----Rupees-----				
REVENUE				
Income from operations				
Finance leases	10,696,546	14,960,786	2,635,757	4,536,952
Finance and loans	3,035,501	5,188,363	1,186,520	2,144,067
	13,732,047	20,149,149	3,822,277	6,681,019
Income from other activities				
Other income	23 61,909	80,147	22,770	26,400
Total revenue	13,793,956	20,229,296	3,845,047	6,707,419
EXPENSES				
Administrative and general expenses	24 31,819,286	31,092,723	10,638,032	10,274,960
Finance cost	25 16,813,017	14,236,571	4,765,829	5,465,191
Total expenses	48,632,303	45,329,294	15,403,861	15,740,151
Operating loss before reversals	(34,838,347)	(25,099,998)	(11,558,814)	(9,032,732)
REVERSALS				
Net reversals for potential lease losses	1,290,152	2,837,506	322,992	350,455
Net reversals for loans and receivables	55,276	1,042,158	7,210	871,823
Total reversals	(1,345,428)	(3,879,664)	(330,202)	(1,222,278)
Loss before taxation	(33,492,919)	(21,220,334)	(11,228,612)	(7,810,454)
Taxation	26 191,469	235,466	61,244	73,936
Net loss for the period	(33,684,388)	(21,455,800)	(11,289,856)	(7,884,390)
Loss per share - basic and diluted	(1.05)	(0.67)	(0.35)	(0.25)

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

Omprakash

Chief Executive Officer (*Opposition*)

Mubhammad

Chief Financial Officer

Director

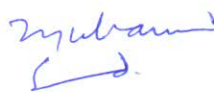
Director

SME LEASING LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED
 FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	Nine months period ended		Three months period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	-----Rupees-----			
Loss after taxation for the period	(33,684,388)	(21,455,800)	(11,289,856)	(7,884,390)
Other Comprehensive Income				
Items to be reclassified to profit or loss account in subsequent years	-	-	-	-
Items not to be reclassified to profit or loss account in subsequent years	-	-	-	-
Total comprehensive loss for the period	<u>(33,684,388)</u>	<u>(21,455,800)</u>	<u>(11,289,856)</u>	<u>(7,884,390)</u>

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


 Chief Executive Officer (Oppanbig)


 Chief Financial Officer



 Director

SME LEASING LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

Note	Nine months period ended	
	September 30, 2020	September 30, 2019
----- Rupees-----		
CASH FLOW FROM OPERATING ACTIVITIES		
	(33,492,919)	(21,220,334)
Loss before taxation		
Adjustment for:		
	2,747,402	647,609
24	803,500	200,000
	1,223,696	(428,515)
	15,415,358	14,210,104
	(49,036)	(69,340)
	(7,966)	-
	(6,873)	-
23	1,397,659	23,898
23	(6,000)	(2,500)
	(1,290,152)	(2,837,506)
	(55,276)	(1,042,158)
	20,172,312	10,701,592
	(13,320,607)	(10,518,742)
Operating loss before working capital changes		
Movement in working capital		
Decrease / (increase) in operating assets		
	24,034,605	9,217,481
	8,717,009	2,636,964
	398,058	-
	(2,268,692)	760,083
	229,351	(1,626,708)
	1,367,525	6,735,996
	-	(93,747)
	(801,545)	(1,849,028)
	31,676,311	15,781,041
Increase in operating liabilities		
	22,607	298,970
	-	-
	22,607	298,970
	18,378,311	5,561,269
	(13,169,173)	(13,751,988)
	63,875	69,340
	(51,900)	(2,196,702)
	(927,918)	-
	-	1,480,434
	(232,705)	(270,510)
	(14,317,821)	(14,669,426)
	4,060,490	(9,108,157)
Net cash generated from / (used in) operating activities		
CASH FLOW FROM INVESTING ACTIVITIES		
	(136,600)	(234,510)
	6,000	2,500
	(130,600)	(232,010)
Net cash used in investing activities		
CASH FLOW FROM FINANCING ACTIVITIES		
	(3,183,183)	56,982
	746,707	(9,283,185)
31	(141,368,641)	(135,425,605)
	(140,621,934)	(144,708,790)

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


 Chief Executive Officer


 Chief Financial Officer


 Director

SME LEASING LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	Nine months period ended					Total shareholder equity
	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves		
		Share premium	Statutory reserve	Reserve against future losses	Unappropriated profit	
----- Rupees -----						
Balance as at January 01, 2019 - audited	320,000,000	10,000,000	28,019,277	10,447,052	(256,784,077)	111,682,252
Loss after taxation	-	-	-	-	(21,455,800)	(21,455,800)
Balance as at September 30, 2019 - unaudited	320,000,000	10,000,000	28,019,277	10,447,052	(278,239,877)	90,226,452
Balance as at January 01, 2020 - audited	320,000,000	10,000,000	28,019,277	10,447,052	(291,358,265)	77,108,064
Loss after taxation	-	-	-	-	(33,684,388)	(33,684,388)
Balance as at September 30, 2020 - unaudited	320,000,000	10,000,000	28,019,277	10,447,052	(325,042,653)	43,423,676

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

1.1 THE COMPANY AND ITS OPERATIONS

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), which holds 73.14% (September 30, 2019: 73.14%) shares of the 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 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 PACRA Credit Rating Agency has assigned a long term rating of B (2019: B) and a short term rating of B (2019: B) to the Company in the month of April 2020.

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 nine months end.

1.3 The Company has been incurring losses since year ended December 31, 2009 which has resulted in erosion of equity. During the nine months period ended September 30, 2020, the Company has incurred a loss of Rs. 33.68 million (September 30, 2019: Rs. 21.46 million) which has further increased accumulated losses to Rs. 325.04 million (December 31, 2019: Rs. 291.36 million) as at the nine months end. Further, the net assets of the Company amounts to Rs. 43.42 million (December 31, 2019: Rs. 77.11 million) as against the minimum equity requirement of Rs. 50 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.

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. 142.16 million has been utilized as at September 30, 2020 (December 31, 2019: Rs. 142.16 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 wide its letter SMBEL: HO: CFO&CS: 10: 2020/1532/4248 dated October 5, 2020 will not call off the said amount till September 30, 2021 and 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.
- The management of the Company has prepared cash flow projections that is based on new strategy of vigorous recovery efforts. As per the projections, the Company is expected to disburse new finances and loans amounting to Rs 17 million from October 2020 to September 2021 and to recover Rs 30 million from October 2020 to September 2021 from non-performing leases and loans and finances. Concerted efforts are being made for the recovery of non-performing leases
- 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 going concern status of the Company and therefore, has prepared these condensed interim financial statements on going concern basis.

SME LEASING LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Note	September 30, 2020 Un-Audited	September 30, 2019 Un-Audited
		-----Rupees-----	
2 SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS			
Net lease disbursements	2.1	<u>7,000,000</u>	<u>49,145,000</u>
Recoveries	2.2	<u>53,436,103</u>	<u>86,989,540</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. 9,176,767 (2019: Rs. 14,119,554) and regular parties amounting to Rs. 44,259,336 (2019: Rs. 72,869,986).

3 IMPACT OF COVID-19 ON THE 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 the period. 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 statement of the Company for the nine months period ended September 30, 2020 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 statement 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, 2019. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Company's financial position and performance since the last audited financial statements.

4.2 Standards, Amendments and Interpretations to Approved Accounting Standards

4.2.1 Standards, amendments and interpretations to the published standards that are relevant to the company and

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

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 14 'Regulatory Deferral accounts'	July 1, 2019
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

Adoption of the above standard have no significant effect on the condensed interim financial statement for the nine months period ended September 30, 2020.

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4.2.2 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 17 'Insurance Contracts'	January 1, 2022
IFRS 1 'First-time Adoption of International Financial Reporting Standards'	July 1, 2009

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations followed for the preparation of these accounts are same as those applied in preparing the annual accounts for the year ended December 31, 2019.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of condensed interim financial statement 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.

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, 2019

	September 30, 2020 Un-Audited	December 31, 2019 Audited
	-----Rupees-----	

8. PROPERTY AND EQUIPMENT

Opening	4,510,324	4,998,971
Additions during the period	136,600	272,011
Depreciation charged for the period	(569,181)	(760,658)
	<u>4,077,743</u>	<u>4,510,324</u>

9. RIGHT OF USE ASSETS

Upon initial application	12,053,712	12,950,191
Additions during the period	-	1,782,700
Disposals during the period	(1,455,872)	-
Depreciation charged for the period	(2,180,221)	(2,679,179)
	<u>8,417,619</u>	<u>12,053,712</u>

10. INTANGIBLE ASSETS

Software		
Cost	1,507,142	1,507,142
Accumulated amortization	(1,507,142)	(1,507,142)
	<u>-</u>	<u>-</u>

SME LEASING LIMITED
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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	September 30, 2020	December 31, 2019
	Un-Audited	Audited
	-----Rupees-----	
11. NET INVESTMENT IN FINANCE LEASES		
Net investment in leases	359,091,886	383,222,542
Less: Current maturity of net investment in leases	<u>(162,368,386)</u>	<u>(146,026,891)</u>
	<u>196,723,500</u>	<u>237,195,651</u>

11.1 Net investment in finance leases

	(Unaudited) September 30, 2020			(Audited) December 31, 2019		
	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	333,942,126	250,541,527	83,400,599	363,613,847	266,683,943	96,929,904
Add: Residual value of leased assets	222,395,275	137,954,753	84,440,522	223,762,800	163,545,094	60,217,706
Gross investment in leases	556,337,401	388,496,280	167,841,121	587,376,647	430,229,037	157,147,610
Less: Unearned lease income	(11,242,593)	(5,769,858)	(5,472,735)	(18,120,622)	(6,999,903)	(11,120,719)
Less: Markup held in suspense account	(50,941,261)	(50,941,261)	-	(49,681,670)	(49,681,670)	-
	(62,183,854)	(56,711,119)	(5,472,735)	(67,802,292)	(56,681,573)	(11,120,719)
	494,153,547	331,785,161	162,368,386	519,574,355	373,547,464	146,026,891
Less: Provision for potential lease losses	(135,061,661)	(135,061,661)	-	(136,351,813)	(136,351,813)	-
Net investment in finance leases	<u>359,091,886</u>	<u>196,723,500</u>	<u>162,368,386</u>	<u>383,222,542</u>	<u>237,195,651</u>	<u>146,026,891</u>

	September 30, 2020	December 31, 2019
	Un-Audited	Audited
	-----Rupees-----	
12. LONG TERM FINANCES AND LOANS - secured		
Considered good	10,440,439	24,244,705
Considered doubtful	64,905,313	59,818,056
	75,345,752	84,062,761
Less: Provision	(9,438,755)	(9,494,030)
	65,906,997	74,568,731
Less: Current maturity	(15,420,090)	(16,636,626)
	<u>50,486,907</u>	<u>57,932,105</u>

Note

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SME LEASING LIMITED
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

		September 30, 2020	December 31, 2019
	Note	Un-Audited -----Rupees-----	Audited
13. LONG-TERM LOAN TO EMPLOYEES - secured			
House Loan		-	155,352
Car Loan		695,853	938,559
		<u>695,853</u>	<u>1,093,911</u>
Less: Current Maturity	17	<u>(306,965)</u>	<u>(361,228)</u>
		<u><u>388,888</u></u>	<u><u>732,683</u></u>
14. LONG-TERM DEPOSITS AND PREPAYMENTS			
Long term prepayments		145,838	375,188
Other deposits		787,222	787,222
		<u>933,060</u>	<u>1,162,410</u>
15. ADVANCES			
Considered good - unsecured			
- Employees	15.1	1,768,368	1,180,216
- Legal advisors	15.2	2,266,593	2,053,200
- Others		136,542	136,542
		<u>4,171,503</u>	<u>3,369,958</u>
15.1 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.			
15.2 These represents advance payments made to the legal advisors of the Company for handling the cases on behalf of the Company.			
		September 30, 2020	December 31, 2019
	Note	Un-Audited -----Rupees-----	Audited
16. PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		951,963	838,786
Accrued interest on long term finances and loans		747,011	47,368
Other receivable		1,520,872	65,000
		<u>3,219,846</u>	<u>951,154</u>
17. CURRENT MATURITY OF NON-CURRENT ASSETS			
Current maturity of:			
- Net Investment in finance leases	11	162,368,386	146,026,891
- Long term loans to employees	13	306,965	361,228
- Long term finances and loans	12	15,420,090	16,636,626
		<u>178,095,441</u>	<u>163,024,745</u>

SME LEASING LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

		September 30, 2020	December 31, 2019
	Note	Un-Audited	Audited
		-----Rupees-----	
18. CASH AND BANK BALANCES			
With State Bank of Pakistan in current account	18.1	6,282	6,282
With other banks:			
in current accounts		1,377,967	633,408
in saving accounts	18.2	87,484	81,616
Cash in hand		66,412	66,412
		<u>1,538,145</u>	<u>787,718</u>

18.1 These amounts are deposited with SBP for settlement of payments against CIB portal charges.

18.2 These carry profit rate of 4% per annum (December 31, 2019: 4% per annum).

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	September 30, 2020		December 31, 2019		
	Un Audited		Audited		
	Minimum lease payment	Present value	Minimum lease payment	Present value	
		-----Rupees-----		-----Rupees-----	
Upto one year	3,538,415	1,895,397	4,392,078	2,489,296	
Later than one year but not later than five years	9,812,643	8,215,216	13,183,867	10,505,675	
Total minimum lease payments	13,351,058	10,110,613	17,575,945	12,994,971	
Less: Finance charges not due yet	(3,203,122)	-	(4,580,974)	-	
Present value of minimum lease payments	10,147,936	10,110,613	12,994,971	12,994,971	
Less: Current maturity	(1,895,397)	(1,895,397)	(2,489,296)	(2,489,296)	
	<u>8,252,539</u>	<u>8,215,216</u>	<u>10,505,675</u>	<u>10,505,675</u>	

20 SHORT-TERM BORROWING - secured

The facility for short-term running finance available from SME Bank Limited amounts to Rs. 150 million (2019: Rs. 150 million). Mark-up is payable at rate of 17.33 % to 11.53 % (2019: 10.43 % to 17.33 %) per annum. The finance are secured by way of hypothecation of the Company's leased assets and related receivables.

	September 30, 2020	December 31, 2019
	Un-Audited	Audited
		-----Rupees-----
21. CURRENT MATURITY OF NON-CURRENT LIABILITIES		
Long term finance	373,233	373,233
Long term deposits	56,205,405	60,217,706
	<u>56,578,638</u>	<u>60,590,939</u>

SME LEASING LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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22. CONTINGENCIES AND COMMITMENTS

Contingencies

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, mark-up 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 favour 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.

In respect of minimum tax for the year ended December 31, 2015, the tax authorities have served order under section 124 of Income Tax Ordinance, 2001 for additional amount of minimum tax of Rs. 0.14 million payable due to restatement of turnover of the Company. The Company has filed application for rectification in the order on the issue of incorrect value of turnover for the purpose of charging minimum tax under section 113 and tax credit not allowed. No action has been taken by the tax officer yet.

Commitments

There are no commitments as at September 30, 2020. (December 31, 2019: nil)

Nine months period ended		Three months period ended	
September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Un-Audited	Un-Audited	Un-Audited	Un-Audited

-----Rupees-----

23. OTHER INCOME

Income from saving account	6,873	-	-	-
Income from financial assets	49,036	69,340	22,770	18,093
Gain on disposal of property and equipment	6,000	2,500	-	-
Other miscellaneous income	-	8,307	-	8,307
	61,909	80,147	22,770	26,400

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Nine months period ended		Three months period ended	
September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Un-Audited	Un-Audited	Un-Audited	Un-Audited

-----Rupees-----

24. ADMINISTRATIVE & GENERAL EXPENSES

Salaries, allowances and other benefits	22,187,639	19,384,615	7,232,905	6,338,643
Directors' fee	275,000	495,000	120,000	155,000
Rent	175,603	2,841,179	79,748	944,280
Electricity, gas and water	678,377	720,350	297,317	354,213
Telephone and postage	630,929	690,596	209,188	205,874
Repairs and maintenance	312,554	374,828	124,769	147,268
Books and periodicals	21,600	52,487	8,260	25,040
Vehicle running	133,688	357,106	55,330	54,527
Advertising	97,363	197,376	97,363	-
Training and development	3,000	303,000	3,000	303,000
Travelling, conveyance and entertainment	573,849	1,193,141	342,413	377,196
Printing and stationery	401,658	453,651	46,551	170,052
Auditors' remuneration	162,000	104,885	95,729	25,360
Depreciation and amortization	2,747,402	647,609	895,682	178,670
Legal and professional	2,044,411	1,990,975	600,276	597,989
Insurance	920,721	713,559	274,405	243,866
Miscellaneous	453,492	572,366	155,096	153,982
	31,819,286	31,092,723	10,638,032	10,274,960

25. FINANCE COST

Mark-up on short term borrowings	15,306,332	14,085,354	4,328,578	5,436,570
Lease finance charges	1,397,659	23,898	435,862	23,898
Bank charges	109,026	127,319	1,389	4,723
	16,813,017	14,236,571	4,765,829	5,465,191

26. TAXATION

Minimum tax under Section 113 of the Income Tax Ordinance, 2001.			191,469	235,466
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27. LOSS PER SHARE - BASIC AND DILUTED

Nine months period ended		Three months period ended	
September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Un-Audited	Un-Audited	Un-Audited	Un-Audited

-----Rupees-----

Loss after taxation attributable to Ordinary Shareholders (Rupees)	(33,684,388)	(21,455,800)	(11,289,856)	(7,884,390)
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-----Number-----

Weighted average number of ordinary shares outstanding during the period	32,000,000	32,000,000	32,000,000	32,000,000
Loss per share (Rupees)	(1.05)	(0.67)	(0.35)	(0.25)

SME LEASING LIMITED
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28. TRANSACTIONS WITH RELATED PARTIES

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

Key Management Personnel	SME Bank Limited	Key Management Personnel	SME Bank Limited
September 30, 2020		December 31, 2019	
Un Audited		Audited	
-----Rupees-----			

28.1 BALANCES

Short term borrowings

Opening balance	- 142,156,359	- 141,556,042
Borrowings used during the period- net	- 3,720	- 600,317
Closing balance	- 142,160,079	- 142,156,359

September 30, 2020	September 30, 2019
Un Audited	Un Audited
-----Rupees-----	

28.2 TRANSACTIONS

Markup on short term borrowings	- 15,306,332	- 14,085,354
Rent expense paid for Peshawar branch	- 412,704	- 407,327
Key management remuneration	5,016,558	3,962,171
Post retirement benefits	803,500	345,698
Contribution towards provident fund	580,395	501,286

All transaction with Parent Company are carried out on commercial terms and on arm's length.

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.

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Particulars	September 30, 2020 (Unaudited)			
	Finance Lease	Loans and Receivable	Others	Total
Segment Revenue	10,696,546	3,035,501	61,909	13,793,956
Segment Profit	11,986,698	3,090,777	61,909	15,139,384
Segment Result	-	-	-	15,139,384
Unallocated Cost				
Finance Cost	-	-	-	16,813,017
Administrative & selling expenses	-	-	-	31,819,286
	-	-	-	48,632,303
Loss before taxation	-	-	-	(33,492,919)
Taxation	-	-	-	(191,469)
Loss for the period	-	-	-	(33,684,388)
Other Information				
Segment Assets	359,091,886	65,906,997	-	424,998,883
Unallocated Assets	-	-	23,053,769	23,053,769
Total Assets				448,052,652
Segment Liabilities	222,395,275	-	-	222,395,275
Unallocated Liabilities	-	-	182,233,701	182,233,701
Total Liabilities	-	-	-	404,628,976
Net Assets				43,423,675
Capital Expenditure	-	-	(136,600)	(136,600)

Particulars	September 30, 2019 (Unaudited)			
	Finance Lease	Loans and Receivable	Others	Total
Segment Revenue	14,960,786	5,188,363	80,147	20,229,296
Segment Profit	17,798,292	6,230,521	80,147	24,108,960
Segment Result	24,108,960			
Unallocated Cost				
Finance Cost	-	-	-	14,236,571
Administrative & selling expenses	-	-	-	31,092,723
				45,329,294
Loss before Income Tax	-	-	-	(21,220,334)
Income tax expense	-	-	-	(235,466)
Loss for the period	-	-	-	(21,455,800)

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Particulars	December 31, 2019 (Audited)			
	Finance Lease	Loans and Receivable	Others	Total
Other Information				
Segment Assets	383,222,542	74,568,731	-	457,791,273
Unallocated Assets	-	-	-	23,929,187
Total Assets	-	-	-	481,720,460
Segment Liabilities	227,109,894	-	-	227,109,894
Unallocated Liabilities	-	-	-	177,502,502
Total Liabilities	-	-	-	404,612,396
Net Assets	-	-	-	77,108,064
Capital Expenditure	-	-	272,011	272,011

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 include 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. Fair value of debt instruments other than Government Securities, which are unlisted or listed but not traded regularly on stock exchange be valued at rates notified by Mutual Funds Association of Pakistan. The fair value of financial assets traded in active market i.e. listed securities are based on the quoted market price at determined by stock exchange in accordance with its regulations.

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

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

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

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

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As at September 30, 2020, the Company held the following classes of financial instruments measured at fair value:

September 30, 2020	Carrying amount				Fair value			
	Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash and bank balance	18	1,538,145	-	1,538,145	-	-	-	-
Advances	15	-	4,171,503	4,171,503	-	-	-	-
Prepayments and other receivables		-	3,219,846	3,219,846	-	-	-	-
Long term finances and loans and accrued interest thereon	12	-	65,906,997	65,906,997	-	-	-	-
Net investment in finance leases	11	-	359,091,886	359,091,886	-	-	-	-
		<u>1,538,145</u>	<u>432,390,232</u>	<u>433,928,377</u>	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payable		-	5,954,356	5,954,356	-	-	-	-
Accrued mark-up on borrowings		-	-	-	-	-	-	-
Short term borrowings		142,160,079	-	142,160,079	-	-	-	-
Provision for compensated absences		-	2,796,343	2,796,343	-	-	-	-
Long term finances		-	373,233	373,233	-	-	-	-
Long term deposits		-	166,189,870	166,189,870	-	-	-	-
Defined benefit obligation		-	8,374,830	8,374,830	-	-	-	-
Lease liabilities		-	11,209,447	11,209,447	-	-	-	-
		<u>142,160,079</u>	<u>194,898,079</u>	<u>337,058,158</u>	-	-	-	-

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 year ended December 31, 2019, there were no transfers between level 1, level 2 or level 3 of fair value measurements.

December 31, 2019	Carrying amount				Fair value			
	Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash and bank balance	16	787,718	-	787,718	-	-	-	-
Advances	13	-	3,369,958	3,369,958	-	-	-	-
Prepayments and other receivables		-	951,154	951,154	-	-	-	-
Long term finances and loans and accrued interest thereon	10	-	74,568,731	74,568,731	-	-	-	-
Net investment in finance leases	9	-	383,222,542	383,222,542	-	-	-	-
		<u>787,718</u>	<u>462,112,385</u>	<u>462,900,103</u>	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payable		-	4,868,398	4,868,398	-	-	-	-
Accrued mark-up on borrowings		-	2,143,384	2,143,384	-	-	-	-
Short term borrowings		142,156,359	-	142,156,359	-	-	-	-
Provision for compensated absences		-	2,500,565	2,500,565	-	-	-	-
Long term finances		-	373,233	373,233	-	-	-	-
Long term deposits		-	10,505,675	10,505,675	-	-	-	-
Defined benefit obligation		-	7,623,230	7,623,230	-	-	-	-
Lease liabilities		-	12,994,971	12,994,971	-	-	-	-
		<u>142,156,359</u>	<u>41,009,456</u>	<u>183,165,815</u>	-	-	-	-

SME LEASING LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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	Note	September 30,	December 31,
		2020	2019
31. CASH AND CASH EQUIVALENTS		Un-Audited	Audited
		-----Rupees-----	
Cash and bank balances	18	1,538,145	787,718
Short term borrowings	20	(142,160,079)	(142,156,359)
		<u>(140,621,934)</u>	<u>(141,368,641)</u>

32. GENERAL

32.1 Corresponding figures

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 statement are rounded off to the nearest rupee.

33. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on _____
 by the Board of Directors of the Company. *CTM*



Chief Executive Officer



Chief Financial Officer



Director