

SME Leasing Limited  
Third Quarterly Report 30 September 2021

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

---

Mr. Javed Mehmood, Chairman  
Mr. Dilshad Ali Ahmad  
Mr. Tahir Saeed Effendi  
Mr. Muhammad Mubeen Mufti  
Mr. Bilal Mohy Ud Din

### **OFFICIATING CHIEF EXECUTIVE OFFICER**

---

Mr. Asghar Maqsood

### **AUDIT COMMITTEE**

---

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

### **RISK MANAGEMENT COMMITTEE**

---

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

### **HUMAN RESOURCE COMMITTEE**

---

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

### **PROCUREMENT COMMITTEE**

---

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

### **NOMINATION COMMITTEE**

---

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

### **COMPANY SECRETARY & CFO**

---

Mr. M Shahzad

---

**EXTERNAL AUDITORS**

---

BDO Ebrahim & Co, Chartered Accountants

---

**INTERNAL AUDITOR (ACTING)**

---

Mr. Sohail Imran

---

**TAX CONSULTANTS**

---

EY Ford Rhodes, Chartered Accountants

---

**LEGAL ADVISOR**

---

Mohsin Tayebaly & Co., Advocate & Legal Consultant

---

**CREDIT RATING**

---

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

---

**REGISTERED OFFICE**

---

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

---

**MAIN OFFICE**

---

Office No.304, 3rd Floor, Business Arcade, Shakra-e-Faisal, Karachi  
Tel: (+92-21) 34322128-129-137                      Fax: (+92-21) 34322082  
E-mail: info@smelease.com

---

**REGISTRAR AND SHARE TRANSFER CERTIFICATE**

---

Corptec Associates (Pvt.) Limited  
503-E, Johar Town, Lahore

---

**BANKS AND LENDING INSTITUTIONS**

---

SME Bank Limited  
Meezan Bank Limited

## 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, 2021.

During the period, the management continued its strategy to make recoveries from NPL portfolio; and controlling cost. The Company results are reflective of unprecedented business conditions, and unavailability of funds.

The loss before tax during the period under review was Rs. 16 Million compared to Rs. 33 million in the corresponding period last year. During the period recovery from portfolio was Rs.47.68 Million and new leases worth Rs. 4.203 Million were written. A decrease of Rs 4 Million was recorded in the revenues when compared with the corresponding period last year. Net provision reversals on account of recoveries during the period was Rs. 13 million compared to a reversal of net provision of Rs. 1.345 million in the corresponding period of last year. Administrative expenses recorded increase of 3% 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 2021, PACRA downgraded the entity ratings, which are as under:

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

The Net equity of the Company amounted to Rs. 3.18 million as at September 30, 2021, 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 all stakeholders.

---

Asghar Maqsood  
Chief Executive Officer  
(Officiating)

---

Javed Mahmood  
Chairman

Dated: October 27, 2021

## ڈائریکٹرز کا جائزہ:

ایس ایم ای لیزنگ لمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز 30 ستمبر 2021ء کو ختم ہونے والی نو ماہی مدت کیلئے غیر آڈٹ شدہ مجموعی مالیاتی حسابات پیش کر رہے ہیں۔

دوران مدت انتظامیہ کی توجہ وصولیوں اور اخراجات کو کنٹرول کرنے 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 16 ملین روپے کا خسارہ ہوا جو کہ گذشتہ سال کی اسی مدت میں 33 ملین روپے تھا۔ دوران مدت پورٹ فولیو سے مبلغ 47.68 ملین روپے کی وصولی ہوئی اور مبلغ 4.203 ملین روپے کی نئی مجموعی لیزز لکھی گئیں۔ گذشتہ سال کے اسی عرصہ کے مقابلے میں محصولات میں 4 ملین روپے کی کمی ریکارڈ کی گئی۔ زیر جائزہ مدت کے دوران خالص پروویژن کے حساب میں مجموعی طور پر مبلغ 13 ملین روپے کا ریورسل ہوا جس کا موازنہ گذشتہ سال کے خالص پروویژن کے مبلغ 1.345 ملین روپے کے ریورسل سے کیا جاسکتا ہے۔ گذشتہ سال کی مدت کے مقابلے میں انتظامی اخراجات میں 3 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 2021ء کو کمپنی کی بچھلی ریٹنگ کو ڈاؤن گریڈ کیا ہے جو کہ درج ذیل ہے:

- طویل مدتی ریٹنگ "B"
- مختصر مدتی "A4"
- آؤٹ لک "منفی"

نان ڈپازٹ لینے والی لیزنگ کمپنیوں کے لئے کم از کم ایکویٹی 50 ملین روپے درکار ہے جس کے مقابلے میں 30 ستمبر 2021ء کو کمپنی کی مجموعی ایکویٹی مبلغ 3.18 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 مراحل میں ہے۔ ہم اپنے شیر ہولڈرز کو اس سلسلے میں پیشرفت سے آگاہ کرتے رہیں گے۔

بورڈ اپنے تمام اسٹیک ہولڈرز کی جانب سے کئے جانے والے مستقل تعاون پر بے حد مشکور ہے۔

جاوید محمود  
چیرمین

اصغر مقصود  
چیف ایگزیکٹو آفیسر (آفیشیئل)

مورخہ: 27 اکتوبر 2021ء

**SME LEASING LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2021**

		September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
	Note	----- Rupees -----	
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property and equipment	6	3,419,875	3,903,811
Right-of-use assets	7	7,434,550	7,770,109
Intangible assets	8	-	-
Net investment in finance leases	9	183,110,687	187,152,253
Long term finances and loans - secured	10	52,441,233	47,385,562
Long term loans to employees - secured	11	381,492	323,196
Long term deposits and prepayments	12	787,222	870,558
		<b>247,575,059</b>	<b>247,405,489</b>
<b>CURRENT ASSETS</b>			
Advances	13	3,322,851	5,007,025
Prepayments and other receivables	14	1,321,619	1,496,938
Current maturity of assets subject to finance lease	9	105,162,181	136,216,126
Current maturity of non current assets	15	7,972,236	13,866,092
Cash and bank balances	16	364,645	1,626,307
		<b>118,143,532</b>	<b>158,212,488</b>
<b>TOTAL ASSETS</b>		<b><u>365,718,591</u></b>	<b><u>405,617,977</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		<b><u>1,000,000,000</u></b>	<b><u>1,000,000,000</u></b>
Issued, subscribed and paid-up capital 32,000,000 (2020: 32,000,000) Ordinary shares of Rs. 10 each		<b>320,000,000</b>	320,000,000
Capital reserves		<b>38,019,277</b>	38,019,277
		<b>358,019,277</b>	358,019,277
<b>REVENUE RESERVES</b>			
Reserve against future losses		<b>10,447,052</b>	10,447,052
Accumulated losses		<b>(365,290,535)</b>	(348,905,989)
		<b>(354,843,483)</b>	(338,458,937)
		<b>3,175,794</b>	19,560,340
<b>NON - CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease	17	5,056,577	7,214,310
Long-term deposits		133,593,395	144,177,595
Defined benefit obligation		9,608,397	9,164,855
		<b>148,258,369</b>	160,556,760
<b>CURRENT LIABILITIES</b>			
Trade and other payables		5,093,626	5,040,042
Mark-up accrued on borrowings		4,368,380	4,211,211
Short term borrowings - secured	18	146,018,653	144,790,638
Current maturity of non-current liabilities	19	52,216,913	57,381,913
Current maturity of liabilities against assets subject to finance lease	17	3,367,334	2,913,768
Provision for compensated absences		3,021,995	2,959,558
Taxation - net		197,527	8,203,747
		<b>214,284,428</b>	<b>225,500,877</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>365,718,591</u></b>	<b><u>405,617,977</u></b>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

**CHIEF EXECUTIVE OFFICER**  
(Officiating)

**CHIEF FINANCIAL OFFICER**

**CHAIRMAN**

**SME LEASING LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2021**

	Note	Nine months period ended		Three months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
----- Rupees -----					
<b>REVENUE</b>					
Finance leases		<b>6,602,912</b>	10,696,546	<b>2,871,896</b>	2,635,757
Finance and loans		<b>2,752,594</b>	3,035,501	<b>742,018</b>	1,186,520
Other income	21	<b>56,448</b>	61,909	<b>31,805</b>	22,770
		<b>9,411,954</b>	13,793,956	<b>3,645,719</b>	3,845,047
<b>EXPENSES</b>					
Administrative and general expenses	22	<b>32,808,066</b>	31,819,286	<b>10,250,567</b>	10,638,032
Finance cost	23	<b>13,918,260</b>	16,813,017	<b>4,757,345</b>	4,765,829
		<b>46,726,326</b>	48,632,303	<b>15,007,912</b>	15,403,861
<b>Operating loss before reversal</b>		<b>(37,314,372)</b>	(34,838,347)	<b>(11,362,193)</b>	(11,558,814)
Potential lease losses written back		<b>10,671,943</b>	1,290,152	<b>561,789</b>	322,992
Reversal of income tax provision		<b>7,979,392</b>	-	-	-
Credit losses on loans and receivables reversal		<b>2,395,435</b>	55,276	<b>182,062</b>	7,210
		<b>21,046,770</b>	1,345,428	<b>743,851</b>	330,202
<b>Loss for the period before taxation</b>		<b>(16,267,602)</b>	(33,492,919)	<b>(10,618,342)</b>	(11,228,612)
Taxation	24	<b>116,944</b>	191,469	<b>45,174</b>	61,244
<b>Net loss for the period</b>		<b>(16,384,546)</b>	(33,684,388)	<b>(10,663,516)</b>	(11,289,856)
<b>Loss per share - basic and diluted</b>	25	<b>(0.51)</b>	(1.05)	<b>(0.33)</b>	(0.35)

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

**CHIEF EXECUTIVE OFFICER**  
**(Officiating)**

**CHIEF FINANCIAL OFFICER**

**CHAIRMAN**

**SME LEASING LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2021**

	<u>Nine months period ended</u>		<u>Three months ended</u>	
	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
	-----Rupees-----			
Loss after taxation for the period	<b>(16,384,546)</b>	(33,684,388)	<b>(10,663,516)</b>	(11,289,856)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b><u>(16,384,546)</u></b>	<b><u>(33,684,388)</u></b>	<b><u>(10,663,516)</u></b>	<b><u>(11,289,856)</u></b>

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

**CHIEF EXECUTIVE OFFICER**  
**(Officiating)**

**CHIEF FINANCIAL OFFICER**

**CHAIRMAN**



**SME LEASING LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2021**

		<b>Nine months period ended</b>	
		<b>September 30,</b>	<b>September 30,</b>
		<b>2021</b>	<b>2020</b>
		-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>		
Loss before taxation		(16,267,602)	(33,492,919)
Adjustment for:			
Depreciation and amortization	22	2,675,509	2,747,402
Provision of gratuity		921,289	803,500
Provision for compensated absences		1,148,885	1,223,696
Finance cost	23	12,621,854	15,415,358
Interest income	21	(36,448)	(49,036)
Other income	21	-	(7,966)
Income from saving account	21	-	(6,873)
Finance charge on right of use of assets	23	1,296,406	1,397,659
Gain on disposal of property and equipment	21	(20,000)	(6,000)
Potential lease losses written back		(10,671,943)	(1,290,152)
Reversal of income tax provision		(7,979,392)	-
Credit losses on loans and receivables reversal		(2,395,435)	(55,276)
		<u>(2,439,275)</u>	<u>20,172,312</u>
<b>Operating loss before working capital changes</b>		<b>(18,706,877)</b>	<b>(13,320,607)</b>
<b>(Increase)/Decrease in current assets:</b>			
Net investment in finance leases	9	30,018,254	24,034,605
Long term finances and loans - secured	10	3,315,374	8,717,009
Long term loans to employees - secured	11	(140,050)	398,058
Prepayments and other receivables	14	175,319	(2,268,692)
Long term deposits and prepayments	12	83,336	1,596,876
Advances	13	1,684,174	(801,545)
		<u>35,136,407</u>	<u>31,676,311</u>
<b>Increase/(Decrease) in operating liabilities:</b>			
Trade and other payables		53,584	22,607
<b>Cash generated from operations</b>		<b>16,483,114</b>	<b>18,378,311</b>
Financial charges paid		(12,464,685)	(13,169,173)
Interest income received		36,448	63,875
Gratuity paid		(477,747)	(51,900)
Benefits paid		(1,086,448)	(927,918)
Taxes paid		(143,771)	(232,705)
		<u>(14,136,203)</u>	<u>(14,317,821)</u>
Net cash flows generated from / (used in) operating activities		<u>2,346,911</u>	<u>4,060,490</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	6	(61,015)	(136,600)
Proceeds from disposal of property and equipment		20,000	6,000
Net cash used in investing activities		<u>(41,015)</u>	<u>(130,600)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease rentals paid	17	(4,795,573)	(3,183,183)
Net cash used in financing activities		<u>(4,795,573)</u>	<u>(3,183,183)</u>
Net decrease in cash and cash equivalents		(2,489,677)	746,707
<b>Cash and cash equivalents at beginning of the period</b>		<b>(143,164,331)</b>	<b>(141,368,641)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>29</b>	<b><u>(145,654,008)</u></b>	<b><u>(140,621,934)</u></b>

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

**CHIEF EXECUTIVE OFFICER**  
**(Officiating)**

**CHIEF FINANCIAL OFFICER**

**CHAIRMAN**

**SME LEASING LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2021**

	Capital reserves		Revenue reserves		Total shareholder equity	
	Issued, subscribed and paid-up capital	Share premium	Statutory reserve	Reserve against future losses		Unappropriated profit
	----- Rupees -----					
Balance 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 at September 30, 2020	320,000,000	10,000,000	28,019,277	10,447,052	(325,042,653)	43,423,676
<b>Balance at January 01, 2021 - audited</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>28,019,277</b>	<b>10,447,052</b>	<b>(348,905,989)</b>	<b>19,560,340</b>
<b>Loss after taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,384,546)</b>	<b>(16,384,546)</b>
<b>Balance at September 30, 2021 - unaudited</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>28,019,277</b>	<b>10,447,052</b>	<b>(365,290,535)</b>	<b>3,175,794</b>

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

**CHIEF EXECUTIVE OFFICER**  
**(Officiating)**

**CHIEF FINANCIAL OFFICER**

**CHAIRMAN**

**SME LEASING LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2021**

**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- (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 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 September 30, 2021 the Company has reported a loss of Rs. 16.384 million (September 30, 2020: loss of Rs. 33.684 million) which has increased accumulated losses to Rs. 365.290 million (December 31, 2020: Rs. 348.906 million) as on nine months period ended. Further, the net assets of the Company amounts to Rs. 3.175 million (December 31, 2020: Rs. 19.560 million). The Company has negative cash and cash equivalent of Rs. 145.654 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. 96.140 million (2020: Rs. 67.288 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. 146.018 million has been utilized as at September 30, 2021 (December 31, 2020: Rs. 144.791 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 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 Parent Company the Company will be able to continue its business on going concern basis in the foreseeable future.
- Concerted efforts are being made for the recovery of non-performing leases and loans and finances and in this respect during the period ended September 30, 2021 Rs. 25.629 million (September 30, 2020: Rs. 9.176 million) have been recovered. Further, the company has made disbursement of Rs. 4.504 million (September 30, 2020: Rs. 7 million).

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.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These condensed interim financial statements of the Company for the nine-months period ended September 30, 2021 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, 2020.

### **2.2 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, 2021. 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.

### **2.3 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 July 1, 2021 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.

## **3 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, 2020.

**4 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, 2020.

**5 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, 2020.

		September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
	Note	----- Rupees -----	
<b>6</b>	<b>PROPERTY AND EQUIPMENT</b>		
	Balance as at January 1	3,903,810	4,510,324
	Additions during the period / year	61,015	145,600
	Disposal during the period / year	-	-
	Depreciation charged for the period / year	(544,950)	(752,114)
		<u>3,419,875</u>	<u>3,903,810</u>
<b>7</b>	<b>RIGHT-OF-USE ASSETS</b>		
	Balance as at January 1	7,770,109	12,053,712
	Additions during the period / year	1,795,000	-
	Disposal during the period / year	-	(1,455,872)
	Depreciation charged for the period / year	(2,130,559)	(2,827,731)
		<u>7,434,550</u>	<u>7,770,109</u>
<b>8</b>	<b>INTANGIBLE ASSETS</b>		
	Cost	1,507,142	1,507,142
	Accumulated amortization	(1,507,142)	(1,507,142)
		<u>-</u>	<u>-</u>
<b>9</b>	<b>NET INVESTMENT IN FINANCE LEASES</b>		
	Net investment in finance leases	288,272,868	323,368,379
	Less: Current maturity of net investment in leases	(105,162,181)	(136,216,126)
		<u>183,110,687</u>	<u>187,152,253</u>
<b>9.1</b>	<b>Net investment in finance leases</b>		

	September 30, 2021 (Un-audited)			December 31, 2020 (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	296,349,706	238,547,438	57,802,268	332,473,338	252,615,664	79,857,674
Add: Residual value of leased assets	185,437,075	133,593,395	51,843,680	201,186,275	144,177,595	57,008,680
Gross investment in leases	481,786,781	372,140,833	109,645,948	533,659,613	396,793,259	136,866,354
Less: Unearned lease income	(8,167,199)	(3,683,432)	(4,483,767)	(12,813,448)	(12,163,220)	(650,228)
Less: Markup held in suspense account	(47,205,277)	(47,205,277)	-	(48,664,406)	(48,664,406)	-
	<u>(55,372,476)</u>	<u>(50,888,709)</u>	<u>(4,483,767)</u>	<u>(61,477,854)</u>	<u>(60,827,626)</u>	<u>(650,228)</u>
	426,414,305	321,252,124	105,162,181	472,181,759	335,965,633	136,216,126
Less: Provision for potential lease losses	(138,141,437)	(138,141,437)	-	(148,813,380)	(148,813,380)	-
Net investment in finance leases	<u>288,272,868</u>	<u>183,110,687</u>	<u>105,162,181</u>	<u>323,368,379</u>	<u>187,152,253</u>	<u>136,216,126</u>

		September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
	Note	----- Rupees -----	
<b>10</b>	<b>LONG TERM FINANCES AND LOANS - SECURED</b>		
Considered good		10,516,293	20,351,243
Considered doubtful		58,337,632	51,818,056
		68,853,925	72,169,299
Less: Provision		(8,693,215)	(11,088,650)
		60,160,710	61,080,649
Less: Current maturity	15	(7,719,477)	(13,695,087)
		<u>52,441,233</u>	<u>47,385,562</u>
<b>11</b>	<b>LONG TERM LOAN TO EMPLOYEES - SECURED</b>		
Vehicle loan		634,251	494,201
		634,251	494,201
Less: Current Maturity	15	(252,759)	(171,005)
		<u>381,492</u>	<u>323,196</u>
<b>12</b>	<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>		
Other deposits		787,222	787,222
Long term prepayments		-	83,336
		<u>787,222</u>	<u>870,558</u>
<b>13</b>	<b>ADVANCES</b>		
Considered good - unsecured			
Employees	13.1	949,111	1,678,710
Legal advisors	13.2	2,154,480	2,289,853
Advance against lease vehicle		-	886,036
SBP deposit		15,000	15,000
Others		204,260	137,426
		<u>3,322,851</u>	<u>5,007,025</u>
13.1	This 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 granting loans.		
13.2	This represents advance payments made to the legal advisors of the Company for handling cases on behalf of the Company.		
<b>14</b>	<b>PREPAYMENTS AND OTHER RECEIVABLES</b>		
Prepayments		1,191,534	780,668
Accrued interest on long term finances and loans		65,085	651,270
Other receivable		65,000	65,000
		<u>1,321,619</u>	<u>1,496,938</u>

	Note	September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
----- Rupees -----			
<b>15</b>	<b>CURRENT MATURITY OF NON CURRENT ASSETS</b>		
Current maturity of:			
Long term finances and loans	10	7,719,477	13,695,087
Long term loans to employees	11	252,759	171,005
		<u>7,972,236</u>	<u>13,866,092</u>

**16 CASH AND BANK BALANCES**

Balances with banks in:			
in current accounts		298,233	1,466,000
in saving accounts	16.1	-	93,895
		<u>298,233</u>	<u>1,559,895</u>
Cash in hand		66,412	66,412
		<u>364,645</u>	<u>1,626,307</u>

**16.1** Balances with banks carry a profit rate of nil (December 31, 2020: 5.5% to 11.25% per annum).

**17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	September 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	Minimum lease payment	Present value	Minimum lease payment	Present value
----- Rupees -----				
Upto one year	4,605,943	3,527,616	4,200,835	2,913,768
Later than one year but not later than five years	5,434,424	4,896,295	8,392,048	7,214,310
Total minimum lease payments	<u>10,040,367</u>	<u>8,423,911</u>	<u>12,592,883</u>	<u>10,128,078</u>
Less: Finance charges not due yet	(1,350,941)	-	(2,464,805)	-
Present value of minimum lease payments	8,423,911	8,423,911	10,128,078	10,128,078
Less: Current maturity	<u>(3,367,334)</u>	<u>(3,367,334)</u>	<u>(2,913,768)</u>	<u>(2,913,768)</u>
	<u>5,056,577</u>	<u>5,056,577</u>	<u>7,214,310</u>	<u>7,214,310</u>



**18 SHORT-TERM BORROWING - SECURED**

The facility for short-term running finance available from SME Bank Limited amounting to Rs. 150 million (December 31, 2020: Rs. 150 million). Mark-up is payable at rate ranging from 11.35% to 11.66% (December 31, 2020: from 11.35% to 17.33%) per annum. The finance are secured by way of hypothecation of the Company's leased assets and related receivables.

		<b>September 30, 2021 (Un-Audited)</b>	<b>December 31, 2020 (Audited)</b>
	<b>Note</b>	----- Rupees -----	
<b>19 CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>			
Long term finance		373,233	373,233
Long term deposits	9.1	51,843,680	57,008,680
		<u>52,216,913</u>	<u>57,381,913</u>

**20 CONTINGENCIES AND COMMITMENTS****20.1 Contingencies**

There are no contingencies as at September 30, 2021 (2020: Nil).

**20.2 Commitments**

There are no commitments as at September 30, 2021 (2020: nil).

	<b>Nine months period ended</b>		<b>Three months period ended</b>	
	<b>September 30, 2021 (Un-Audited)</b>	<b>September 30, 2020 (Un-Audited)</b>	<b>September 30, 2021 (Un-Audited)</b>	<b>September 30, 2020 (Un-Audited)</b>
	----- Rupees -----			

**21 OTHER INCOME**

Income from saving account	-	6,873	-	-
Income from financial assets	36,448	49,036	11,805	22,770
Gain on disposal of property and equipment	20,000	6,000	20,000	-
	<u>56,448</u>	<u>61,909</u>	<u>31,805</u>	<u>22,770</u>

	Nine months period ended		Three months period ended	
	September 30, 2021 (Un-Audited)	September 30, 2020 (Un-Audited)	September 30, 2021 (Un-Audited)	September 30, 2020 (Un-Audited)
----- Rupees -----				
<b>22 ADMINISTRATIVE AND GENERAL EXPENSES</b>				
Salaries, allowances and other benefits	21,425,492	22,187,639	6,655,611	7,232,905
Directors' fee	390,000	275,000	30,000	120,000
Rent	369,248	175,603	149,033	79,748
Electricity, gas and water	605,795	678,377	248,267	297,317
Telephone and postage	746,845	630,929	284,246	209,188
Repairs and maintenance	423,864	312,554	157,073	124,769
Books and periodicals	24,465	21,600	7,075	8,260
Vehicle running	206,620	133,688	68,470	55,330
Advertising	411,776	97,363	256,914	97,363
Travelling, conveyance and entertainment	657,192	573,849	236,116	342,413
Printing and stationery	531,073	401,658	72,281	46,551
Auditors' remuneration	308,600	162,000	37,400	95,729
Depreciation	2,675,509	2,747,402	919,906	895,682
Staff training and development	10,500	3,000	-	3,000
Legal and professional	2,805,256	2,044,411	727,281	600,276
Insurance	741,127	920,721	238,138	274,405
Miscellaneous	474,705	453,492	162,757	155,096
	<u>32,808,066</u>	<u>31,819,286</u>	<u>10,250,567</u>	<u>10,638,032</u>
<b>23 FINANCE COST</b>				
Mark-up on short term borrowings	12,516,906	15,306,332	4,368,380	4,328,578
Lease finance charges	1,296,406	1,397,659	385,331	435,862
Bank charges	104,948	109,026	3,634	1,389
	<u>13,918,260</u>	<u>16,813,017</u>	<u>4,757,345</u>	<u>4,765,829</u>
			September 30, 2021 (Un-Audited)	September 30, 2020 (Un-Audited)
			----- Rupees -----	
<b>24 TAXATION</b>				
Minimum tax under Section 113 of the Income Tax Ordinance, 2001.			<u>116,944</u>	<u>191,469</u>
<b>25 LOSS PER SHARE - BASIC AND DILUTED</b>				
			September 30, 2021 (Un-Audited)	September 30, 2020 (Un-Audited)
			----- Rupees -----	
Loss after taxation attributable to ordinary shareholders (Rupees)	<u>(16,384,546)</u>	<u>(33,684,388)</u>	<u>(10,663,516)</u>	<u>(11,289,856)</u>
Weighted average number of ordinary shares outstanding during the period	<u>32,000,000</u>	<u>32,000,000</u>	<u>32,000,000</u>	<u>32,000,000</u>
Basic loss per share (Rupees)	(0.51)	(1.05)	(0.33)	(0.35)

## 26 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:

	September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
	----- Rupees -----	
<b>26.1 BALANCES</b>		
<b>SME Bank Limited (Parent Company)</b>		
<b>Short term borrowings</b>		
Opening balance	144,790,638	142,156,359
Borrowings used during the period - net	1,228,015	2,634,279
Closing balance	<u>146,018,653</u>	<u>144,790,638</u>
	September 30, 2021 (Un-Audited)	September 30, 2020 (Un-Audited)
	----- Rupees -----	
<b>26.2 TRANSACTIONS</b>		
<b>SME Bank Limited (Parent Company)</b>		
Markup on Short term borrowings	12,516,906	15,306,332
Rent expense paid for Peshawar branch	412,704	412,704
<b>Key Management Personnel</b>		
Key management remuneration	5,664,008	5,016,558
<b>Staff Provident Fund</b>		
Contribution towards provident fund	567,517	580,395

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

## 27 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 nine months period ended September 30, 2021 (Un-audited)			
	Finance Lease	Loans and Receivable	Others	Total
----- Rupees -----				
Segment Revenue	6,602,912	2,752,594	56,448	9,411,954
Reversal of provision - net	10,671,943	2,395,435	-	13,067,378
<b>Segment Results</b>	<b>17,274,855</b>	<b>5,148,029</b>	<b>56,448</b>	<b>22,479,332</b>
<b>Unallocated Cost</b>				
Finance Cost	-	-	-	13,918,260
Administrative & selling expenses	-	-	-	32,808,066
Reversal of income tax provision	-	-	-	(7,979,392)
				<b>38,746,934</b>
Loss before income tax	-	-	-	(16,267,602)
Income tax expense	-	-	-	116,944
<b>Loss for the period</b>				<b>(16,384,546)</b>
Segment Assets	288,272,868	60,160,710	-	348,433,578
Unallocated Assets	-	-	17,285,013	17,285,013
<b>Total Assets</b>				<b>365,718,591</b>
Segment Liabilities	185,437,075	-	-	185,437,075
Unallocated Liabilities	-	-	177,105,722	177,105,722
<b>Total Liabilities</b>				<b>362,542,797</b>
<b>Net Assets</b>				<b>3,175,794</b>
<b>Other Information</b>				
Capital Expenditure	-	-	(61,015)	(61,015)

**For nine months period ended September 30, 2020 (Un-audited)**

Particulars	Finance Lease	Loans and Receivable	Others	Total
	----- Rupees -----			
Segment Revenue	10,696,546	3,035,501	61,909	13,793,956
Reversal of provision - net	1,290,152	55,276	-	1,345,428
<b>Segment Results</b>	<u>11,986,698</u>	<u>3,090,777</u>	<u>61,909</u>	<u>15,139,384</u>
<b>Unallocated Cost</b>				
Finance Cost	-	-	-	16,813,017
Administrative & selling expenses	-	-	-	<u>31,819,286</u>
				48,632,303
Loss before income tax	-	-	-	(33,492,919)
Income tax expense	-	-	-	191,469
<b>Loss for the period</b>				<u>(33,684,388)</u>
Segment Assets	359,091,886	65,906,997	-	424,998,883
Unallocated Assets	-	-	23,053,769	23,053,769
<b>Total Assets</b>				<u>448,052,652</u>
Segment Liabilities	222,395,275	-	-	222,395,275
Unallocated Liabilities	-	-	182,233,701	182,233,701
<b>Total Liabilities</b>				<u>404,628,976</u>
<b>Net Assets</b>	-	-	-	<u>43,423,676</u>
<b>Other Information</b>				
Capital Expenditure	-	-	(136,600)	<u>(136,600)</u>

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

27.2 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.

## 28 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).

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

28.2 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 September 30, 2021, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

As at September 30, 2021, the Company held the following classes of financial instruments measured at fair value:

September 30, 2021 (Un-audited)	Note	Carrying amount				Fair value			
		Cash and cash equivalent	Loans and receivables	Other assets and liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----									
<b>Financial assets not measured at fair value</b>									
	16	364,645	-	-	364,645	-	-	-	-
	13	-	-	3,322,851	3,322,851	-	-	-	-
	14	-	-	2,108,841	2,108,841	-	-	-	-
	10	-	60,794,961	-	60,794,961	-	-	-	-
	9	-	288,272,868	-	288,272,868	-	-	-	-
		<u>364,645</u>	<u>349,067,829</u>	<u>5,431,692</u>	<u>354,864,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>									
		-	-	5,065,906	5,065,906	-	-	-	-
		-	-	4,368,380	4,368,380	-	-	-	-
	18	146,018,653	-	-	146,018,653	-	-	-	-
		-	-	3,021,995	3,021,995	-	-	-	-
	19	-	-	373,233	373,233	-	-	-	-
	9	-	-	185,437,075	185,437,075	-	-	-	-
		-	-	9,608,397	9,608,397	-	-	-	-
	17	-	-	8,423,911	8,423,911	-	-	-	-
		<u>146,018,653</u>	<u>-</u>	<u>216,298,897</u>	<u>362,317,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

December 31, 2020 (Audited)	Note	Carrying amount				Fair value			
		Cash and cash equivalent	Loans and receivables	Other assets and liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----									
<b>Financial assets not measured at fair value</b>									
Cash and bank balance	16	1,626,307	-	-	1,626,307	-	-	-	-
Advances	13	-	-	5,007,025	5,007,025	-	-	-	-
Deposits, prepayments and other receivables	14	-	-	1,496,938	1,496,938	-	-	-	-
Long term finances and loans and accrued interest thereon	10	-	61,080,649	-	61,080,649	-	-	-	-
Net investment in finance leases	9	-	323,368,379	-	323,368,379	-	-	-	-
		<u>1,626,307</u>	<u>384,449,028</u>	<u>6,503,963</u>	<u>392,579,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>									
Trade and other payable		-	-	5,040,042	5,040,042	-	-	-	-
Accrued mark-up on borrowings		-	-	4,211,211	4,211,211	-	-	-	-
Short term borrowings	18	144,790,638	-	-	144,790,638	-	-	-	-
Provision for compensated absences		-	-	2,959,558	2,959,558	-	-	-	-
Long term finances	19	-	-	373,233	373,233	-	-	-	-
Long term deposits	9	-	-	201,186,275	201,186,275	-	-	-	-
Defined benefit obligation		-	-	9,164,855	9,164,855	-	-	-	-
Lease liabilities	17	-	-	10,128,078	10,128,078	-	-	-	-
		<u>144,790,638</u>	<u>-</u>	<u>233,063,252</u>	<u>377,853,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



		September 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
	Note	----- Rupees -----	
<b>29 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	16	364,645	1,626,307
Short term borrowings	18	(146,018,653)	(144,790,638)
		<u>(145,654,008)</u>	<u>(143,164,331)</u>

### 30 IMPACT OF COVID-19 IN 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.

### 31 GENERAL

**31.1** 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.

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

### 32 DATE OF AUTHORISATION FOR ISSUE

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

**CHIEF EXECUTIVE OFFICER**  
(Officiating)

**CHIEF FINANCIAL OFFICER**

**CHAIRMAN**