

**SME LEASING LIMITED**  
**FIRST QUARTERLY REPORT**  
**31 MARCH 2023**

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Javed Mehmood, Chairman  
Tahir Saeed Effendi  
Muhammad Mubeen Mufti  
Darakhshan S. Vohra  
Asghar Maqsood

### **CHIEF EXECUTIVE OFFICER**

Asghar Maqsood

### **AUDIT COMMITTEE**

Tahir Saeed Effendi, Chairman  
Muhammad Mubeen Mufti

### **RISK MANAGEMENT COMMITTEE**

Javed Mehmood, Chairman  
Muhammad Mubeen Mufti

### **HUMAN RESOURCE COMMITTEE**

Tahir Saeed Effendi, Chairman  
Muhammad Mubeen Mufti  
Asghar Maqsood

### **PROCUREMENT COMMITTEE**

Tahir Saeed Effendi, Chairman

### **NOMINATION COMMITTEE**

Tahir Saeed Effendi, Chairman  
Muhammad Mubeen Mufti

### **COMPANY SECRETARY & CFO**

Uzma Ehsan

**EXTERNAL AUDITORS**

BDO Ebrahim & Co,  
Chartered Accountants

**HEAD INTERNAL AUDIT**

Syed Khurram Ali

**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

E-mail: info@smelease.com

**REGISTRAR AND SHARE TRANSFER CERTIFICATE**

**Corptec Associates (Pvt.) Limited**

503-E, Johar Town, Lahore

**BANKS AND LENDING INSTITUTIONS**

SME Bank Limited

Meezan Bank Limited

## Directors' Review Report

The Board of Directors of SME Leasing Limited (the Company) is pleased to present the un-audited Condensed interim Financial Statements for the quarter ended March 31, 2023.

The Company remained aggressively focused on Recoveries from problematic/NPL portfolio. During the period under review, the fresh business of Rs.1.00 million was written while total recoveries from the portfolio aggregated Rupees 10.48 million, out of which Rupees 4.3 million were from the non-performing portfolio. The Company continued to follow up on early settlements of the non-performing portfolio through legal processes and negotiations. Provisions for a non-performing portfolio recorded a net reversal of Rupees 0.97 million. Revenues on the other hand recorded a decrease of Rupees 2.92 million when compared with the corresponding period last year. The loss before tax during the period under review was Rs. 12.63 million as compared to a loss of Rs. 9.96 million in the corresponding period last year. Funding constraints remained a major obstacle in converting the company into a profit-making institution.

The net equity of the Company reduced from 7.85 million in December 2022 to a negative of Rs 4.82 million as of March 31, 2023, due to the impact of current quarter loss of Rs 12.67 million. The minimum prescribed Equity requirement is Rs.50 million for non-deposit leasing companies. The Company is not meeting with the minimum equity requirement, therefore, the Company's license has been put on hold since May 20, 2019.

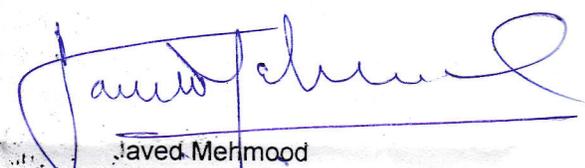
In the current quarter, the current liabilities decreased by Rs. 4.74 million and non-current liabilities increased by Rs 8.65 million whereas the total assets recorded a net decrease of Rs. 8.76 Million mainly due to maturity of the current portion of lease financing during the quarter.

The CCoP in its meeting held on December 28, 2022 has approved the delisting of the holding Company from the privatization list. Subsequent to year-end, the federal Cabinet, in a meeting held on March 17, 2023, approved winding down plan for the Holding Company. In this scenario we had approached the SME Bank Limited (The Parent Company) to give a way forward plan for SME Leasing Limited. Ministry of Finance vide letter no. F.No.3(27) IF-III/2005-435 dated February 19, 2024 has advised SME Bank Limited (The Parent Company) to process liquidation of SME Leasing Limited at the time of liquidation of the Bank. In view of the winding up of the SME Bank Limited (The Parent Company) was going on, lack of a viable plan for the Company going forward from Parent Company and related matters, the Company was unable to release its financial results on time. The approval of the directors nominated by SME Bank Limited (The Parent Company) is also pending with the Commission.

The Board recognizes and appreciates the continued support of its shareholders.

On behalf of Board of Directors

  
Asghar Maqsood  
Chief Executive Officer

  
Javed Mehmood  
Chairman

Dated: Karachi, February 27, 2024

## ڈائریکٹرز کا جائزہ:

ایس ایم ای لیزنگ لمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز 31 مارچ 2023ء کی اختتامی مدت کیلئے غیر آڈٹ شدہ مجموعی مالیاتی حسابات پیش کر رہے ہیں۔

کمپنی نے اپنے مشکل یا نان پرفارمنگ لون (NPL) پورٹ فولیو سے فنڈز کی وصولی پر زور دیا۔ زیر جائزہ مدت میں 1.00 ملین روپے مالیت کا نیا کاروبار شروع کیا گیا، جبکہ پورٹ فولیو سے مجموعی وصولی 10.48 ملین روپے تھی۔ ان وصولیوں میں سے 4.91 ملین روپے خاص طور پر نان پرفارمنگ پورٹ فولیو سے حاصل ہوئے۔ کمپنی قانونی امور اور گفت و شنید کے ذریعے اپنے نان پرفارمنگ پورٹ فولیو کے لیے ابتدائی تصفیے کی پیروی پر قائم رہی۔ نان پرفارمنگ پورٹ فولیو کے پروویژنز میں 0.97 ملین روپے کا خالص ریورسل دیکھا گیا۔ تاہم گزشتہ سال کی اسی مدت کے مقابلے میں آمدنی میں 2.92 ملین روپے کی کمی ہوئی۔ زیر جائزہ مدت کے لیے قبل از ٹیکس خسارہ 12.63 ملین روپے رہا جو کہ گزشتہ سال اسی مدت میں 9.96 ملین روپے تھا۔ فنڈنگ کی رکاوٹوں کی وجہ سے کمپنی کو منافع بخش ادارے میں تبدیل ہونے میں اہم چیلنجوں کا سامنا کرنا پڑا۔

کمپنی کی خالص ایکویٹی بنیادی طور پر موجودہ سہ ماہی میں 12.67 ملین روپے کے خسارہ کے اثرات کی وجہ سے دسمبر 2022 میں 7.85 ملین روپے سے کم ہو کر 31 مارچ 2023 تک 4.82 ملین روپے کی منفی قدر پر آگئی۔ نان ڈپازٹ لیزنگ کمپنیوں کے لیے کم از کم مطلوبہ ایکویٹی 50 ملین روپے ہے۔ چونکہ کمپنی اس کم از کم ایکویٹی کی ضرورت کو پورا نہیں کر رہی ہے، اس لیے اس کا لائسنس 20 مئی 2019 سے معطل کر دیا گیا ہے۔

رواں سہ ماہی کے دوران کرنٹ واجبات میں 4.74 ملین روپے کی کمی جبکہ نان کرنٹ واجبات میں 8.65 ملین روپے کا اضافہ ہوا۔ اس کے ساتھ ساتھ، کل اثاثہ جات میں 8.76 ملین روپے کی خالص کمی واقع ہوئی۔ کل اثاثہ جات میں یہ کمی بنیادی طور پر سہ ماہی کے دوران لیز فنانسنگ کے موجودہ حصے کی پختگی کے باعث تھی۔

28 دسمبر 2022 کو ہونے والے اپنے اجلاس میں، کابینہ کمیٹی برائے نجکاری (CCoP) نے ہولڈنگ کمپنی کو نجکاری کی فہرست سے نکالنے کی منظوری دی۔ اس کے بعد، 17 مارچ 2023 کو ہونے والے اجلاس میں، وفاقی کابینہ نے ہولڈنگ کمپنی کے لیے وائنڈنگ ڈاؤن پلان کی منظوری دی۔ اس صورت حال کے جواب میں، ہم نے SME بینک لمیٹڈ (پیرنٹ کمپنی) سے رابطہ کیا تاکہ SME لیزنگ لمیٹڈ کو آگے بڑھنے کے لیے ایک منصوبہ فراہم کیا جاسکے۔ اس کے بعد، وزارت خزانہ نے ایک لیٹر نمبر F.No.3(27) IF-III/2005-435 مورخہ 19 فروری 2024 کے ذریعے SME بینک لمیٹڈ (پیرنٹ کمپنی) کو مشورہ دیا کہ وہ بینک کی لیکویڈیشن کے وقت SME لیزنگ لمیٹڈ کی لیکویڈیشن پر عملدرآمد کرے۔ SME بینک لمیٹڈ (پیرنٹ کمپنی) کے بند ہونے کی وجہ سے اور پیرنٹ کمپنی کی جانب سے کمپنی کے مستقبل کے لیے قابل عمل پلان کی عدم موجودگی کے ساتھ دیگر متعلقہ مسائل کی وجہ سے کمپنی اپنے مالیاتی نتائج وقت پر جاری کرنے سے قاصر رہی۔ مزید برآں، SME بینک لمیٹڈ (پیرنٹ کمپنی) کے نامزد کردہ دو ڈائریکٹرز کی منظوری بھی کمیشن کے پاس زیر التواء ہے۔

بورڈ اپنے شیئر ہولڈرز کی جانب سے مستقل تعاون پر بے حد مشکور ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

جاوید محمود

چیئر مین

اصغر مقصود

چیف ایگزیکٹو آفیسر

کراچی، مورخہ: 27 فروری 2024ء

SME LEASING LIMITED  
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)  
AS AT March 31, 2023

	March 31, 2023	December 31, 2022
Note	----- Rupees -----	
<b>ASSETS</b>		
<b>NON - CURRENT ASSETS</b>		
Property and equipment	7 3,913,205	4,125,665
Right-of-use assets	8 1,901,782	2,535,715
Net investment in finance leases	10 247,801,807	249,698,037
Long term finances and loans - secured	11 41,037,479	38,197,867
Long term loans to employees - secured	12 169,177	195,773
Long term deposits and prepayments	13 772,222	1,105,566
	<b>295,595,672</b>	<b>295,858,623</b>
<b>CURRENT ASSETS</b>		
Advances	14 2,325,832	2,499,935
Prepayments and other receivables	15 1,343,937	853,893
Current maturity of assets subject to finance lease	10 25,056,428	34,795,101
Current maturity of non current assets	17 144,683	-
Cash and bank balances	17 1,609,604	832,853
	<b>30,480,484</b>	<b>38,981,782</b>
<b>TOTAL ASSETS</b>	<b>326,076,156</b>	<b>334,840,406</b>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized share capital 100,000,000 (2020: 100,000,000) Ordinary shares of Rs 10 each	<b>1,000,000,000</b>	<b>1,000,000,000</b>
Issued, subscribed and paid-up capital 32,000,000 (2020: 32,000,000) Ordinary shares of Rs. 10 each	<b>320,000,000</b>	<b>320,000,000</b>
Capital reserves	<b>38,019,277</b>	<b>38,019,277</b>
	<b>358,019,277</b>	<b>358,019,277</b>
<b>REVENUE RESERVES</b>		
Reserve against future losses	<b>10,447,052</b>	<b>10,447,052</b>
Accumulated losses	<b>(373,284,310)</b>	<b>(360,613,560)</b>
	<b>(362,837,258)</b>	<b>(350,166,508)</b>
	<b>(4,817,981)</b>	<b>7,852,769</b>
<b>NON - CURRENT LIABILITIES</b>		
Long-term deposits	10.1 146,491,429	137,841,991
Defined benefit obligation	<b>10,182,680</b>	<b>10,182,680</b>
	<b>156,674,109</b>	<b>148,024,671</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<b>5,788,715</b>	<b>5,764,896</b>
Mark-up accrued on borrowings	<b>6,450,931</b>	<b>6,479,106</b>
Short term borrowings - secured	19 144,922,699	139,175,806
Current maturity of non-current liabilities	20 10,708,296	19,707,733
Current maturity of liabilities against assets subject to finance lease	<b>2,983,318</b>	<b>3,871,502</b>
Provision for compensated absences	<b>3,015,082</b>	<b>3,613,944</b>
Taxation - net	<b>350,987</b>	<b>349,979</b>
	<b>174,220,028</b>	<b>178,962,966</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>326,076,156</b>	<b>334,840,406</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
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The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE OFFICER

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

SME LEASING LIMITED  
 CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)  
 FOR THE PERIOD ENDED MARCH 31, 2023

	Note	March 31, 2023	March 31, 2022
		----- Rupees -----	
<b>REVENUE</b>			
Finance leases		1,925,316	1,645,900
Finance and loans		942,926	4,218,575
Other income	22	90,866	9,658
		<u>2,959,108</u>	<u>5,874,133</u>
<b>EXPENSES</b>			
Administrative and general expenses	23	9,935,505	14,594,438
Finance cost	24	6,634,175	4,192,706
		<u>16,569,680</u>	<u>18,787,144</u>
Operating loss before reversal		<u>(13,610,572)</u>	<u>(12,913,011)</u>
Potential lease losses written back		798,142	2,149,680
Credit losses on loans and receivables reversal		177,605	800,375
		<u>975,747</u>	<u>2,950,055</u>
Profit/(Loss) for the period before taxation		<u>(12,634,825)</u>	<u>(9,962,956)</u>
Taxation	25	35,925	73,427
Net Profit/(loss) for the period		<u>(12,670,750)</u>	<u>(10,036,383)</u>
Profit/(Loss) per share - basic and diluted	26	(0.40)	(0.31)

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

  
 CHIEF EXECUTIVE OFFICER

  
 CHIEF FINANCIAL OFFICER

  
 DIRECTOR

SME LEASING LIMITED  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2023

	March 31, 2023	March 31, 2022
	----- Rupees -----	
Profit/(Loss) after taxation for the period	(12,670,750)	(10,036,383)
Other comprehensive income	-	-
<b>Total comprehensive profit/(loss) for the period</b>	<u><u>(12,670,750)</u></u>	<u><u>(10,036,383)</u></u>

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

  
CHIEF EXECUTIVE OFFICER

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

**SME LEASING LIMITED  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED MARCH 31, 2023**

	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, 2022 - Audited	320,000,000	10,000,000	28,019,277	10,447,052	(361,930,933)	6,535,396
<b>Total Comprehensive loss for the period ended March 31, 2022</b>	-	-	-	-	(10,036,383)	(10,036,383)
Profit/(Loss) after taxation	-	-	-	-	-	-
<b>Balance at March 31, 2022 - Un-Audited</b>	<u>320,000,000</u>	<u>10,000,000</u>	<u>28,019,277</u>	<u>10,447,052</u>	<u>(371,967,316)</u>	<u>(3,500,987)</u>
Balance at January 01, 2023 - Audited	320,000,000	10,000,000	28,019,277	10,447,052	(360,613,560)	7,852,769
<b>Total Comprehensive loss for the period ended March 31, 2023</b>	-	-	-	-	(12,670,750)	(12,670,750)
Profit/(Loss) after taxation	-	-	-	-	-	-
<b>Balance at March 31, 2023 - Un-Audited</b>	<u>320,000,000</u>	<u>10,000,000</u>	<u>28,019,277</u>	<u>10,447,052</u>	<u>(373,284,310)</u>	<u>(4,817,981)</u>

The annexed notes from 1 to 32 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 PERIOD ENDED MARCH 31, 2023**

		March 31, 2023	March 31, 2022
	Note	-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(12,634,825)	(9,962,956)
Adjustment for:			
Depreciation and amortization	23	891,393	895,636
Provision of gratuity		-	3,041,548
Provision for compensated absences		-	1,002,897
Finance cost	24	6,450,957	3,914,502
Interest income	22	(90,866)	(9,658)
Finance charge on right of use of assets	24	183,218	278,204
Gain on disposal of property and equipment		-	-
Potential lease losses written back		(798,142)	(2,149,680)
Credit losses on loans and receivables reversal		(177,605)	(800,375)
		6,458,955	6,173,073
<b>Operating loss before working capital changes</b>		(6,175,870)	(3,789,883)
<b>(Increase)/Decrease in current assets:</b>			
Net investment in finance leases	10	8,263,948	20,453,535
Long term finances and loans - secured	11	1,358,977	1,352,803
Long term loans to employees - secured	12	30,026	62,621
Prepayments and other receivables	15	(490,044)	(569,087)
Long term deposits and prepayments	13	333,344	-
Advances	14	174,103	(183,536)
		9,670,354	21,116,336
<b>Increase/(Decrease) in operating liabilities:</b>			
Long term deposits		(350,000)	-
Taxation		-	-
Trade and other payables		23,819	(179,516)
<b>Cash generated from operations</b>		3,168,303	17,146,937
Financial charges paid		(6,479,132)	(4,209,492)
Interest income received		90,866	9,658
Gratuity paid		-	(942,928)
Compensated expenses paid		(598,861)	-
Benefits paid		-	(702,211)
Taxes paid		(34,917)	(58,178)
		(7,022,044)	(5,903,151)
<b>Net cash flows generated from / (used in) operating activities</b>		(3,853,741)	11,243,786
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	7	(45,000)	(68,000)
Proceeds from disposal of property and equipment		-	(9,658)
<b>Net cash used in investing activities</b>		(45,000)	(77,658)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease rentals paid	18	(1,071,402)	(1,167,147)
<b>Net cash used in financing activities</b>		(1,071,402)	(1,167,147)
<b>Net decrease in cash and cash equivalents</b>		(4,970,143)	9,998,981
<b>Cash and cash equivalents at beginning of the period</b>		(138,342,952)	(143,390,354)
<b>Cash and cash equivalents at end of the period</b>	30	(143,313,095)	(133,391,373)

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

  
**CHIEF EXECUTIVE OFFICER**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

**SME LEASING LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 2023**

**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'), who holds 73.14% (2021: 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 is listed on Pakistan Stock Exchange and its registered office is situated at 56-F, Nazim-ul-Din Road F-6/1, Blue Area, Islamabad. The core objective of the Company is to extend lease and working capital financing facilities to small and medium enterprises of the Country. The PACRA Credit Rating Agency has assigned a long term rating of B- (2021: B-) and a short-term rating of A4 (2021: A4) to the Company in the month of April 2022.
- 1.2 The license of the Company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via applications reference # SMEL/MO/2019 dated April 16, 2019 and SMEL/MO/2022 dated April 15, 2022 for its renewal in the manner so required by the NBFC rules, 2003. However, renewal of license was in progress till the year end.
- 1.3 The Company obtained license of non deposit taking NBFC and as per section 4 (Schedule I) of NBFC Regulations 2008, a non deposit taking NBFC shall have minimum equity of Rs. 50 million. The Company being non deposit taking NBFC has not complied with said requirement of NBFC Regulations 2008 of maintaining minimum capital requirement.
- 1.4 During the period ended March 31, 2023, the Company has reported a loss of Rs 12.665 million (March 31, 2022: loss of Rs. 10.036 million) which has increase accumulated losses to Rs.373.279 million (December 31, 2022: Rs. 360.613 million) as on March 31, 2023. Further, the net assets of the Company amounts to Rs (4.812) million (December 31, 2022: Rs. 7.853 million). The Company has negative cash and cash equivalent of Rs.143.313 million (December 31, 2022: Rs.138.343 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. 143.734 million (December 31, 2022: Rs. 139.981 million).

Further, the Company is dependent on the running finance facility granted by the Parent Company. The revised prudential regulation of State Bank of Pakistan (SBP) applicable from June 2015 has restricted the exposure by bank to a related party to the extent of 7.5% of its equity. However, SBP vide its letter BPRD/BA&CPD/646/332/20 dated January 06, 2020 had granted the Parent Company relaxation of the aforesaid requirement, which has expired on December 31, 2019.

During the financial year 2022, the Parent Company has requested SBP to allow exemption from related party exposure limit till December 31, 2021 and correspondence regarding this was in progress till the current period end. However, no intimation has so far been received from SBP in this regard.

These factors along with other factors indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. However, these condensed interim financial statements have been prepared on going concern basis considering the factors mentioned below:

- The Parent Company has granted a short term running finance facility to the Company amounting to Rs. 150 million out of which Rs. 144.923 million has been utilized as at March 31, 2023 (December 31, 2022: Rs. 139.176 million). The said facility can be extended to the extent of Rs. 300 million as per the stand-by agreement for finance facility. The Parent Company will not call off the said amount till June 30, 2024 and the holding company will facilitate, assist and support the Company in arrangement of finance from external sources as and when required by the Company.
- The management of the Company has prepared cash flow projections which reflect that based on financial support by the Parent Company the Company will be able to continue its business on going concern basis in the foreseeable future.
- Efforts are being made by the management to reduce the overall cost of the company.

Based on the above mentioned financial measures and the concerted operational measures being taken by the Company, the management is confident of the going concern status of the Company and therefore, has prepared these condensed interim financial statements on a going concern basis of accounting.

- 1.5 With respect to privatization of the Parent Company, SME Bank Limited (Bank) and its Subsidiary, the Cabinet Committee on Privatization (CCOP) approved the new 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, Board of Privatization Commission in its meeting held on November 25, 2021 has recommended delisting of SME Bank Limited from list of privatizations.

The Financial Adviser (FA) of Privatization Commission asserted that despite all efforts and iterative interactions with the pre-qualified bidders to date positive feedback from the pre-qualified bidders is not forthcoming and owing to the deteriorating financial position of Bank, the FA recommended to shelve the Transaction. Recommendation of the Board of Privatization was presented to the CCOP in its meeting held on December 31, 2021, where the CCOP decided to ascertain the way forward of the bank prior to delisting from list of privatization; and in this regard constituted a committee consisting of Deputy Governor SBP, Secretary Finance, Secretary Privatization Commission, Chairman SECP and Minister of Finance.

the CCOP meeting was held on December 26, 2022, wherein a summary dated December 24, 2022, submitted by the Ministry of Privatization regarding "privatization of the Holding Company" and approved the recommendation of PC Board, in its meeting held on November 25, 2022, regarding the delisting of SME Bank Limited (the Holding Company) from privatization program, to enable Finance Division and SBP to proceed further in the matter. However, CCOP in its meeting held on December 28, 2022 has approved the delisting of the Holding Company from the privatization list. Subsequent to year-end, the federal cabinet, in a meeting held on March 17, 2023, approved winding down plan for the Holding Company. The State Bank of Pakistan (SBP) via its Circular No. BPRD (R&PD) /SME/2023/3729 dated May 10, 2023, specifies that the SBP has prohibited the Holding Company 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 is hereby declared as a failed institution effective from the close of business as of March 27, 2023.

## 2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES

Net lease disbursements	2.1	1,000,000	14,983,300
Recoveries	2.2	10,477,345	80,621,928

- 2.1 This represents amount disbursed against new leases written during the period
- 2.2 This represents recoveries from non-performing loans amounting to Rs.4.907 (December 31, 2022 Rs.52.719) and regular parties amounting to Rs.5.570 (December 31, 2022 Rs.27.905).

### 3 BASIS OF PREPARATION

#### 3.1 Statement of compliance

These condensed interim financial statements of the Company for the period ended March 31, 2022 have been prepared in accordance with requirement of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Act, 2017, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provision or directives issued under the Companies Act, 2017, NBFC Rules, 2003 and NBFC Regulations, 2008 shall prevail.

These condensed interim financial statements does not include all the disclosure required in the annual financial statements. Accordingly, the condensed interim financial statements should be read in conjunction with annual financial statements for the year ended December 31, 2022.

#### 3.2 New and amended standards and interpretations to published accounting and reporting standards that are effective in the current period

There are certain amendments to the published accounting and reporting standards that are mandatory for the Company's accounting period beginning on January 1, 2022. However, these do not have any significant impact on the Company's operations and, therefore, have not been detailed in these condensed interim financial statements.

#### 3.3 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or are do not have significant impact on the financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022
Certain annual improvements have also been made to a number of IFRSs.	

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations followed for the preparation of these condensed interim financial statements are same as those applied in preparing the financial statements for the year ended December 31, 2021.

### 5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effects the application of accounting policies and reported amounts of assets and liabilities, income and expenses. However, actual results may differ from estimates.

In preparing these condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimates uncertainty are the same as applied to the financial statements of the company for the year ended December 31, 2022.

## 6 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financials statements of the Company as at and for the year ended December 31, 2022.

		March 31, 2023 (Un-Audited)	December 31, 2022 (Audited)
	Note	----- Rupees -----	
<b>7</b>	<b>PROPERTY AND EQUIPMENT</b>		
	Balance as at January 1	4,125,665	3,340,157
	Additions/Deletion during the period / year	45,000	1,428,281
	Depreciation charged for the period / year	<u>(257,460)</u>	<u>(642,773)</u>
		<u>3,913,205</u>	<u>4,125,665</u>
<b>8</b>	<b>RIGHT-OF-USE ASSETS</b>		
	Balance as at January 1	2,535,715	6,697,288
	Deletion during the period / year	-	(1,235,155)
	Depreciation charged for the period / year	<u>(633,933)</u>	<u>(2,926,418)</u>
		<u>1,901,782</u>	<u>2,535,715</u>
<b>9</b>	<b>INTANGIBLE ASSETS</b>		
	Cost	1,507,142	1,507,142
	Accumulated amortization	<u>(1,507,142)</u>	<u>(1,507,142)</u>
		<u>-</u>	<u>-</u>
<b>10</b>	<b>NET INVESTMENT IN FINANCE LEASES</b>		
	Net investment in finance leases	272,858,235	280,324,041
	Less: Current maturity of net investment in leases	<u>(25,056,428)</u>	<u>(30,626,004)</u>
		<u>247,801,807</u>	<u>249,698,037</u>
<b>10.1</b>	<b>Net investment in finance leases</b>		

	March 31, 2023 (Un-audited)			December 31, 2022 (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	241,360,578	224,465,138	16,895,440	251,764,111	239,054,319	12,709,792
Add: Residual value of leased assets	156,826,491	146,491,991	10,334,500	157,176,491	137,841,991	19,334,500
Gross investment in leases	<u>398,187,069</u>	<u>370,957,129</u>	<u>27,229,940</u>	<u>408,940,602</u>	<u>376,896,310</u>	<u>32,044,292</u>
Less: Unearned lease income	<u>(4,199,516)</u>	<u>(2,026,004)</u>	<u>(2,173,512)</u>	<u>(6,371,584)</u>	<u>(4,953,296)</u>	<u>(1,418,288)</u>
Less: Markup held in suspense account	<u>(40,339,472)</u>	<u>(40,339,472)</u>	<u>-</u>	<u>(40,656,989)</u>	<u>(40,656,989)</u>	<u>-</u>
	<u>(44,538,988)</u>	<u>(42,365,476)</u>	<u>(2,173,512)</u>	<u>(47,028,573)</u>	<u>(45,610,285)</u>	<u>(1,418,288)</u>
	353,648,081	328,591,653	25,056,428	361,912,029	331,286,025	30,626,004
Less: Provision for potential lease losses	<u>(80,789,846)</u>	<u>(80,789,846)</u>	<u>-</u>	<u>(81,587,988)</u>	<u>(81,587,988)</u>	<u>-</u>
Net investment in finance leases	<u>272,858,235</u>	<u>247,801,807</u>	<u>25,056,428</u>	<u>280,324,041</u>	<u>249,698,037</u>	<u>30,626,004</u>

		March 31, 2023	December 31, 2022
	Note	(Un-Audited)	(Audited)
----- Rupees -----			
<b>11</b>	<b>LONG TERM FINANCES AND LOANS - SECURED</b>		
	Considered good	6,410,261	6,349,199
	Considered doubtful	39,666,605	41,086,644
		46,076,866	47,435,843
	Less: Provision	(5,039,387)	(5,216,992)
		41,037,479	42,218,851
	Less: Current maturity	-	(4,020,984)
		<u>41,037,479</u>	<u>38,197,867</u>
<b>12</b>	<b>LONG TERM LOAN TO EMPLOYEES - SECURED</b>		
	Vehicle loan	313,860	343,886
	Less: Current Maturity	(144,683)	(148,113)
		<u>169,177</u>	<u>195,773</u>
<b>13</b>	<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>		
	Other deposits	<u>772,222</u>	<u>772,222</u>
<b>14</b>	<b>ADVANCES</b>		
	Considered good - unsecured		
	Employees	143,787	368,541
	Legal advisors	1,977,000	1,952,000
	SBP deposit	15,000	15,000
	Others	190,045	164,394
		<u>2,325,832</u>	<u>2,499,935</u>
14.1	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.		
14.2	This represents advance payments made to the legal advisors of the Company for handling cases on behalf of the Company.		
<b>15</b>	<b>PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Prepayments	1,278,937	788,893
	Accrued interest on long term finances and loans	-	-
	Other receivable	65,000	65,000
		<u>1,343,937</u>	<u>853,893</u>

	Note	March 31, 2023	December 31, 2022
		(Un-Audited)	(Audited)
----- Rupees -----			
<b>16 CURRENT MATURITY OF NON CURRENT ASSETS</b>			
Current maturity of:			
Long term finances and loans	11	-	4,020,984
Long term loans to employees	12	144,683	148,113
		<u>144,683</u>	<u>4,169,097</u>
<b>17 CASH AND BANK BALANCES</b>			
Balances with banks in:			
in current accounts		1,555,192	778,442
Cash in hand		54,412	54,412
		<u>1,609,604</u>	<u>832,854</u>

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

	March 31, 2023			December 31, 2022		
	(Un-Audited)			(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	3,166,536	183,218	2,983,318	4,219,827	348,325	3,871,502
Later than one year but not later than five years	-	-	-	-	-	-
Total minimum lease payments	<u>3,166,536</u>	<u>183,218</u>	<u>2,983,318</u>	<u>4,219,827</u>	<u>348,325</u>	<u>3,871,502</u>

## 19 SHORT-TERM BORROWING - SECURED

The facility for short-term running finance available from SME Bank Limited amounting to Rs. 150 million (December 31, 2022: Rs. 150 million). Mark-up is payable at rate of 18.10% (December 31, 2022: from 11.65% to 18.10%) per annum. The finance are secured by way of hypothecation of the Company's leased assets and related receivables.

		March 31, 2023 (Un-Audited)	December 31, 2022 (Audited)
	Note	----- Rupees -----	
20 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term finance		373,233	373,233
Long term deposits	10.1	10,334,500	44,545,236
		<u>10,708,296</u>	<u>44,918,469</u>

## 21 CONTINGENCIES AND COMMITMENTS

### 21.1 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.

### 21.2 Commitments

There are no commitments as at January 31, 2023 (December 31, 2022: nil).

	March 31, 2023 (Un-Audited)	March 31, 2022 (Un-Audited)
	----- Rupees -----	
22 OTHER INCOME		
Income from financial assets	90,866	9,658
Income from non-financial assets	-	-
	<u>90,866</u>	<u>9,658</u>

## 23 ADMINISTRATIVE AND GENERAL EXPENSES

	March 31, 2023 (Un-Audited)	March 31, 2022 (Un-Audited)
	----- Rupees -----	
Salaries, allowances and other benefits	7,119,557	10,916,289
Directors' fee	220,000	155,000
Rent	23,952	23,945
Electricity, gas and water	174,323	209,088
Telephone and postage	158,003	203,732
Repairs and maintenance	136,821	124,581
Books and periodicals	14,590	4,550
Vehicle running	114,990	90,819
Advertising	-	6,700
Travelling, conveyance and entertainment	187,793	163,460
Printing and stationery	44,322	98,938
Auditors' remuneration	32,850	50,750
Depreciation	891,393	895,636
Staff training and development	32,500	13,000
Legal and professional	525,564	1,231,425
Insurance	154,851	206,404
Miscellaneous	103,996	200,121
	<u>9,935,505</u>	<u>14,594,438</u>

**24 FINANCE COST**

Mark-up on short term borrowings	6,450,932	3,914,222
Lease finance charges	183,218	278,204
Bank charges	25	280
	<u>6,634,175</u>	<u>4,192,706</u>
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	<b>(Un-Audited)</b>	<b>(Un-Audited)</b>

**25 TAXATION**

Minimum tax under Section 113 of the Income Tax Ordinance, 2001.	<u>35,925</u>	<u>73,427</u>
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**25.1 Current tax liability**

Provision for the current year income tax has been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001.

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

	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	<b>(Un-Audited)</b>	<b>(Un-Audited)</b>
Profit/(Loss) after taxation attributable to ordinary shareholders (Rupees)	<u>(12,670,750)</u>	<u>(10,036,383)</u>
Weighted average number of ordinary shares outstanding during the period	<u>32,000,000</u>	<u>32,000,000</u>
Basic profit/(loss) per share (Rupees)	(0.40)	(0.31)

**26.1** No figure for diluted earnings per share has been presented as the Company has no potential ordinary shares outstanding at the quarter end.

## 27 TRANSACTIONS WITH RELATED PARTIES

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

	March 31, 2023 (Un-Audited)	March 31, 2022 (Un-Audited)
	----- Rupees -----	
<b>27.1 BALANCES</b>		
<b>SME Bank Limited (Parent Company)</b>		
Short term borrowings	144,922,699	134,829,267
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	<b>(Un-Audited)</b>	<b>(Un-Audited)</b>
	----- Rupees -----	
<b>27.2 TRANSACTIONS</b>		
<b>SME Bank Limited (Parent Company)</b>		
Markup on Short term borrowings	6,450,932	3,914,222
Repayment of Short term borrowings facility-net	6,479,132	(2,354,349)
Rent expense paid for Peshawar branch	178,839	139,068
<b>Key Management Personnel</b>		
Key management remuneration	2,338,504	2,115,446
<b>Staff Provident Fund</b>		
Contribution towards provident fund	176,676	212,328

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

## 28 SEGMENT INFORMATION

A segment is a distinguishable component of the Company that is engaged in business activities from which the Company earns revenues and incur expenses and its results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

The Company's reportable segments under IFRS 8 are therefore finance lease, loans and receivables, and investments.

All assets and liabilities are allocated to reportable segments other than assets and liabilities not directly related to the particular segment.

	March 31, 2023			
	Finance lease	Loans and receivables	Others	Total
----- (Rupees) -----				
Segment revenue	1,925,316	942,926	90,866	2,959,108
Reversal of provision	798,142	177,605	-	975,747
Segment result	<u>2,723,458</u>	<u>1,120,531</u>	<u>90,866</u>	<u>3,934,855</u>
<b>Unallocated cost</b>				
Finance cost				6,634,175
Administrative and general expenses				9,935,505
				16,569,680
Loss before tax				(12,634,825)
Provision for taxation				(35,925)
Profit for the year				<u>(12,670,750)</u>
Other information				
Segment assets	272,858,235	41,037,479	-	313,895,714
Unallocated assets			12,180,442	12,180,442
Total assets				326,076,156
Segment liabilities	161,683,143	-	-	161,683,143
Unallocated liabilities			169,210,994	169,210,995
Total liabilities				330,894,137
Net assets				<u>(4,817,981)</u>
Capital expenditure		-	45,000	<u>45,000</u>

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

28.2 Revenue from finance lease includes income from finance lease operations and gain/loss on termination of lease. Revenue from loans and receivable includes mark-up income on loans to customers and employees.

	March 31, 2022			
	Finance lease	Loans and receivables	Others	Total
	----- (Rupees) -----			
Segment revenue	1,645,900	4,218,575	9,658	5,874,133
Provision -Net	2,149,680	800,375	-	2,950,055
Segment result	<u>3,795,580</u>	<u>5,018,950</u>	<u>9,658</u>	<u>8,824,188</u>
Unallocated cost				
Finance cost				4,192,706
Administrative and general expenses				14,594,438
				18,787,144
Profit before tax				(9,962,956)
Provision for taxation				73,427
Profit for the year				<u>(10,036,383)</u>
Other information				
Segment assets	256,612,672	52,566,013	-	309,178,685
Unallocated assets			16,227,078	16,227,078
Total assets				325,405,763
Segment liabilities	164,947,791	-	-	164,947,791
Unallocated liabilities		-	163,958,959	163,958,959
Total liabilities				328,906,750
Net assets				<u>(3,500,987)</u>
Capital expenditure		-	(68,000)	<u>(68,000)</u>

### 28.3 Geographical segment analysis

The Company's operations are restricted to Pakistan only.

## 29 Fair value and risk management

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value of underlying financial assets are determined based on requirements of Regulation 66 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and directives if any, issued by the Securities and Exchange Commission of Pakistan. Fair value of debt instruments other than Government Securities, which are unlisted or listed but not traded regularly on stock exchange be valued at rates notified by Mutual Funds Association of Pakistan. The fair value of financial assets traded in active market i.e. listed securities are based on the quoted market price at determined by stock exchange in accordance with its regulations.

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

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

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

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

29.1 For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the period ended March 31, 2023, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

As at March 31, 2023 the Company held the following classes of financial instruments measured at fair value:

March 31, 2023 (Un-audited)	Note	Carrying amount			Fair value		
		Cash and cash equivalent	Loans and receivables	Other assets and liabilities	Total	Level 1	Level 2
----- Rupees -----							
<b>Financial assets not measured at fair value</b>							
Cash and bank balance	17	1,609,604	-	-	1,609,604	-	-
Advances	14	-	2,325,832	-	2,325,832	-	-
Deposits, prepayments and other receivables	15	-	1,343,937	-	1,343,937	-	-
Long term finances and loans and accrued interest thereon	11	-	41,037,479	-	41,037,479	-	-
Net investment in finance leases	10	-	272,858,235	-	272,858,235	-	-
		1,609,604	317,565,483	-	319,175,087	-	-
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables		-	-	5,788,715	5,788,715	-	-
Accrued mark-up on borrowings		-	-	6,450,931	6,450,931	-	-
Short term borrowings	19	144,922,699	-	-	144,922,699	-	-
Provision for compensated absences	20	-	-	3,015,082	3,015,082	-	-
Long term finance	10	-	-	373,233	373,233	-	-
Long term deposits		-	-	146,491,991	146,491,991	-	-
Defined benefit obligation		-	-	10,182,680	10,182,680	-	-
Lease liabilities	18	-	-	2,983,318	2,983,318	-	-
		144,922,699	-	175,285,950	320,208,649	-	-

As at December 31, 2022 the Company held the following classes of financial instruments measured at fair value:

December 31, 2022 (Audited)	Note	Carrying amount			Fair value		
		Cash and cash equivalent	Loans and receivables	Other assets and liabilities	Total	Level 1	Level 2
----- Rupees -----							
<b>Financial assets not measured at fair value</b>							
Cash and bank balance	16	832,853	-	-	832,853	-	-
Advances	13	-	2,499,935	-	2,499,935	-	-
Deposits, prepayments and other receivables	14	-	853,893	-	853,893	-	-
Long term finances and loans and accrued interest thereon	10	-	42,218,851	-	42,218,851	-	-
Net investment in finance leases	9	-	280,324,041	-	280,324,041	-	-
		832,853	325,896,720	-	326,729,573	-	-
<b>Financial liabilities not measured at fair value</b>							
Trade and other payable		-	-	5,764,896	5,764,896	-	-
Accrued mark-up on borrowings		-	-	6,479,106	6,479,106	-	-
Short term borrowings	18	139,175,806	-	-	139,175,806	-	-
Provision for compensated absences		-	-	3,613,944	3,613,944	-	-
Long term finances	19	-	-	373,233	373,233	-	-
Long term deposits	9	-	-	137,841,991	137,841,991	-	-
Defined benefit obligation		-	-	10,182,680	10,182,680	-	-
Lease liabilities	17	-	-	3,871,502	3,871,502	-	-
		139,175,806	-	168,127,352	307,303,158	-	-

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

		March 31, 2023 (Un-Audited)	March 31, 2022 (Un-Audited)
	Note	----- Rupees -----	
<b>30 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	17	1,609,604	1,437,894
Short term borrowings	19	(144,922,699)	(134,829,267)
		<u>(143,313,095)</u>	<u>(133,391,373)</u>

**31 GENERAL**

**31.1** In order to comply with the requirement of IAS 34, the condensed interim financial position has been compared with the balances of annual audited financial statements of preceding financial year. Whereas, the condensed interim statement of profit or loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been compared with the balances of comparable period of immediately preceding financial year.

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

**32 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on February 27, 2024 by the Board of Directors of the Company.

  
CHIEF EXECUTIVE OFFICER

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR