

**SME LEASING LIMITED**

**Q UARTERLY REPORT SEPTEMBER 30, 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

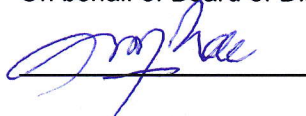
**BANKS AND LENDING INSTITUTIONS**

Meezan Bank Limited  
SME Bank Limited

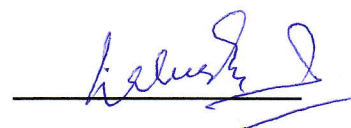
## **Directors' Review Report**

1. The Board of Directors of SME Leasing Limited (the Company) is pleased to present the un-audited Condensed Interim Financial Statements for the quarter ended September 30, 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.
2. During the period ended Sept 30, 2024, the Company has reported a loss of Rs 174.899 million due to provision of non-performing loans amounting to Rs.112.561 (Sept 30, 2023: loss of Rs. 41.260 million) which has resulted in increase of accumulated losses to Rs.603.244 million (December 31, 2023: Rs. 428.352 million) as on Sept 30, 2024. Further, the net equity of the Company amounts to Rs (234.777) million (December 31, 2023: Rs. (59.885) million). The Company has negative cash and cash equivalent of Rs.148.294 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. 227.983 million (December 31, 2023: Rs. 88.241 million).
3. The Company remained aggressively focused on Recoveries from problematic/NPL portfolio. During the period under review, no fresh business was written while total recoveries from the portfolio aggregated Rupees 30.83 million, out of which major amount were from the non-performing portfolio. The Company continued the strategy for early settlements of the non-performing portfolio through legal processes and negotiations. Provisions for a non-performing portfolio recorded losses of Rupees 112.561 million. Revenues on the other hand recorded a decrease of Rupees 3.830 million when compared with the corresponding period last year. The financial charges increased during the period to Rs. 36.394 due to increase in Kibor rate where as administrative charges increased due to recording of impairment against advance tax.
4. The negative net-equity of the Company increased from 59.885 million in September 2023 to Rs 234.777 million as of September 30, 2024. The minimum prescribed Equity requirement is Rs. 50 million for non-deposit taking leasing companies. The Company is not meeting with the minimum equity requirement, therefore, the Company's license has been cancelled by Securities & Exchange Commission of Pakistan.
5. The winding down process of SME Bank along with its subsidiary SME Leasing is in advance stage and we shall keep our shareholders informed of development, in this regard.
6. The Board recognizes and really appreciates the support of its shareholders.

On behalf of Board of Directors



Asghar Maqsood  
Chief Executive Officer  
Dated: 25 April 2025



Tahir Saeed Effendi  
Chairman

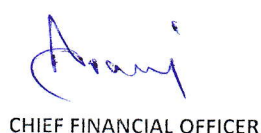


**SME LEASING LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

		SEPTEMBER 30, 2024 (Un-Audited)	DECEMBER 31, 2023 (Audited)
	Note	----- Rupees -----	
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property and equipment	8	2,438,322	3,203,091
Net investment in finance leases	9	-	7,048,431
Long term finances and loans - secured	10	270,577	32,824,320
Long term deposits and prepayments	11	776,200	713,222
		3,485,099	43,789,064
<b>CURRENT ASSETS</b>			
Advances	12	35,962	2,248,932
Prepayments and other receivables	13	618,877	758,196
Current maturity of non current assets	14	8,007,445	232,277,153
Advances Tax		-	4,517,888
Cash and bank balances	15	1,628,308	4,749,544
		10,290,592	244,551,713
<b>TOTAL ASSETS</b>		<b>13,775,691</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		(603,243,618)	(428,351,767)
		(592,796,566)	(417,904,715)
		(234,777,289)	(59,885,438)
<b>NON - CURRENT LIABILITIES</b>			
Long-term deposits	9.1	-	5,524,050
Defined benefit obligation		10,279,722	9,909,185
		10,279,722	15,433,235
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,308,322	5,056,545
Mark-up accrued on borrowings		68,198,600	31,804,693
Short term borrowings - secured	17	149,922,699	149,922,699
Current maturity of non-current liabilities	18	12,276,037	138,803,587
Current maturity of liabilities against assets subject to finance lease	16	-	156,907
Provision for compensated absences		1,757,616	2,312,008
Taxation - net		4,809,984	4,736,541
		238,273,258	332,792,980
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>13,775,691</b>	<b>288,340,778</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	19		

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 PERIOD ENDED SEPTEMBER 30, 2024

	Note	SEPTEMBER 30, 2024 (Un-Audited)	SEPTEMBER 30, 2023 (Un-Audited)
		----- Rupees -----	
<b>REVENUE</b>			
Finance leases		2,673,730	5,160,487
Finance and loans		3,201,734	3,604,018
Other income	20	-	940,694
		<u>5,875,464</u>	<u>9,705,199</u>
<b>EXPENSES</b>			
Administrative and general expenses	21	31,646,900	27,940,768
Finance cost	22	<u>36,486,384</u>	<u>25,822,436</u>
		68,133,283	53,763,204
<b>Operating loss before reversal</b>		<u>(62,257,819)</u>	<u>(44,058,005)</u>
Potential Finance lease losses (Provision)/ written back		(83,075,434)	1,927,891
Potential Loans lease losses (Provision)/ written back		<u>(29,485,155)</u>	<u>962,332</u>
		(112,560,589)	2,890,223
<b>Prior Year Adjustment</b>		-	-
<b>Profit/(Loss) for the period before taxation</b>		<u>(174,818,408)</u>	<u>(41,167,782)</u>
Taxation	23	73,443	92,353
<b>Net Profit/(loss) for the period</b>		<u>(174,891,851)</u>	<u>(41,260,135)</u>
<b>Profit /(Loss) per share - basic and diluted</b>	24	(5.47)	(1.29)

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 PERIOD ENDED SEPTEMBER 30, 2024

	SEPTEMBER 30, 2024 (Un-Audited)	SEPTEMBER 30, 2023 (Un-Audited)
	----- Rupees -----	
Profit/(Loss) after taxation for the period	(174,891,851)	(41,260,135)
Other comprehensive income	-	-
Total comprehensive profit/(loss) for the period	<u>(174,891,851)</u>	<u>(41,260,135)</u>

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 CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves		Total shareholder equity
		Share premium	Statutory reserve	Reserve against future losses	Unappropriated profit	
----- Rupees -----						
Balance at January 01, 2023 - Audited	320,000,000	10,000,000	28,019,277	10,447,052	(360,613,560)	7,852,769
Total Comprehensive loss for the year ended December 31, 2023						
Profit/(Loss) after taxation	-	-	-	-	(69,349,604)	(69,349,604)
Actuarial gain on defined benefit obligation	-	-	-	-	1,611,397	1,611,397
Balance at December 31 2023 -Audited	320,000,000	10,000,000	28,019,277	10,447,052	(428,351,767)	(59,885,438)
Balance at January 1, 2024 - Un-Audited	320,000,000	10,000,000	28,019,277	10,447,052	(428,351,767)	(59,885,438)
Total Comprehensive loss for the period ended Sept 30, 2024						
Profit/(Loss) after taxation	-	-	-	-	(174,891,851)	(174,891,851)
Balance at Sept 30 2024 - Un-Audited	320,000,000	10,000,000	28,019,277	10,447,052	(603,243,618)	(234,777,289)

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  
FOR THE PERIOD ENDED SEPTEMBER 30, 2024

		SEPTEMBER 30, 2024 (Un-Audited)	SEPTEMBER 30, 2023 (Un-Audited)
		-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>		
(Loss) / Profit before taxation		(174,818,408)	(41,167,782)
Adjustment for:			
Depreciation and amortization	21	764,769	2,598,518
Provision of gratuity		573,767	294,351
Provision for compensated absences		36,143	(362,392)
Finance cost	22	36,393,907	25,389,930
Interest income	20	-	(567,910)
Finance charge on right of use of assets	22	55,207	432,506
Gain on disposal of property and equipment		-	(372,784)
Potential Finance lease losses (Provision)/ written back		83,075,434	(1,927,891)
Potential Loans lease losses (Provision)/ written back		29,485,155	-
Credit losses on Loans and Receivable reversal		-	(962,332)
		150,384,382	24,521,995
<b>Operating loss before working capital changes</b>		<b>(24,434,026)</b>	<b>(16,645,787)</b>
<b>(Increase)/Decrease in current assets:</b>			
Net investment in finance leases	9	148,531,098	21,625,370
Long term finances and loans - secured	10	2,780,195	3,452,746
Long Term Loans to Employee		173,245	343,886
Prepayments and other receivables	13	139,319	(639,958)
Long term deposits and prepayments	11	(62,978)	392,344
Advances	12	2,039,725	279,276
		153,600,604	25,453,664
<b>Increase/(Decrease) in operating liabilities:</b>			
Long term deposits		(132,051,600)	(2,628,854)
Trade and other payables		(3,748,223)	(1,873,183)
<b>Cash generated from operations</b>		<b>(6,633,245)</b>	<b>4,305,840</b>
Financial charges paid		-	(8,991,443)
Interest income received		-	940,694
Gratuity paid		(203,230)	(928,800)
Benefits paid		(646,012)	(959,214)
		-	-
Taxes paid		4,518,158	(210,271)
		3,668,916	(10,149,034)
<b>Net cash flows generated from / (used in) operating activities</b>		<b>(2,964,329)</b>	<b>(5,843,194)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	8	-	(129,684)
Proceeds from disposal of property and equipment		-	-
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(129,684)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease rentals paid		(156,907)	(3,177,087)
<b>Net cash used in financing activities</b>		<b>(156,907)</b>	<b>(3,177,087)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,121,236)</b>	<b>(9,149,965)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>(145,173,155)</b>	<b>(138,342,952)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>26</b>	<b>(148,294,391)</b>	<b>(147,492,917)</b>

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  
FOR THE PERIOD ENDED SEPTEMBER 30, 2024

		SEPTEMBER 30, 2024 (Un-Audited)	SEPTEMBER 30, 2023 (Un-Audited)
		-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>		
(Loss) / Profit before taxation		(174,818,408)	(41,167,782)
Adjustment for:			
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<b>Increase/(Decrease) in operating liabilities:</b>			
Long term deposits		(132,051,600)	(2,628,854)
Trade and other payables		(3,748,223)	(1,873,183)
<b>Cash generated from operations</b>		<b>(6,633,245)</b>	<b>4,305,840</b>
Financial charges paid		-	(8,991,443)
Interest income received		-	940,694
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Benefits paid		(646,012)	(959,214)
Taxes paid		4,518,158	(210,271)
		3,668,916	(10,149,034)
<b>Net cash flows generated from / (used in) operating activities</b>		<b>(2,964,329)</b>	<b>(5,843,194)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	8	-	(129,684)
Proceeds from disposal of property and equipment		-	-
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<b>Cash and cash equivalents at beginning of the period</b>		<b>(145,173,155)</b>	<b>(138,342,952)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>26</b>	<b>(148,294,391)</b>	<b>(147,492,917)</b>

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 PERIOD ENDED SEPTEMBER 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**

During the period ended Sept 30, 2024, the Company has reported a loss of Rs 174.89 million (Sept 30, 2023: loss of Rs. 41.260 million) which has increase accumulated losses to Rs.603.2 million (December 31, 2023: Rs. 428.352 million) as on Sept 30, 2024. Further, the net equity of the Company amounts to Rs (234.777) million (December 31, 2023: Rs. (59.885) million). The Company has negative cash and cash equivalent of Rs.148.294 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. 227.98 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 Sept 30, 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	2,438,322	-	2,438,322
Net investment in finance	7,048,431	7,048,431	-
Long term finances and loans	32,824,320	32,553,743	270,577
Long term deposits and Advances	776,200	-	776,200
Prepayments and other	2,248,932	2,212,970	35,962
Current maturity of non	618,877	-	618,877
Advance tax	#####	224,269,708	8,007,445
Cash and bank balances	4,517,888	4,517,888	-
	1,628,308	-	1,628,308
<b>LIABILITIES</b>			
Long-term deposits	5,524,050	5,524,050	-
Trade and other payables	1,308,322	-	1,308,322
Mark-up accrued on borrowings	68,198,600	-	68,198,600
Short term borrowings - secured	#####	-	149,922,699
Current maturity of non-current liabilities	#####	126,527,550	12,276,037
Current maturity of liabilities against assets	156,907	156,907	-
Defined benefit obligation	9,909,185	(370,537)	10,279,722
Provision for compensated absences	1,757,616	-	1,757,616

**3 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES**

		SEPTEMBER 30, 2024 (Un-Audited)	31, 2023 (Audited)
		----- Rupees -----	
Net lease disbursements	3.1		2,170,000
Recoveries	3.2	24,677,732	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.13.090million (December 31, 2023 Rs.28.997 million) and regular parties amounting to Rs.17.740 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.

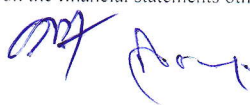
#### **5 MATERIAL ACCOUNTING POLICIES INFORMATION**

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 Sept 30, 2024**

The following standards, amendments and interpretations are effective for the nine-month period ended Sept 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
Amendments to IAS 1 'Presentation of financial statements' and IFRS Practice	January 01,
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 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

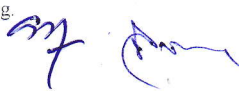
The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- 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.

	Note	SEPTEMBER 30, 2024 (Un-Audited)	DECEMBER 31, 2023 (Audited)
		----- 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		(764,769)	(1,051,952)
		<u>2,438,322</u>	<u>3,203,091</u>





9 NET INVESTMENT IN FINANCE LEASES

Net investment in finance leases	9.1	7,061,272	238,667,804
Less: Current maturity of net investment in leases		(7,061,272)	(231,619,373)
		<u>-</u>	<u>7,048,431</u>

9.1 Net investment in finance leases

	Sept 30, 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	201,107,244	-	201,107,244	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	213,383,281	-	213,383,281	365,732,299	17,741,210	347,991,089
Less: Unearned lease income	(60,975)	-	(60,975)	(1,596,161)	(298,445)	(1,297,716)
Less: Markup held in suspense account	(37,084,829)	-	(37,084,829)	(39,367,563)	(2,182,126)	(37,185,437)
	(37,145,804)	-	(37,145,804)	(40,963,724)	(2,480,571)	(38,483,153)
Less: Provision for potential lease losses	176,237,477	-	176,237,477	324,768,575	15,260,639	309,507,936
	(169,176,205)	-	(169,176,205)	(86,100,771)	(8,212,208)	(77,888,563)
Net investment in finance leases	<u>7,061,272</u>	<u>-</u>	<u>7,061,272</u>	<u>238,667,804</u>	<u>7,048,431</u>	<u>231,619,373</u>

10 LONG TERM FINANCES AND LOANS - SECURED

	Note	SEPTEMBER 30, 2024 (Un-Audited)	DECEMBER 31, 2023 (Audited)
----- Rupees -----			
Considered good		1,216,750	1,269,124
Considered doubtful		33,397,071	36,124,892
		34,613,821	37,394,016
Less: Provision		(33,397,071)	(3,911,916)
		1,216,750	33,482,100
Less: Current maturity	14	(946,173)	(657,780)
		<u>270,577</u>	<u>32,824,320</u>

11 LONG TERM DEPOSITS AND PREPAYMENTS

Other deposits		<u>776,200</u>	<u>713,222</u>
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## 12 ADVANCES

Considered good - unsecured

Employees	12.1	11,812	185,057
Legal advisors	12.2	-	2,027,500
SBP deposit		15,000	15,000
Others		9,150	21,375
		<u>35,962</u>	<u>2,248,932</u>

12.1 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.

12.2 This represents advance payments made to the legal advisors of the Company for handling cases on behalf of the Company.

## 13 PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	618,877	758,196
Other receivable	-	228
	<u>618,877</u>	<u>758,424</u>

Note  
SEPTEMBER 30, 2024 (Un-Audited)  
DECEMBER 31, 2023 (Audited)  
----- Rupees -----

## 14 CURRENT MATURITY OF NON CURRENT ASSETS

Current maturity of:

Net investment in finance	8	7,061,272	231,619,373
Long term finances and loans	10	946,173	657,780
		<u>8,007,445</u>	<u>232,277,153</u>

Note  
SEPTEMBER 30, 2024 (Un-Audited)  
DECEMBER 31, 2023 (Audited)  
----- Rupees -----

## 15 CASH AND BANK BALANCES

Balances with banks in:

in current accounts	1,573,896	4,695,132
Cash in hand	54,412	54,412
	<u>1,628,308</u>	<u>4,749,544</u>

## 16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Sept 30, 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	55,207	55,207	-	638,440	481,533	156,907
Later than one year but not later than five years	-	-	-	-	-	-
Total minimum lease payments	<u>55,207</u>	<u>-</u>	<u>-</u>	<u>638,440</u>	<u>481,533</u>	<u>156,907</u>

<b>17</b>	<b>SHORT-TERM BORROWING - SECURED</b>	149,922,699	149,922,699
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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, 2022: from 6 months kibar plus 8%) per annum. The finance are secured by way of hypothecation of the Company's leased assets and related receivables.

		SEPTEMBER 30, 2024 (Un-Audited)	DECEMBER 31, 2023 (Audited)
<b>18</b>	<b>CURRENT MATURITY OF NON-CURRENT LIABIL</b>		
		----- Rupees -----	
	Long term finance	-	-
	Long term deposits	12,276,037	138,803,587
		<u>12,276,037</u>	<u>138,803,587</u>

**19 CONTINGENCIES AND COMMITMENTS**

**19.1 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

**19.2 Commitments**

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

		SEPTEMBER 30, 2024 (Un-Audited)	SEPTEMBER 30, 2023 (Un-Audited)
<b>20</b>	<b>OTHER INCOME</b>		
		----- Rupees -----	
	Income from financial assets	-	567,910
	Income from non-financial assets	-	372,784
		<u>-</u>	<u>940,694</u>

**21 ADMINISTRATIVE AND GENERAL EXPENSES**

Salaries, allowances and other benefits	17,554,775	17,943,310
Directors' fee	519,000	220,000
Rent	1,819,707	167,150
Electricity, gas and water	845,865	1,008,380
Telephone and postage	512,237	605,875
Repairs and maintenance	313,169	469,958
Books and periodicals	21,535	37,295
Vehicle running	194,200	274,275
Advertising	208,885	-
Travelling, conveyance and entertainment	470,838	438,156
Printing and stationery	267,710	177,051
Auditors' remuneration	156,860	442,250
Depreciation	764,769	2,598,518
Staff training and development	-	-
Legal and professional	2,488,144	2,410,102
Insurance	628,037	673,383
Miscellaneous	4,881,169	456,565
Brokerage Expense	-	18,500
	<u>31,646,900</u>	<u>27,940,768</u>

21.1 Miscellaneous Expenses includes Rs. 4,565,952/= Advance Income Tax charged to Profit & Loss Account

**22 FINANCE COST**

Mark-up on short term borrowings	36,393,907	25,328,525
Lease finance charges	55,207	432,506
Bank charges	37,270	61,405
	<u>36,486,384</u>	<u>25,822,436</u>

SEPTEMBER 30, 2024 (Un-Audited)	SEPTEMBER 30, 2023 (Un-Audited)
---------------------------------------	---------------------------------------

**23 TAXATION**

----- Rupees -----

Minimum tax under Section 113 of the Income	<u>73,443</u>	<u>92,353</u>
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**23.1 Current tax liability**

Provision for the current year income tax has been made under the provisions of minimum tax under

23.2 Up to Sept. 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.

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

	SEPTEMBER 30, 2024 (Un-Audited)	SEPTEMBER 30, 2023 (Un-Audited)
Profit/(Loss) after taxation attributable to	(174,891,851)	(41,260,135)
Weighted average number of ordinary shares outstanding during the period	32,000,000	32,000,000
Basic profit/(loss) per share (Rupees)	(5.47)	(1.29)

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

**25 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

	SEPTEMBER 30, 2024 (Un-Audited)	December 31, 2023 (Audited)
	----- Rupees -----	
<b>25.1 BALANCES</b>		
<b>SME Bank Limited (Parent Company)</b>		
Short term borrowings	149,922,699	149,922,699
Accrue markup	68,198,600	31,804,693
	218,121,299	181,727,392
	SEPTEMBER 30, 2024 (Un-Audited)	SEPTEMBER 30, 2023 (Un-Audited)
	----- Rupees -----	
<b>25.2 TRANSACTIONS</b>		
<b>SME Bank Limited (Parent Company)</b>		
Markup on Short term borrowings	36,393,907	25,328,525
Repayment of Short term borrowings facility-net	-	899,144
Rent expense paid for Peshawar branch	-	357,678
<b>Key Management Personnel</b>		
Key management remuneration	4,647,462	5,183,471
Director Fee	519,000	360,000
<b>Staff Provident Fund</b>		
Contribution towards provident fund	430,159	502,159

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

	Note	SEPTEMBER 30, 2024 (Un-Audited)	December 31, 2023 (Audited)
		----- Rupees -----	
26 CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	1,628,308	4,749,544
Short term borrowings	17	(149,922,699)	(149,922,699)
		<u>(148,294,391)</u>	<u>(145,173,155)</u>

27 GENERAL

27.1 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

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

28 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