



**CONDENSED INTERIM FINANCIAL STATEMENTS OF
SME LEASING LIMITED
FOR THE SIX-MONTH PERIOD ENDED
JUNE 30, 2024**

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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, 3rd 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

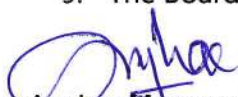
Meezan Bank Limited
SME Bank Limited

Directors' Review Report

1. The Board of directors of SME Leasing Limited are pleased to present the Reviewed Condensed Interim Financial Statements for the six months ended June 30, 2024 along with the Auditors review report. These statements are prepared on the Non-Going Concern basis on the directives of the Board after decision of Ministry of Finance for winding down of SME Bank (holding company) and SME Leasing limited. Concerned authorities were kept informed for the reasons caused delay in preparation and issuance of financial statements under peculiar circumstances.
2. The Company has posted a net loss of Rs. 161.035 million during the six month period ended June 30, 2024, (June 30, 2023: loss of Rs. 27.097 million) due to recording of impairments and other adjustments in compliance of Accounting Standard: Non-Going Concern Basis of Accounting issued by the Institute of Chartered Accountants of Pakistan. (Being earlier application is permitted)/approved by SECP vide SRO no. 69(I)/2024 dated 1 February, 2024. Resultantly, the Company's current liabilities exceeded its current assets by Rs. 223.931 million as compared to Rs. 97.437 million in 31st December, 2023 and accumulated losses jumped to Rs.589.387 million as compared to Rs. 428.532 million in 31st December, 2023. Due to accumulation of nonperforming loans the Company has been incurring losses since the year ended December 31, 2009, which has resulted in the erosion of equity. As at June 30, 2024 the company has negative net worth of Rs. 220.920 million as compared to Rs. 59.885 million as on December 31, 2023, against the minimum prescribed equity requirement of Rs.50 million for non-deposit taking leasing companies.
3. The Company has not been doing any fresh core business activity and stayed focused on recoveries from Non-performing loans (NPLs) through legal process and negotiations to meet administrative cost from own generated resource. During the period under review recoveries of Rs. 15.157 million are made. Subsequent to the period under review and date of signing this report, further recoveries of Rs. 18.083 million have been made. The management is determined to continue efforts for recoveries from non performing portfolio.
4. Earlier, the company was obtained short term finance facility from SME Bank Limited (holding company) ,as on 30th June,2024 loan liability stands at Rs. 208 million as against the total liabilities of 240 million.
5. The SECP vide a letter No. SECP/SCD/ADJ-I/30/2022/241 dated December 30, 2024 issued a show cause notice related to a petition for liquidating the company, based on advice from the Ministry of Finance. During the hearing on April 18, 2025; the SECP representative asked the management to provide a board-approved winding down plan along with the latest Financial Statements. Compliance has been made of the said directives during the last hearing on April 23, 2025. Additionally, the Pakistan Stock Exchange Limited issued a letter (No. PSX/C-1202-213) on January 29, 2025, advising that the company's sponsors and major shareholders must buy back shares by April 28, 2025. If the company fails to do this, the case will be forwarded to SECP to start liquidation proceedings according to the Companies Act of 2017. Management has taken up these matters with concerned

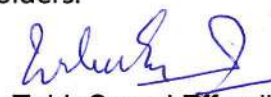
authorities through legal counsel following the guidance provided by the board of directors.

6. Consequent to the Federal Cabinet's decision on March 17, 2023 for winding down of SME Bank Ltd, its winding down process is at advance stage. Islamabad High Court vide its order dated March 17, 2025 has already approved the liquidation of SME Bank Ltd and SBP has been appointed as liquidator of SME Bank. IHC's order regarding liquidation of SME Bank would become effective on May 10, 2025. SBP has also revoked the banking license of SME Bank vide its notification No BPRD (ABLD)/2025/1418 dated March 17, 2025, besides the bank has also been De-scheduled by the SBP, vide its notification No BPRD (ABLD)/2025/1419 dated March 17, 2025 . Due to ongoing winding down / liquidation of SME Bank and its financial constraints, SME Bank being majority shareholder is not in position to buy-back the shares from the minority shareholders.
7. As per direction from Ministry of Finance (MOF) vide its letter No. F.No.3(27)IF-III-2005/564 dated 27 August 2024, SME Leasing is also going to be liquidated, which has also been conveyed to SECP by SME Bank. Process for winding down / liquidation of SME Leasing has already been initiated and Board of SME Bank has approved winding down plan for the SME Leasing in its meeting held on 25th April, 2025 which includes laying off employees with severance packages in addition to their legal and contractual dues, as well as selling off its loan portfolio and properties separately. It also considers the possibility of selling the entire company based on advice from external auditors to take advantage of potential tax assets. The external auditors, in a letter dated April 15, 2025, informed the board that as of June 30, 2024, the company has unabsorbed tax depreciation of Rs. 472 million included in its tax losses. This depreciation can be used to offset future taxable income without time restrictions, potentially enhancing the Company's financial position. However, utilizing this benefit may not be possible if the Holding Company or regulator chooses to liquidate the company due to its financial distress. On the other hand, if the company is sold, these tax benefits can be realized. In view of the possible winding down likely to commence soon, the board considers that at this stage the company carried forward business loss Rs. 472 million would help attract investors to fetch a better price if the option to sell the entity to third party is exercised.
8. Further necessary engagement with regulatory authorities on legal process and regulatory compliance is also being made by the management of SME Leasing Limited. Top of Form Bottom of
9. The Board recognises and appreciates the support of all stakeholders.


Asghar Maqsood

Chief Executive Officer

Dated: 25 April 2025


Tahir Saeed Effendi
Chairman

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE MEMBERS OF SME LEASING LIMITED

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **SME LEASING LIMITED** ("the Company") as at June 30, 2024 and the related condensed interim statement of profit or loss, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with 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 condensed interim financial statements as at and for the six-month period ended June 30, 2024 are not prepared, in all material respects, in accordance with the accounting and reporting standards applicable in Pakistan for interim financial reporting.

Emphasis of matters

We draw attention to the Note 2 to the condensed interim financial statements, which indicates that:

- The Company has incurred a net loss of Rs. 161.035 million during the six-month period ended June 30, 2024, and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 223.931 million and accumulated losses amounting to Rs.589.387 million. The Company has been incurring losses since the year ended December 31, 2009, which has resulted in the erosion of equity. As at June 30, 2024, the equity is negative by Rs. 220.924 million; and
- The license of the Company to operate as leasing company has been revoked by the Securities and Exchange Commission of Pakistan (SECP) due to its non-compliance with minimum paid-up capital requirements. The Company has also been placed in the default segment of Pakistan Stock Exchange resultantly trading of shares of the Company has been suspended. the liquidation of Company may in conjunction with the liquidation of SME Bank-the Holding Company and the process of winding up of SME Bank-the Holding Company has been commenced.



These events or conditions along with other matters as stated in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Resultantly, 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". Our conclusion is not modified in respect of these matters.

The engagement partner on review resulting in this independent auditors' review report is Zulfikar Ali Causer.

KARACHI

DATED: 12 JUN 2025

UDIN: RR202410067Hu75qYlt3

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

SME LEASING LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT JUNE 30, 2024

		June 30, 2024	December 31, 2023
	Note	----- Rupees -----	
ASSETS			
NON - CURRENT ASSETS			
Property and equipment	8	2,693,987	3,203,091
Net investment in finance leases	9	-	7,048,431
Long term finances and loans - secured	10	316,424	32,824,320
		3,786,611	43,789,064
CURRENT ASSETS			
Advances	11	43,501	2,248,932
Prepayments and other receivables	12	550,716	758,424
Current maturity of non current assets	13	12,336,113	232,277,153
Long term deposits and prepayments		776,200	713,222
Advance tax		-	4,517,888
Cash and bank balances	14	2,156,648	4,749,544
		15,863,178	245,265,163
TOTAL ASSETS		18,873,589	288,341,006
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2023: 100,000,000) Ordinary shares of Rs 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital			
32,000,000 (2023: 32,000,000) Ordinary shares of Rs. 10 each		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		(589,386,849)	(428,351,767)
		(220,920,520)	(59,885,438)
NON - CURRENT LIABILITIES			
Long-term deposits			5,524,050
CURRENT LIABILITIES			
Trade and other payables		2,294,321	9,574,433
Taxation-net		4,788,984	218,653
Mark-up accrued on borrowings		58,271,500	31,804,693
Short term borrowings - secured	15	149,922,699	149,922,699
Current maturity of non-current liabilities	16	12,276,037	138,803,587
Current maturity of liabilities against assets subject to finance lease		-	156,907
Defined benefit obligation		10,482,952	9,909,185
Provision for compensated absences		1,757,616	2,312,008
		239,794,109	342,702,165
TOTAL EQUITY AND LIABILITIES		18,873,589	288,341,006
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes from 1 to 28 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 SIX-MONTH PERIOD ENDED JUNE 30, 2024

	Note	June 30, 2024	June 30, 2023
		----- Rupees -----	
REVENUE			
Finance leases		2,286,849	3,790,150
Finance and loans		1,908,603	1,980,684
Other income	18	2,990	897,107
		4,198,442	6,667,941
EXPENSES			
Administrative and general expenses	19	22,880,346	19,817,045
Finance cost	20	26,547,334	15,729,518
		49,427,680	35,546,563
Operating loss before reversal		(45,229,238)	(28,878,622)
Potential lease (losses) / reversal		(84,408,588)	1,263,044
Credit (losses) / reversal on loans and receivables		(31,344,813)	595,510
Loss before levy and income tax		(160,982,639)	(27,020,068)
Levy / minimum tax differential	21	52,443	77,064
Loss before taxation		(161,035,082)	(27,097,132)
Taxation	22	-	-
Net loss for the period		(161,035,082)	(27,097,132)
Loss per share - basic and diluted	23	(5.03)	(0.85)

The annexed notes from 1 to 28 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 SIX-MONTH PERIOD ENDED JUNE 30, 2024

	June 30, 2024	June 30, 2023
	----- Rupees -----	
Loss for the period	(161,035,082)	(27,097,132)
Other comprehensive income	-	-
Total comprehensive loss for the period	<u>(161,035,082)</u>	<u>(27,097,132)</u>

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE OFFICERCHIEF


CHIEF FINANCIAL OFFICER


DIRECTOR

SME LEASING LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

	Issued, subscribed and paid-up capital	Share premium	Capital reserves	Statutory reserve	Revenue reserves	Reserve against future losses	Accumulated losses	Total share equity
Balance at January 01, 2023 - Audited	320,000,000	10,000,000		28,019,277		10,447,052	(360,613,560)	7,88
Loss for the period	-	-	-	-	-	-	(27,097,132)	(27,09
Balance at June 30, 2023 - Un-Audited	320,000,000	10,000,000		28,019,277		10,447,052	(387,710,692)	(19,24
Balance at January 01, 2024 - Audited	320,000,000	10,000,000		28,019,277		10,447,052	(428,351,767)	(59,88
Loss for the period	-	-	-	-	-	-	(161,035,082)	(161,03
Balance at June 30 2024 - Un-Audited	320,000,000	10,000,000		28,019,277		10,447,052	(589,386,849)	(220,92

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER

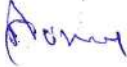

DIRECTOR

SME LEASING LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

	June 30, 2024	June 30, 2023
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(161,035,082)	(27,097,132)
Adjustment for:		
Depreciation and amortization	509,104	1,808,705
Provision for gratuity	10,482,952	158,051
Levy / minimum tax differential	52,443	77,064
Provision for compensated absences	36,143	(557,751)
Finance cost	26,492,127	15,401,930
Interest income	(2,990)	(564,106)
Finance charge on right of use of assets	55,207	327,588
Gain on disposal of property and equipment	-	(333,001)
Potential lease losses / (reversal)	84,408,588	(1,263,044)
Credit losses / (reversal) on loans and receivables	31,344,813	(595,510)
Net cash (used in) operations before working capital changes	(7,656,695)	(12,637,206)
(Increase) / decrease in current assets:		
Net investment in finance leases	143,009,241	14,933,815
Long term finances and loans - secured	734,725	2,974,595
Long term loans to employees	-	119,821
Prepayments and other receivables	207,480	(127,934)
Long term deposits and prepayments	(62,978)	392,344
Advances	2,205,431	180,026
Increase / (decrease) in current liabilities:		
Long term deposits	(132,051,600)	(1,751,074)
Trade and other payables	(2,709,279)	1,287,136
Net Cash generated from operations	3,676,325	5,371,523
Financial charges paid	(80,527)	(8,936,565)
Interest income received	2,990	897,107
Gratuity paid	(573,767)	(928,800)
Compensated expenses paid	(602,716)	(823,150)
Taxes paid	(4,701,387)	(997)
Net cash (used in) operating activities	(2,279,082)	(4,420,882)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	-	(164,500)
Proceeds from disposal of property and equipment	-	12,813
Net cash (used in) investing activities		(151,687)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rentals paid	(156,907)	(2,257,633)
Current maturity of liabilities against assets subject to finance lease	(156,907)	-
Net cash (used in) financing activities	(313,814)	(2,257,633)
Net decrease in cash and cash equivalents	(2,592,896)	(6,830,202)
Cash and cash equivalents at beginning of the period	(145,173,154)	(138,342,952)
Cash and cash equivalents at end of the period	(147,766,050)	(145,173,154)

The annexed notes from 1 to 28 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 SIX-MONTH PERIOD ENDED JUNE 30, 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"

The Company has incurred a net loss of Rs. 161.035 million during the six month period ended June 30, 2024, (June 30, 2023: loss of Rs. 27.097 million) and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 223.931 million (December 31, 2023: Rs.97.437 million) and accumulated losses amounting to Rs.589.387 million (December 31, 2023: Rs.428.352 million). The Company has been incurring losses since the year ended December 31, 2009, which has resulted in the erosion of equity. As at June 30, 2024 the equity is negative by Rs. 220.920 million (December 31, 2023: 59.885 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 June 30, 2024, the Company has running finance facility amounting to Rs.150 million granted by the Bank and accrued mark-up thereon of Rs. 42.86 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 (1) 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 amount	Adjustment	Realisable value
Property and equipment	2,693,987	-	2,693,987
Net investment in finance	7,048,431	7,048,431	-
Long term finances and loans - secured	32,824,320	32,507,896	316,424
Long term deposits and prepayments	776,200	-	776,200
Advances	2,248,932	2,205,431	43,501
Prepayments and other receivables	550,716	-	550,716
Current maturity of non current assets	232,277,153	219,941,040	12,336,113
Advance tax	4,517,888	4,517,888	-
Cash and bank balances	2,156,648	-	2,156,648
LIABILITIES			
Long-term deposits	5,524,050	5,524,050	-
Trade and other payables	2,294,321	-	2,294,321
Mark-up accrued on borrowings	58,271,500	-	58,271,500
Short term borrowings - secured	149,922,699	-	149,922,699
Current maturity of non-current liabilities	138,803,587	126,527,550	12,276,037
Current maturity of liabilities against assets subject to finance lease	156,907	156,907	-
Defined benefit obligation	10,482,952	-	10,482,952
Provision for compensated	1,757,616	-	1,757,616

June 30, 2024 December 31,
2023
-----Rupees-----

3 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES

Net lease disbursements	3.1	-	2,170,000
Recoveries	3.2	15,156,984	45,606,392

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.4.881 million (December 31, 2023 Rs.28.997 million) and regular parties amounting to Rs.10.276 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 six-month period ended June 30, 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 June 30, 2024

The following standards, amendments and interpretations are effective for the six-month period ended June 30, 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.

	Effective date (annual periods beginning on or after)
Amendments to IAS 1 'Presentation of financial statements' and IFRS	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
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	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

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

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.

		June 30, 2024 (Un-Audited)	December 31, 2023 (Audited)
	Note	----- Rupees -----	
8	PROPERTY AND EQUIPMENT		
Balance as at January 1		3,203,091	4,125,665
Additions/Deletion during the period / year		-	129,378
Depreciation charged for the period / year		(509,104)	(1,051,952)
		<u>2,693,987</u>	<u>3,203,091</u>
9	NET INVESTMENT IN FINANCE		
Net investment in finance leases	9.1	11,249,975	238,667,804
Less: Current maturity of net investment in leases		(11,249,975)	(231,619,373)
		<u>-</u>	<u>7,048,431</u>

9.1 Net investment in finance leases

		June 30, 2024 (Un-audited)			December 31, 2023 (Audited)		
	Note	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		208,309,115	-	208,309,115	221,404,662	12,217,160	209,187,502
Add: Residual value of leased assets		12,276,037	-	12,276,037	144,327,637	5,524,050	138,803,587
Gross investment in leases		220,585,152	-	220,585,152	365,732,299	17,741,210	347,991,089
Less: unearned lease income		(738,536)	-	(738,536)	(1,596,161)	(298,445)	(1,297,716)
Less: markup held in suspense account		(38,087,282)	-	(38,087,282)	(39,367,563)	(2,182,126)	(37,185,437)
		(38,825,818)	-	(38,825,818)	(40,963,724)	(2,480,571)	(38,483,153)
		181,759,334	-	181,759,334	324,768,575	15,260,639	309,507,936
Less: Provision for potential lease losses	9.1.1	(170,509,359)	-	(170,509,359)	(86,100,771)	(8,212,208)	(77,888,563)
Net investment in finance leases	9.1.2	<u>11,249,975</u>	<u>-</u>	<u>11,249,975</u>	<u>238,667,804</u>	<u>7,048,431</u>	<u>231,619,373</u>

- 9.1.1 Lease agreements which aggregated outstanding receivable balance amounting to Rs. 238 million had been matured / overdue and considered defaulted as no repayment have been received thereagainst. The Company has filed legal suits against these lease agreement in respective jurisdictions. Accordingly, security deposits received against respective lease agreement has been adjusted which aggregated amount is Rs. 132.051 million and remaining aggregate amounts of Rs. 84.409 million has been provided as potential lease losses.

- 9.1.2 These represent receivables on account of active lease agreements only. Payments are being received in timely basis.

		June 30, 2024	December 31, 2023
		(Un-Audited)	(Audited)
		----- Rupees -----	
10	LONG TERM FINANCES AND LOANS - SECURED		
	Considered good	330,813	1,269,124
	Considered doubtful	36,328,478	36,124,892
		36,659,291	37,394,016
	Less: provision	(35,256,729)	(3,911,916)
		1,402,562	33,482,100
	Less: current maturity	(1,086,138)	(657,780)
		<u>316,424</u>	<u>32,824,320</u>
11	ADVANCES		
	Considered good - unsecured		
	Employees	11.1 28,501	185,057
	Legal advisors	-	2,027,500
	SBP deposit	15,000	15,000
	Others	-	21,375
		<u>43,501</u>	<u>2,248,932</u>
11.1	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.		
12	PREPAYMENTS AND OTHER RECEIVABLES		
	Prepayments	550,716	758,196
	Other receivable	-	228
		<u>550,716</u>	<u>758,424</u>
13	CURRENT MATURITY OF NON CURRENT ASSETS		
	Current maturity of:		
	Net investment in finance leases	9 11,249,975	231,619,373
	Long term finances and loans	10 1,086,138	657,780
		<u>12,336,113</u>	<u>232,277,153</u>
14	CASH AND BANK BALANCES		
	Cash in hand	54,412	54,412
	Balances with banks in current accounts	2,102,236	4,695,132
		<u>2,156,648</u>	<u>4,749,544</u>

		June 30, 2024 (Un-Audited)	December 31, 2023 (Audited)
	Note	----- Rupees -----	
15	SHORT-TERM BORROWING - SECURED	<u>149,922,699</u>	<u>149,922,699</u>

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 month Kibor Plus 8% (December 31, 2023: 6 month Kibor Plus 8%) per annum. The finance are secured by way of hypothecation of the Company's leased assets and related receivables.

16 **CURRENT MATURITY OF NON-CURRENT**

Long term deposits	9	<u>12,276,037</u>	<u>138,803,587</u>
--------------------	---	-------------------	--------------------

17 **CONTINGENCIES AND COMMITMENTS**

17.1 **Contingencies**

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

17.2 **Commitments**

There are no commitments as at June 30, 2024 (December 31, 2023: nil).

		June 30, 2024 ----- Rupees -----	June 30, 2023
18	OTHER INCOME		
	Income from financial assets	2,990	564,106
	Income from non-financial assets	-	333,001
		<u>2,990</u>	<u>897,107</u>
19	ADMINISTRATIVE AND GENERAL EXPENSES		

Salaries, allowances and other benefits	11,640,632	13,038,319
Directors' fee	444,000	220,000
Rent	1,444,989	67,601
Electricity, gas and water	433,319	599,086
Telephone and postage	280,972	384,579

	June 30, 2024	June 30, 2023
	----- Rupees -----	
Repairs and maintenance	203,648	343,675
Books and periodicals	16,755	29,215
Vehicle running	128,610	211,400
Advertising	96,983	-
Travelling, conveyance and entertainment	299,305	358,706
Printing and stationery	92,610	118,536
Auditors' remuneration	243,000	442,250
Depreciation	509,104	1,808,705
Legal and professional	1,855,283	1,546,213
Insurance	421,076	309,702
Miscellaneous	252,172	320,558
Advance tax written off	4,517,888	-
Brokerage expense	-	18,500
	<u>22,880,346</u>	<u>19,817,045</u>

20 FINANCE COST

Mark-up on short term borrowings	26,466,807	15,401,425
Financial charges - Lease Liability	55,207	327,588
Bank charges	25,320	505
	<u>26,547,334</u>	<u>15,729,518</u>

	June 30, 2024 (Un-Audited)	June 30, 2023 (Un-Audited)
Note	----- Rupees -----	

21 LEVY / MINIMUM AND FINAL TAXES

Levy / minimum tax	52,443	77,064
Final tax	-	-
	<u>52,443</u>	<u>77,064</u>

- 21.1 This represents portion of levy/ minimum and final taxes paid under section 4B, 153 and section 150 of the Income Tax Ordinance, 2001, representing levy / minimum and final taxes in terms of requirements of IFRIC 21 / IAS 37.

22 Taxation

Current	-	-
Prior	-	-
Deferred	22.1 -	-
	22.2 -	-

June 30, 2024	June 30, 2023
(Un-Audited)	(Un-Audited)
----- Rupees -----	

24.1 TRANSACTIONS

SME Bank Limited (Parent Company)

Markup on Short term borrowings	26,466,807	35,255,625
Repayment of Short term borrowings facility-net	-	8,930,543
Rent expense paid for Peshawar branch	-	357,678

Key Management Personnel

Key management remuneration	3,493,965	4,230,261
Director's fee	444,000	360,000

Staff Provident Fund

Contribution towards provident fund	295,405	515,887
-------------------------------------	---------	---------

24.2 BALANCES

SME Bank Limited (Parent Company)

Short term borrowings	149,922,699	149,922,699
Accrued markup	58,271,500	31,804,693

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks. These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the 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. There have been no change in any risk management policies since the year end.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

There were no transfers amongst levels during the period.

	June 30, 2024	December 31,
	(Un-Audited)	2023
	(Un-Audited)	(Audited)
Note	----- Rupees -----	

27 CASH AND CASH EQUIVALENTS

Cash and bank balances	14	2,156,648	4,749,544
Short term borrowings	15	(149,922,699)	(149,922,699)
		<u>(147,766,050)</u>	<u>(145,173,155)</u>

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 11 APR 2025 by the Board of Directors of the Company.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR