

**SME LEASING LIMITED**

**QUARTERLY REPORT MARCH 31, 2024**

# **CORPORATE INFORMATION**

## **BOARD OF DIRECTORS**

Mr. Tahir Saeed Effendi, Chairman  
Mr. Qasim Nawaz  
Mr. Abdul Razzaq  
Mr. Kamran Sohail  
Mr. Muhammad Farrukh Mansoor Malik  
Mr. Najam Altaf

## **CHIEF EXECUTIVE OFFICER**

Mr. Asghar Maqsood

## **AUDIT COMMITTEE**

Mr. Muhammad Farrukh Mansoor Malik, Chairman  
Mr. Kamran Sohail  
Mr. Najam Altaf

## **RISK & WINDING DOWN COMMITTEE**

Mr. Abdul Razzaq, Chairman  
Mr. Kamran Sohail  
Mr. Muhammad Farrukh Mansoor Malik  
Mr. Asghar Maqsood, CEO

## **HUMAN RESOURCE COMMITTEE**

Mr. Najam Altaf, Chairman  
Mr. Tahir Saeed Effendi  
Mr. Abdul Razzaq  
Mr. Asghar Maqsood, CEO

## **COMPANY SECRETARY & CFO**

Mr. Sohail Imran

**EXTERNAL AUDITORS**

BDO Ebrahim & Co,  
Chartered Accountants

**INTERNAL AUDITOR**

Position Vacant

**TAX CONSULTANTS**

EY Ford Rhodes  
Chartered Accountants

**LEGAL ADVISOR**

Mohsin Tayebaly & Company  
Advocate & Legal Consultant

**REGISTERED OFFICE**

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

**MAIN OFFICE**

Office No.304, 3<sup>rd</sup> Floor, Business Arcade, Shahra-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**

Meezan Bank Limited  
SME Bank Limited

## Directors' Review Report

The Board of directors of SME Leasing Limited (the Company) is pleased to present the un-audited condensed interim financial statements for the period ended March 31, 2024 on the Non-Going Concern basis on the advice of the Board after decision of Ministry of Finance for winding down of SME Bank and SME Leasing. The Board was incomplete due to pending vacancies of nominee directors by Major Shareholder i.e. SME Bank from August 2023. And later on NOC/FPT required from SECP, so the approval of Financial Statements are delayed.

During the period ended March 31, 2024, the Company has reported a loss of Rs 124.423 million mainly 100% provision of NPL i.e. Rs. 97.840 Million (MARCH 31, 2023: loss of Rs. 12.671 million) which has increase accumulated losses to Rs.552.774 million (December 31, 2023: Rs. 428.352 million) as on March 31, 2024. Further, the net equity of the Company amounts to Rs (184.308) million (December 31, 2023: Rs. (59.885) million). The Company has negative cash and cash equivalent of Rs.147.664 million (December 31, 2023: Rs.145.173 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. 178.790 million (December 31, 2023: Rs. 88.241 million).

The company remained focused on recoveries. During the period under review, no fresh business was written while total recoveries from the portfolio aggregated Rupees 6.413 Million. The Company continued to follow up for early settlements of non-performing portfolio through legal process and negotiations. Provisions for non-performing portfolio recorded of Rupees 97.840 million. Revenues on the other hand recorded a decrease of Rupees 1.211 Million when compared with the corresponding period last year. Overall administrative expenses recorded increase of 3.756 million inclusive of charging of advance tax Rs. 4.539 Million. Financial charges recorded increase of 7.985 million. The loss before tax during the period under review was Rs. 124.401 Million as compared to loss of Rs. 12.635 Million in the corresponding period last year.

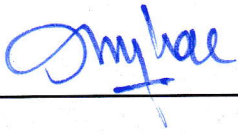
The Net equity of the Company amounted to Rs (184.308) Million as at 31st March 2024 against the minimum prescribed equity requirement of Rs.50.00 million for non-deposit taking leasing companies. The current liabilities decreased by Rs. 112.493 million and non-current liabilities is decreased by Rs. 5.524 whereas the total assets recorded a net decrease of Rs. 242.440 Million due to provision of NPL Rs. 97.840 Million and adjustment of Securities Deposit amounting to Rs. 125.954 Million. The efforts for recoveries from the infected portfolio shall continue to meet the all the operational expenses.

  
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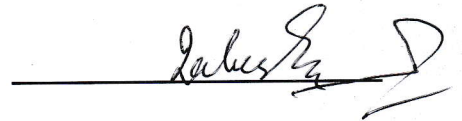


The winding down process of SME Bank major shareholder, along with its subsidiary SME Leasing has started and we shall keep our shareholders informed of development, in this regard.

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



Asghar Maqsood  
Chief Executive Officer  
Dated: 11 April 2025



Tahir Saeed Effendi  
Chairman

**SME LEASING LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2024**

		March 31, 2024 Un-Audited	December 31, 2023 Audited
	Note	----- Rupees -----	
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property and equipment	8	2,948,215	3,203,091
Right-of-use assets	9	-	-
Net investment in finance leases	11	-	7,048,431
Long term finances and loans - secured	12	729,473	32,824,320
Long term loans to employees - secured	13	-	-
Long term deposits and prepayments	14	713,222	713,222
		4,390,910	43,789,064
<b>CURRENT ASSETS</b>			
Advances	15	2,200,128	2,248,932
Prepayments and other receivables	16	855,842	758,196
Current maturity of assets subject to finance lease	11	34,103,517	231,619,373
Current maturity of non current assets	17	2,091,491	657,780
Advances Tax		0	4,517,888
Cash and bank balances	18	2,258,856	4,749,544
		41,509,834	244,551,713
<b>TOTAL ASSETS</b>		<b>45,900,744</b>	<b>288,340,778</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		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital		320,000,000	320,000,000
32,000,000 (2020: 32,000,000) Ordinary shares of Rs. 10 each		38,019,277	38,019,277
Capital reserves		358,019,277	358,019,277
<b>REVENUE RESERVES</b>			
Reserve against future losses		10,447,052	10,447,052
Accumulated losses		(552,774,225)	(428,351,767)
		(542,327,173)	(417,904,715)
		(184,307,896)	(59,885,438)
<b>NON - CURRENT LIABILITIES</b>			
Long-term deposits	11.1	-	5,524,050
Defined benefit obligation		9,909,185	9,909,185
		9,909,185	15,433,235
<b>CURRENT LIABILITIES</b>			
Trade and other payables		4,493,171	5,056,545
Taxation - net		4,758,396	4,736,541
Mark-up accrued on borrowings		46,398,209	31,804,693
Short term borrowings - secured	20	149,922,699	149,922,699
Current maturity of non-current liabilities	21	12,848,600	138,803,587
Current maturity of liabilities against assets subject to finance lease	19	156,907	156,907
Provision for compensated absences		1,721,473	2,312,008
		220,299,455	332,792,980
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>45,900,744</b>	<b>288,340,778</b>

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes from 1 to 31 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, 2024**

		<b>MARCH 31, 2024</b>	<b>MARCH 31, 2023</b>
	<b>Note</b>	<b>Un-Audited</b>	<b>Un-Audited</b>
		<b>----- Rupees -----</b>	
<b>REVENUE</b>			
Finance leases		995,307	1,925,316
Finance and loans		753,075	942,926
Other income	23	-	90,866
		<b>1,748,382</b>	<b>2,959,108</b>
<b>EXPENSES</b>			
Administrative and general expenses	24	13,690,606	9,935,505
Finance cost	25	14,618,516	6,634,175
		<b>28,309,122</b>	<b>16,569,680</b>
<b>Operating loss before reversal</b>		<b>(26,560,740)</b>	<b>(13,610,572)</b>
Potential Finance lease losses Provision/ written back		(68,939,245)	798,142
Potential Loans lease losses Provision/ written back		(28,900,618)	177,605
		<b>(97,839,863)</b>	<b>975,747</b>
<b>Profit/(Loss) for the period before taxation</b>		<b>(124,400,603)</b>	<b>(12,634,825)</b>
Taxation	26	21,855	35,925
<b>Net Profit/(loss) for the period</b>		<b>(124,422,458)</b>	<b>(12,670,750)</b>
<b>Profit /(Loss) per share - basic and diluted</b>	27	<b>(3.89)</b>	<b>(0.40)</b>

The annexed notes from 1 to 31 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, 2024**

	<b>MARCH 31, 2024 Un-Audited</b>	<b>MARCH 31, 2023 Un-Audited</b>
	----- Rupees -----	
Profit/(Loss) after taxation for the period	(124,422,458)	(12,670,750)
Other comprehensive income	-	-
<b>Total comprehensive profit/(loss) for the period</b>	<b><u>(124,422,458)</u></b>	<b><u>(12,670,750)</u></b>

The annexed notes from 1 to 31 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, 2024**

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves		Total shareholder equity
		Share premium	Statutory reserve	Reserve against future losses	Unappropriated profit	

The annexed notes from 1 to 31 form an integral part of these condensed interim financial statements.

  
**CHIEF EXECUTIVE OFFICER**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

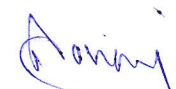


**SME LEASING LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2024**

		<b>MARCH 31, 2024</b>	<b>MARCH 31, 2023</b>
		<b>Un-Audited</b>	<b>Un-Audited</b>
		<b>-----Rupees-----</b>	
	<b>Note</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(124,400,603)	(12,634,825)
Adjustment for:			
Depreciation and amortization	24	254,876	891,393
Provision of gratuity		-	-
Provision for compensated absences		-	-
Finance cost	25	14,593,516	6,450,957
Interest income	23	-	(90,866)
Finance charge on right of use of assets	25	-	183,218
Gain on disposal of property and equipment		-	-
Potential Finance lease losses Provision/ written back		68,939,245	(798,142)
Potential Loans lease losses Provision/ written back		28,900,618	-
Credit losses on Loans and Receivable reversal		-	(177,605)
		<u>112,688,255</u>	<u>6,458,955</u>
<b>Operating loss before working capital changes</b>		<u>(11,712,348)</u>	<u>(6,175,870)</u>
<b>(Increase)/Decrease in current assets:</b>			
Net investment in finance leases	11	135,625,042	8,263,948
Long term finances and loans - secured	12	1,760,518	1,358,977
Long term loans to employees - secured	13	-	30,026
Prepayments and other receivables	16	(97,646)	(490,044)
Long term deposits and prepayments	14	-	333,344
Advances	15	48,804	174,103
		<u>137,336,718</u>	<u>9,670,354</u>
<b>Increase/(Decrease) in operating liabilities:</b>			
Long term deposits		(131,479,600)	(350,000)
Trade and other payables		(562,873)	23,819
		<u>(6,418,103)</u>	<u>3,168,303</u>
<b>Cash generated from operations</b>			
Financial charges paid		-	(6,479,132)
Interest income received		-	90,866
Gratuity paid		-	-
compensated Expenses Paid		(590,535)	(598,861)
Benefits paid		-	-
Taxes paid		4,517,950	(34,917)
		<u>3,927,415</u>	<u>(7,022,044)</u>
<b>Net cash flows generated from / (used in) operating activities</b>		<u>(2,490,688)</u>	<u>(3,853,741)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	8	-	(45,000)
Proceeds from disposal of property and equipment		-	-
<b>Net cash used in investing activities</b>		<u>-</u>	<u>(45,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease rentals paid		-	(1,071,402)
Net cash used in financing activities		<u>-</u>	<u>(1,071,402)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(2,490,688)</u>	<u>(4,970,143)</u>
<b>Cash and cash equivalents at beginning of the period</b>		<u>(145,173,155)</u>	<u>(138,342,952)</u>
<b>Cash and cash equivalents at end of the period</b>	29	<u>(147,663,843)</u>	<u>(143,313,095)</u>

The annexed notes from 1 to 31 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, 2024**

**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 'Holding Company'), which holds 73.14% (2023: 73.14%) of the Company's shares. At the time of incorporation, the Company was a wholly owned subsidiary of SME Bank Limited, whereby under an arrangement the assets and liabilities of the leasing division of SME Bank Limited were transferred to the Company on January 28, 2003. The Company listed on the 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 in Pakistan. In March 2023, PACRA decided to withdraw its ratings for SME Leasing Limited. This withdrawal likely happened because SME Leasing Limited's management choose to discontinue the process of having its entity rated by PACRA.

**2 MATERIAL UNCERTAINTY RELATED TO GOING CONCERN AND PREPERATION OF CONDENSED INTERIM FINANCIAL STATEMENTS ON "NON-GOING CONCERN BASIS OF ACCOUNTING"**

During the period ended March 31, 2024, the Company has reported a loss of Rs 124.423 million (March 31, 2023: loss of Rs. 12.671 million) which has increase accumulated losses to Rs.552.774 million (December 31, 2023: Rs. 428.352 million) as on March 31, 2024. Further, the net equity of the Company amounts to Rs (184.308) million (December 31, 2023: Rs. (59.885) million). The Company has negative cash and cash equivalent of Rs.147.664 million (December 31, 2023: Rs.145.173 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. 178.790 million (December 31, 2023: Rs. 88.241 million).

The license of the Company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via application reference no. SMEL/MO/2019 dated April 16, 2019, and via application reference no. SMEL/MO/2022 dated April 15, 2022, for renewal of license in the manner so required by the NBFC Rules, 2003. Securities and Exchange Commission of Pakistan (SECP) has revoked the leasing company's license due to its non-compliance with minimum paid-up capital requirements. The Company has also been placed in defaulter segment of Pakistan Stock Exchange (PSX) on January 11, 2024 and accordingly trading of shares of the Company has been suspended till time of renewal by the PSX.

The Company being a non-deposit-taking NBFC under section 4 (Schedule I) of NBFC Regulations 2008, is required to have minimum equity of Rs. 50 million. However, the Company has not complied with the said requirement during and earlier periods as well. A show cause notice through letter no. SECP/SCD/Adj-I/30/2022-056 dated January 12, 2024 from SECP, in this regard and the Company has not submitted any response yet.

With respect to privatization of the SME Bank Limited - Holding Company / the Bank and its Subsidiary, the Cabinet Committee on Privatization (CCOP) had approved the 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, the Board of Privatization Commission in its meeting held on November 25, 2021, recommended delisting of SME Bank Limited from the list of privatizations. CCOP in its meeting held on December 28, 2022, approved the delisting of the SME Bank Limited from the privatization list. The Federal Cabinet, in a meeting held on March 17, 2023, approved a winding-down plan for the Bank. The State Bank of Pakistan (SBP) via its Circular No. BPRD (R&PD) /SME/2023/3729 dated May 10, 2023, specified that the SBP had prohibited the Bank from receiving fresh deposits with effect from the close of business on March 27, 2023. Further, in terms of Clause (a) of Sub-Section (1) of Section 21 of the Deposit Protection Corporation Act, 2016, the Holding Company / Bank was hereby declared as a failed institution effective from the close of business as of March 27, 2023.

Vide letter no. SSL/2024/0030 dated January 31, 2024, the Company requested SME Bank Limited- the Holding Company the Bank to seek guidance from the Ministry of Finance (MOF) about the show cause notice against which, Holding Company received a response from MOF vide their letter no. F. No. 3(27)IF-III/2005-435 dated February 19, 2024, in which it has been advised to process the liquidation of Company in conjunction with the liquidation of the Holding Company / the Bank. The Bank has commenced the winding down process as per winding down plan sanctioned by cabinet on March 17, 2023.

As at March 31, 2024, the Company has running finance facility amounting to Rs.150 million granted by the Bank and accrued mark-up thereon of Rs. 49.923 million. The Company in a letter # SLL/2024/0097 dated April 25, 2024 has requested the bank for waiver of markup liability. However, no response has been received to date as liquidation process of the Bank has been commenced. The SECP has issued show cause notice to the Company seeking reasons for not initiating the Company's liquidation under the relevant legal provision which has been referred to for filling of extension till March 15, 2025.

Based on the events or conditions as stated above, the management considered that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and accordingly the Company may not be able to realize its assets or discharge its liabilities in the normal course of the business, accordingly these condensed interim financial statements have been prepared in accordance with Accounting Standard on "Non-Going Concern basis of Accounting" issued by Institute of Chartered Accountants of Pakistan (ICAP) and notified by SECP through SRO 69 (I) 2024 effective from annual reporting period beginning on or after January 01, 2024, however early adoption is permitted accordingly the management has early adopted the Standard. Following adjustments have been made to the carrying values of assets and liabilities:

ASSETS	Carrying	Adjustment	Realisable value
Property and equipment	2,948,215	-	2,948,215
Net investment in finance leases	7,048,431	7,048,431	-
Long term finances and loans	32,824,320	32,094,847	729,473
Long term deposits and Advances	713,222	-	713,222
Prepayments and other	2,248,932	48,804	2,200,128
Current maturity of non	855,842	-	855,842
Advance tax	231,619,373	197,515,856	34,103,517
Cash and bank balances	4,517,888	4,517,888	-
	2,258,856	-	2,258,856
<b>LIABILITIES</b>			
Long-term deposits	5,524,050	5,524,050	-
Trade and other payables	4,493,171	-	4,493,171
Mark-up accrued on	46,398,209	-	46,398,209
Short term borrowings -	149,922,699	0	149,922,699
Current maturity of non-	138,803,587	125,954,987	12,848,600
Current maturity of liabilities against assets subject to	156,907	-	156,907
Defined benefit obligation	9,909,185	-	9,909,185
Provision for compensated absences	1,721,473	-	1,721,473

### 3 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES

		March 31, 2024 (Un-Audited)	December 31, 2023 (Audited)
		Rupees	
Net lease disbursements	3.1		2,170,000
Recoveries	3.2	6,413,395	45,616,392

3.1 This represents amount disbursed against new leases written during the period

3.2 This represents recoveries from non-performing loans amounting to Rs.2.854 million (December 31, 2023 Rs.28.997 million) and regular parties amounting to Rs.3.560 million (December 31, 2023 Rs.16.618 million).

#### **4 BASIS OF PREPARATION**

##### **4.1 Statement of compliance**

These condensed interim financial statements of the Company for the three-month period ended Mar. 31, 2024 have been prepared in accordance with the accounting and reporting standards (IFRS) as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations);
- Provisions of and directives issued under the Companies Act, 2017; and
- Accounting Standard on "Non-Going Concern Basis of Accounting " issued by ICAP.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34, the NBFC Rules, and the NBFC Regulations and accounting standard on non-going concern basis, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include the information and disclosures required in annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the annual financial statements.

#### **5 MATERIAL ACCOUNTING POLICIES INFORMATION**

The accounting policies and the methods of computations applied in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements as at and for the year ended December 31, 2023 except stated otherwise.



**5.1 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS IN THE ACCOUNTING AND REPORTING STANDARDS AS APPLICABLE IN PAKISTAN**

**5.1.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended March 31, 2024**

The following standards, amendments and interpretations are effective for the three-month period ended March 31, 2024. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IAS 1 'Presentation of financial statements' and IFRS Practice	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of	January 01, 2024
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024

The Company adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the Company to provide useful entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note 5 Material accounting policies (2023: Significant accounting policies) in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.

### 5.1.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments	January 01, 2026
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2026
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2025
IFRS 17 Insurance Contracts	January 01, 2026

IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been issued by IASB effective from July 01, 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2026.

IFRS 18 'Presentation and Disclosures in Financial Statements' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

IFRS 19 'Subsidiaries without Public Accountability: Disclosures' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

Non-going concern basis of accounting effective from annual reporting period beginning on or after January 01, 2024 (refer Note 2).

## 6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of condensed interim financial statements is in conformity with the accounting and reporting standards as applicable in Pakistan. It is the responsibility of the management to make estimates, assumptions and use judgements that affect the application of policies and the reported amount of assets and liabilities and income and expenses. Judgements and estimates made by the management in the preparation of these condensed interim financial statements are same as those applied in the Company's annual financial statements as at and for the year ended December 31, 2023.

## 7 CHANGES IN ACCOUNTING POLICIES

### (a) IFRS - 9

The Company has adopted IFRS 9 'Financial Instruments' as prescribed by SRO 1827 (I)/2022 from January 01, 2024 which is effective from annual periods beginning on or after January 01, 2024 and for reporting period / year ending on or after December 31, 2024 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

#### IFRS 9 'Financial Instruments'

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies if any, resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

#### Classification and Measurement of Financial Assets and Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at December 31, 2023.

As at December 31, 2023	Original classification under IAS 39	New Classification Under IFRS 9	Original Carrying Amount Rupees	New Carrying Amount Rupees
Net investments in finance lease	Loans and Receivables	Amortized Cost	238,667,804	238,667,804
Long term finances and loans - secured	Loans and Receivables	Amortized Cost	33,482,100	33,482,100
Advances and other receivables	Loans and Receivables	Amortized Cost	2,248,932	2,248,932
Cash and bank balances	Loans and Receivables	Amortized Cost	4,749,544	4,749,544
			<u>279,148,380</u>	<u>279,148,380</u>

#### Classification and Measurement of Financial Assets and Financial Liabilities

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience of collection history and no historical loss rates/bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and/or financial performance of the Company.

Loss allowance on debt securities are measured at 12 months expected credit losses as those are determined to have low credit risk at the reporting date. Since there is no loss given default, therefore no credit loss is expected on these securities. Loss allowance on other securities and bank balances is also measured at 12 months expected credit losses. Since these assets are short term in nature, therefore no credit loss is expected on these balances.

## **Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value and subsequently stated at amortised cost. The financial liabilities of the company includes trade and other payables.

### **Derecognition**

- b) Financial liabilities are derecognized at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

The Company follows trade date accounting for purchase and sale of investments. Financial liabilities are not recognized unless one of the parties has performed its part of the contract or the contract is a derivative contract.

### **IAS-12**

During the year, the Institute of Chartered Accountants of Pakistan (ICAP) has withdrawn Technical Release 27 'IAS 12, Income Taxes (Revised 2012)' and issued the 'IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes' (the Guidance). Accordingly, in accordance with the Guidance, the Company has changed its accounting policy to recognise minimum and final taxes as 'Levy' under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which were previously being recognised as 'Income tax'.

The above change has been made in accordance with the requirements of IAS 8, 'Accounting Policies, Change in Accounting Estimates and Errors'. However, no significant impact on the figures of these condensed interim financial statements of the current and prior years.

**8 PROPERTY AND EQUIPMENT**

	Note	March 31, 2024 (Un-Audited)	December 31, 2023 (Audited)
		----- Rupees -----	
Balance as at January 1, 2024		3,203,091	4,125,665
Additions/Deletion during the period / year		-	129,378
Depreciation charged for the period / year		(254,876)	(1,051,952)
		<u>2,948,215</u>	<u>3,203,091</u>

**9 RIGHT-OF-USE ASSETS**

Balance as at January 1	-	2,535,715
Deletion during the period / year	-	(198,198)
Depreciation charged for the period / year	-	(2,337,517)
	-	<u>-</u>

**10 INTANGIBLE ASSETS**

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

**11 NET INVESTMENT IN FINANCE LEASES**

Net investment in finance leases	11.1	34,103,517	238,667,804
Less: Current maturity of net investment in leases		(34,103,517)	(231,619,373)
		<u>-</u>	<u>7,048,431</u>

**11.1 Net investment in finance leases**

	March 31, 2024 (Un-audited)			December 31, 2023 (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	214,870,997	-	214,870,997	221,404,662	12,217,160	209,187,502
Add: Residual value of leased assets	12,848,037	-	12,848,037	144,327,637	5,524,050	138,803,587
Gross investment in leases	227,719,034	-	227,719,034	365,732,299	17,741,210	347,991,089
Less: Unearned lease income	444,533	-	444,533	(1,596,161)	(298,445)	(1,297,716)
Less: Markup held in suspense account	(39,020,034)	-	(39,020,034)	(39,367,563)	(2,182,126)	(37,185,437)
	(38,575,501)	-	(38,575,501)	(40,963,724)	(2,480,571)	(38,483,153)
	<u>189,143,533</u>	-	<u>189,143,533</u>	<u>324,768,575</u>	<u>15,260,639</u>	<u>309,507,936</u>
Less: Provision for potential lease losses	(155,040,016)	-	(155,040,016)	(86,100,771)	(8,212,208)	(77,888,563)
Net investment in finance leases	<u>34,103,517</u>	-	<u>34,103,517</u>	<u>238,667,804</u>	<u>7,048,431</u>	<u>231,619,373</u>

**12 LONG TERM FINANCES AND LOANS - SECURED**

	Note	March 31, 2024 (Un-Audited)	December 31, 2023 (Audited)
		----- Rupees -----	
Considered good		(1,423,036)	1,269,124
Considered doubtful		37,056,534	36,124,892
		35,633,498	37,394,016
Less: Provision		(32,812,534)	(3,911,916)
		<u>2,820,964</u>	<u>33,482,100</u>
Less: Current maturity	17	(2,091,491)	(657,780)
		<u>729,473</u>	<u>32,824,320</u>

**13 LONG TERM LOAN TO EMPLOYEES - SECURED**

Vehicle loan	-	-
Less: Current Maturity	17	-
	-	<u>-</u>

**14 LONG TERM DEPOSITS AND PREPAYMENTS**

Other deposits	<u>713,222</u>	<u>713,222</u>
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## 15 ADVANCES

Considered good - unsecured

Employees	15.1	120,753	185,057
Legal advisors	15.2	2,022,000	2,027,500
SBP deposit		15,000	15,000
Others		42,375	21,375
		<u>2,200,128</u>	<u>2,248,932</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.

## 16 PREPAYMENTS AND OTHER RECEIVABLES

Prepayments		855,842	758,196
Other receivable		-	-
		<u>855,842</u>	<u>758,196</u>

Note

March 31, 2024 (Un-Audited)

December 31, 2023 (Audited)

----- Rupees -----

## 17 CURRENT MATURITY OF NON CURRENT ASSETS

Current maturity of:

Long term finances Leases	12	34,103,517	231,619,373
Long term loans Leases		2,091,491	657,780
Long term loans to employees	13	-	-
		<u>36,195,008</u>	<u>232,277,153</u>

## 18 CASH AND BANK BALANCES

Balances with banks in:

in current accounts		2,204,444	4,695,132
Cash in hand		54,412	54,412
		<u>2,258,856</u>	<u>4,749,544</u>

## 19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	March 31, 2024 (Un-Audited)			December 31, 2023 (Audited)		
	Minimum lease payment	Finance Charges not due yet	Present value	Minimum lease payment	Finance Charges not due yet	Present value
	----- Rupees -----					
Upto one year	156,907	-	156,907	638,447	481,540	156,907
Later than one year but not later than five years	-	-	-	-	-	-
Total minimum lease payments	<u>156,907</u>		<u>156,907</u>	<u>638,447</u>	<u>481,540</u>	<u>156,907</u>

200  
120  
140  
150  
80  
10



**20 SHORT-TERM BORROWING - SECURED**

The facility for short-term running finance available from SME Bank Limited amounting to Rs. 150 million (December 31, 2023: Rs. 150 million). Mark-up is payable at rate of 6 Months Kibor plus 8% (December 31, 2023: 6 months Kibor plus 8%) per annum. The finance are secured by way of hypothecation of the Company's leased assets and related receivables.

		March 31, 2024 (Un-Audited)	December 31, 2023 (Audited)
		----- Rupees -----	
<b>21 CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>	<b>Note</b>		
Long term finance		-	-
Long term deposits	11.1	12,848,037	138,803,587
		<u>12,848,600</u>	<u>138,803,587</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

**22.2 Commitments**

There are no commitments as at March 31, 2024 (December 31, 2023: nil).

	March 31, 2024 (Un-Audited)	MARCH 31, 2023 (Audited)
	----- Rupees -----	
<b>23 OTHER INCOME</b>		
Income from financial assets	-	90,866
Income from non-financial assets	-	-
	<u>-</u>	<u>90,866</u>

**24 ADMINISTRATIVE AND GENERAL EXPENSES**

Salaries, allowances and other benefits	5,920,462	7,119,557
Directors' fee	120,000	220,000
Rent	762,726	23,952
Electricity, gas and water	217,564	174,323
Telephone and postage	186,905	158,003
Repairs and maintenance	79,141	136,821
Books and periodicals	10,755	14,590
Vehicle running	76,750	114,990
Advertising	96,983	-
Travelling, conveyance and entertainment	103,147	187,793
Printing and stationery	34,753	44,322
Auditors' remuneration	207,900	32,850
Depreciation	254,876	891,393
Staff training and development	-	32,500
Legal and professional	839,136	525,564
Insurance	126,697	154,851
Miscellaneous	4,652,811	103,996
	<u>13,690,606</u>	<u>9,935,505</u>

- 24.1 Miscellaneous Expenses includes Rs.4,539,420/= Advance  
Income tax charged to Profit & Loss Account

**25 FINANCE COST**

Mark-up on short term borrowings	14,593,516	6,450,932
Lease finance charges	-	183,218
Bank charges	25,000	25
	<u>14,618,516</u>	<u>6,634,175</u>
	<b>March 31, 2024 (Un-Audited)</b>	<b>MARCH 31, 2023 (Un-Audited)</b>
	----- Rupees -----	

**26 TAXATION**

Minimum tax under Section 113 of the Income Tax Ordinance,	<u>21,855</u>	<u>35,925</u>
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**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.

- 26.2 Up to June 30, 2024, the Company's total tax loss as per income tax returns submitted amounting to Rs. 524.939 million on which deferred tax asset of Rs. 152.232 million has not been recognised in these condensed interim financial statements due to the reasons stated in Note 2. The tax losses comprise of unabsorbed tax depreciation of Rs. 472.662 million and business losses for the year 2022 and 2023 of Rs. 52.277 million. The unabsorbed tax depreciation can be utilized to offset future taxable business income with no time restrictions whereas unadjusted business losses can be carried forward and set-off against the taxable income from business for the six succeeding tax years. However, this may not be possible if the Holding Company or regulator opts for liquidation of the Company due to the Company's distressed financial condition. However, in case of sale of the Company, the Holding Company may realize the substantial portion of its equity investment and loans.

**27 PROFIT/(LOSS) PER SHARE - BASIC AND DILUTED**

	<b>March 31, 2024 (Un-Audited)</b>	<b>MARCH 31, 2023 (Un-Audited)</b>
Profit/(Loss) after taxation attributable to ordinary shareholders	<u>(124,422,458)</u>	<u>(12,670,750)</u>
Weighted average number of ordinary shares outstanding during the period	<u>32,000,000</u>	<u>32,000,000</u>
Basic profit/(loss) per share (Rupees)	(3.89)	(0.40)

- 27.1 No figure for diluted earnings per share has been presented as the Company has no potential ordinary



## 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.

	March 31, 2024 (Un-Audited)	December 31, 2023 (Un-Audited)
	----- Rupees -----	
<b>28.1 BALANCES</b>		
<b>SME Bank Limited (Parent Company)</b>		
Short term borrowings	149,922,699	149,922,699
Accrued Mark-up	46,398,209	31,804,693
	<b>196,320,908</b>	<b>181,727,392</b>
	March 31, 2024 (Un-Audited)	MARCH 31, 2023 (Un-Audited)
	----- Rupees -----	
<b>28.2 TRANSACTIONS</b>		
<b>SME Bank Limited (Parent Company)</b>		
Markup on Short term borrowings	14,593,516	6,450,932
Repayment of Short term borrowings facility-net	-	6,479,132
Rent expense paid for Peshawar branch	-	178,839
<b>Key Management Personnel</b>		
Key management remuneration	1,733,983	2,338,504
Director Fee	120,000	360,000
<b>Staff Provident Fund</b>		
Contribution towards provident fund	153,532	176,676

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

		March 31, 2024 (Un-Audited)	December 31, 2023 (Audited)
	Note	----- Rupees -----	
<b>29 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	18	2,258,856	4,749,544
Short term borrowings	20	(149,922,699)	(149,922,699)
		<u>(147,663,843)</u>	<u>(145,173,155)</u>

### 30 GENERAL

**30.1** 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.

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

### 31 DATE OF AUTHORISATION FOR ISSUE

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR