



**Quarterly Report**  
**September 30, 2019**



**SME Leasing Limited**  
(A subsidiary of SME Bank Ltd.)

# Contents

**02**

Corporate Information

**04**

Directors' Review Report

**06**

Condensed Interim Statement of Financial Position

**07**

Condensed Interim Statement of Profit or Loss

**08**

Condensed Interim Statement of Comprehensive Income

**09**

Condensed Interim Statement of Cash Flows

**10**

Condensed Interim Statement of Changes in Equity

**11**

Notes to the Condensed Interim Financial Statements

**20**

Branch Network

## Corporate Information

### **BOARD OF DIRECTORS**

Mr. Bilal Mustafa - Chairman  
Mr. Abdul Waseem - CEO (Acting)  
Mr. Dilshad Ali Ahmad  
Mr. Mohammad Farrukh Mansoor Malik  
Mr. Mohammad Mubeen Mufti  
Mr. Javed Mehmood  
Ms. Darakhshan S. Vohra

### **CHIEF EXECUTIVE OFFICER**

Mr. Abdul Waseem - CEO (Acting)

### **AUDIT COMMITTEE**

Ms. Darakhshan S. Vohra - Chairperson  
Mr. Mohammad Farrukh Mansoor Malik  
Mr. Mohammad Mubeen Mufti  
Mr. Asad Ali - Committee Secretary

### **RISK MANAGEMENT COMMITTEE**

Mr. Dilshad Ali Ahmad - Chairman  
Mr. Abdul Waseem  
Mr. Bilal Mustafa  
Mr. Naeem-ul-Hasan - Secretary

### **HUMAN RESOURCE COMMITTEE**

Mr. Bilal Mustafa - Chairman  
Mr. Dilshad Ali Ahmad  
Mr. Abdul Waseem  
Ms. Darakhshan S. Vohra  
Mr. Adnan Sajar - Committee Secretary

**COMPANY SECRETARY & CFO**

Mr. M. Shahzad

**EXTERNAL AUDITORS**

Grant Thornton Anjum Rahman  
Chartered Accountants

**INTERNAL AUDITOR**

Mr. Asad Ali

**TAX CONSULTANT**

EY Ford Rhodes  
Chartered Accountants

**LEGAL ADVISOR**

Mohsin Tayebaly & Company,  
Advocate & Legal Consultant

**CREDIT RATING**

Long-term: B      Short-term: B

**REGISTERED OFFICE**

56-F, Nazim-ul-Din Road, F-6/1, Blue Area, Islamabad.

**MAIN OFFICE**

Office # 304, 3rd Floor, Business Arcade, Shahra-e-Faisal, Karachi.

Tel: (+92-21) 34322128-129-137

Fax: (+92-21) 34322082

E-mail: info@smelease.com

**REGISTRAR AND SHARE TRANSFER OFFICE**

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

**BANKS AND LENDING INSTITUTIONS**

SME Bank Limited  
Meezan Bank Limited  
Allied Bank Limited  
MCB 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 nine months period ended September 30, 2019.

The management remained focused on recovery from its portfolio and utilizing these resources in writing new quality business. However, during the period under review, economic activities remained stagnant; discount rate has been increased; and limited availability of funds adversely affected writing of new quality business.

The loss before tax during the period under review was Rs. 21.22 Million compared to Rs. 14.56 million in the corresponding period last year. The Company has recovered Rs 86.99 Million from the portfolio and written new Gross leases worth Rs. 69.35 Million during the period. A decrease of 15.40% was recorded in the revenues when compared with the corresponding period last year. The decrease in revenue was due to limited availability of funds for new disbursements. Net provision reversals on account of recoveries during the period aggregated Rs. 3.88 million compared to a reversal of net provision charge of Rs. 4.83 million last year. Financial charges increased mainly on account of increase in discount rate. Administrative expenses recorded decrease of 4% when compared with the previous period last year. Funding constraint remained a major obstacle in converting the company into a profit making institution.

In September 2019, PACRA has maintained the Long Term Rating of the Company to "B" and the Short Term Rating to "B" with "Negative" Outlook.

The Net equity of the Company amounted to Rs. 90.22 Million as at September 30, 2019. The Company is fully compliant with SECP equity requirement for non-deposit taking leasing companies. The total liabilities increased by Rs. 11.35 Million whereas the total assets decreased by Rs 10.10 Million when compared with December 31, 2018.

In respect of privatisation of SME Bank, our major shareholder, we would like to inform that Due Diligence has been completed by the Financial Advisor (FA) and as per the timeline provided by FA privatisation of SME Bank is expected to be completed by December 2019. We shall keep our shareholders informed of development in this regard.

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

On behalf of Board of Directors



**Bilal Mustafa**  
Chairman

Dated: October 23, 2019

## ڈائریکٹرز کا جائزہ

ایس ایم ای لیزنگ لمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز 30 ستمبر 2019ء کی نو ماہ کی اختتامی مدت کیلئے غیر آڈٹ شدہ مجموعی مالیاتی حسابات پیش کر رہے ہیں۔

کمپنی کا نقطہ نظر مستقل طور پر وصولی اور نئے کاروبار کے پورٹ فولیو پر ہے۔ تاہم زیر جائزہ مدت کے دوران معاشی سرگرمیاں، جوہد کا شکار ہیں، ڈسکاؤنٹ ریٹ میں اضافہ کیا گیا اور فنڈز کی محدود فراہمی نے نئے کاروبار کو متاثر کیا۔


زیر جائزہ مدت کے دوران قبل ٹیکس مبلغ 21.22 ملین روپے کا خسارہ ہوا جس کا موازنہ گزشتہ سال کی مدت کے مبلغ 14.56 ملین روپے سے لگایا جاسکتا ہے۔ کمپنی نے دوران مدت پورٹ فولیو سے مبلغ 86.99 ملین روپے اور مجموعی طور پر مبلغ 69.35 ملین روپے کی لیزز لکھیں۔ محصولات میں 15.40 فیصد کمی ہوئی جس کا موازنہ گزشتہ سال کی اسی مدت سے کیا جاسکتا ہے۔ محصولات میں کمی کی ایک وجہ نئے پورٹ فولیو کیلئے فنڈز کی محدود فراہمی تھی۔ دوران مدت ریکوریز کے حساب میں مبلغ 3.88 ملین روپے کی مجموعی تبدیلی ہوئی جس کا موازنہ گزشتہ سال کے مجموعی چارجز میں اضافہ ڈسکاؤنٹ ریٹ میں اضافہ کے باعث ہوا۔ انتظامی اخراجات میں 4 فیصد کمی ریکارڈ کی گئی جس کا موازنہ گزشتہ سال کی اسی مدت سے کیا جاسکتا ہے۔ فنڈنگ پر دشواریاں کمپنی کو منافع بخش ادارے میں تبدیل کرنے میں ایک بڑی رکاوٹ ہے۔

ستمبر 2019ء میں پا کرانے طویل مدتی ریٹنگ برائے کمپنی "B" کی درجہ بندی کی ہے جبکہ مختصر مدتی ریٹنگ "Negative" آؤٹ لک کے تحت "B" پر موزوں ہے۔

30 ستمبر 2019ء تک کمپنی کی مجموعی ایکویٹی مبلغ 90.22 ملین روپے رہی ہے، کمپنی نے مکمل طور پر ایس ای سی پی کے تحت عدم ڈپازٹ کے امور کی مکمل پابندی کی ہے جو کہ لیزنگ کمپنی سے حاصل کی ہے۔ کل قرضہ جات میں 11.35 ملین روپے کا اضافہ ہوا ہے جبکہ کل اثاثہ جات میں 10.10 ملین روپے کی کمی واقع ہوئی ہے جس کا موازنہ 31 دسمبر 2018ء سے کیا جاسکتا ہے۔

ایس ایم ای بینک کی نجکاری کیلئے مالیاتی مشیر (ایف اے) کی تقرری کے حوالے سے ہم اپنے انہم شیئر ہولڈرز کو مطلع کرتے ہیں کہ فنانشل ایڈوائزر (ایف اے) کے تمام التواء معاملات مکمل کرنے گئے ہیں اور ایف اے کے ذریعہ ایس ایم ای بینک کی نجکاری فراہم کردہ ٹائم لائن کے مطابق دسمبر 2019ء تک مکمل ہو جائے گی۔ اس سلسلے میں ہم اپنے شیئر ہولڈرز کو آگاہ رکھیں گے۔

بورڈ اپنے شیئر ہولڈرز، لینڈرز، ریگولیٹری اتھارٹیز کی جانب سے کئے جانے والے مستقل تعاون پر بے حد مشکور ہے اور انتظامی ٹیم کی مسلسل کوششوں اور کمپنی کے تمام اسٹاف ممبران کے تعاون کے بھی شکر گزار ہیں۔

  
بلال مصطفیٰ  
چیئرمین

مورخہ: 23 اکتوبر 2019ء

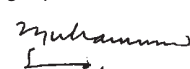
## Condensed Interim Statement of Financial Position


As at September 30, 2019

	Note	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
Rupees .....			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	<b>1,604,328</b>	6,130,435
Mark-up accrued		<b>145,023</b>	51,276
Loans and advances		<b>5,194,973</b>	3,345,945
Deposits, prepayments and other receivables		<b>398,882</b>	1,158,965
Current maturity of non current assets		<b>154,711,300</b>	153,691,926
<b>Total current assets</b>		<b>162,054,506</b>	164,378,547
<b>Non-current assets</b>			
Long term finances and loans	6	<b>60,198,245</b>	65,390,531
Net investment in leases	7	<b>269,528,129</b>	273,329,996
Long-term deposits and prepayments		<b>2,451,610</b>	824,901
Property and equipment	8	<b>4,663,710</b>	5,076,809
<b>Total Non-current assets</b>		<b>336,841,694</b>	344,622,237
<b>Total assets</b>		<b>498,896,200</b>	509,000,784
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and others payable		<b>4,042,825</b>	3,743,855
Unclaimed Dividend		<b>19,694</b>	19,694
Mark-up accrued		<b>1,784,468</b>	1,299,884
Short term borrowings		<b>146,313,118</b>	141,556,042
Current maturity of non current liabilities	9	<b>53,546,066</b>	51,707,395
Provision for compensated absences		<b>2,063,076</b>	2,491,591
Taxation payable		<b>8,173,746</b>	8,208,790
<b>Total current liabilities</b>		<b>215,942,993</b>	209,027,251
<b>Non-current liabilities</b>			
Long-term deposits		<b>185,635,364</b>	179,200,619
Deferred liabilities		<b>7,093,960</b>	9,090,662
<b>Total liabilities</b>		<b>408,672,317</b>	397,318,532
<b>NET ASSETS</b>		<b>90,223,883</b>	111,682,252
<b>FINANCED BY</b>			
<b>Authorised share capital</b>			
100,000,000 (2018: 100,000,000) ordinary shares of Rs. 10 each		<b>1,000,000,000</b>	1,000,000,000
<b>Issued, subscribed and paid-up capital</b>			
Reserves		<b>320,000,000</b>	320,000,000
Accumulated ( Loss )		<b>48,466,329</b>	48,466,329
<b>Total shareholder's equity</b>		<b>(278,242,446)</b>	(256,784,077)
<b>Total shareholder's equity</b>		<b>90,223,883</b>	111,682,252
Contingencies and commitments	10		

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

  
**Bilal Mustafa**  
Director

  
**M. Shahzad**  
Chief Financial Officer

  
**Abdul Waseem**  
Chief Executive Officer

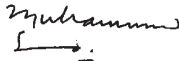
## Condensed Interim Statement of Profit or Loss - Unaudited


For the nine months period ended September 30, 2019

	Note	Nine months period ended		Three Months period ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
..... Rupees .....					
<b>REVENUE</b>					
Income from operations	11	<b>20,149,149</b>	23,652,467	<b>6,681,019</b>	8,068,232
Other operating income	12	<b>80,147</b>	259,465	<b>26,400</b>	35,564
Total revenue		<b>20,229,296</b>	23,911,932	<b>6,707,419</b>	8,103,796
<b>EXPENSES</b>					
Administrative	13	<b>31,092,723</b>	32,367,891	<b>10,274,960</b>	10,539,473
Finance cost	14	<b>14,236,571</b>	10,667,638	<b>5,465,191</b>	3,634,198
Total expenses		<b>45,329,294</b>	43,035,529	<b>15,740,151</b>	14,173,671
Operating (loss) before provisions		<b>(25,099,998)</b>	(19,123,597)	<b>(9,032,732)</b>	(6,069,875)
<b>(REVERSAL) / PROVISIONS</b>					
(Reversal) for potential lease losses		<b>(2,837,506)</b>	(4,812,476)	<b>(350,455)</b>	(771,038)
(Reversal) for loans and receivables		<b>(1,042,158)</b>	(19,517)	<b>(871,823)</b>	(19,031)
Total (Reversal)		<b>(3,879,664)</b>	(4,831,993)	<b>(1,222,278)</b>	(790,069)
<b>(Loss) / Gain before taxation</b>		<b>(21,220,334)</b>	(14,291,604)	<b>(7,810,454)</b>	(5,279,806)
<b>TAXATION</b>	15	<b>235,466</b>	268,329	<b>73,936</b>	96,000
<b>(Loss) for the period</b>		<b>(21,455,800)</b>	(14,559,933)	<b>(7,884,390)</b>	(5,375,806)
<b>(Loss) per share - basic and diluted</b>		<b>(0.67)</b>	(0.45)	<b>(0.25)</b>	(0.17)

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.


  
**Bilal Mustafa**  
 Director


  
**M. Shahzad**  
 Chief Financial Officer


  
**Abdul Waseem**  
 Chief Executive Officer



**Condensed Interim Statement of Comprehensive Income - Unaudited**

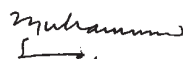
For the nine months period ended September 30, 2019

Note	Nine months period ended		Three Months period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	..... Rupees .....			
<b>(Loss) for the period</b>	<b>(21,455,800)</b>	(14,559,933)	<b>(7,884,390)</b>	(5,375,806)
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive (Loss) for the period</b>	<b>(21,455,800)</b>	(14,559,933)	<b>(7,884,390)</b>	(5,375,806)


The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



**Bilal Mustafa**  
Director



**M. Shahzad**  
Chief Financial Officer



**Abdul Waseem**  
Chief Executive Officer

## Condensed Interim Statement of Cash Flows - Unaudited

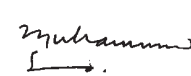
For the nine months period ended September 30, 2019

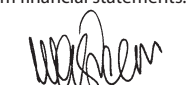
Note	September 30, 2019	September 30, 2018
	Rupees .....	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before Tax	<b>(21,220,334)</b>	(14,291,604)
<b>Adjustment for :</b>		
-- Depreciation and Amortization	<b>647,609</b>	1,208,550
-- Gratuity expense	<b>200,000</b>	446,717
-- Finance Cost	<b>14,210,104</b>	10,667,638
-- Profit on Bank accounts / return on investment	<b>(69,340)</b>	(97,787)
-- Financial charges on leased assets	<b>23,898</b>	-
-- (Gain) on disposal of property and equipment	<b>(2,500)</b>	(161,678)
-- Provision for potential lease losses	<b>(2,837,506)</b>	(4,812,476)
-- Provision for loans and receivables	<b>(1,042,158)</b>	(19,517)
	<b>11,130,107</b>	7,231,447
<b>Cash generated/ (Consumed) from operations before working capital changes</b>	<b>(10,090,227)</b>	(7,060,157)
<b>Working capital changes</b>		
(Increase) / decrease in Operating assets		
-- Deposits, prepayments & Other receivables	<b>760,083</b>	(252,476)
-- Accrued interest on loan	<b>(93,747)</b>	(3,081)
-- Loans and advances	<b>(1,849,028)</b>	(200,970)
	<b>(1,182,692)</b>	(456,527)
<b>Increase / (Decrease) in current liabilities</b>		
-- Trade and other payables	<b>298,970</b>	163,166
-- Provision for compensated absences	<b>(428,515)</b>	423,873
	<b>(129,545)</b>	587,039
<b>Total Working capital changes</b>	<b>(1,312,237)</b>	130,512
<b>Cash generated from operations after working capital changes</b>	<b>(11,402,464)</b>	(6,929,645)
(Increase)/Decrease in loans and receivables	<b>2,636,964</b>	(6,304,984)
(Increase)/Decrease in net investment in leases	<b>9,217,481</b>	(20,118,104)
Financial charges paid	<b>(13,751,988)</b>	(10,305,660)
Income received	<b>69,340</b>	97,787
Gratuity paid	<b>(2,196,702)</b>	290,796
Obligation under Finance Lease	<b>1,480,434</b>	-
Taxes paid	<b>(270,510)</b>	(273,843)
Long term deposits received / (paid)	<b>6,735,996</b>	15,649,026
	<b>3,921,015</b>	(20,964,982)
Long term deposits & prepayments		
Net cash used in operating activities	<b>(7,481,449)</b>	(27,894,627)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	<b>(234,510)</b>	(75,295)
Long term deposits & prepayments	<b>(1,626,708)</b>	339,463
Proceeds from disposal of fixed Assets	<b>2,500</b>	162,990
Net cash from / (used-in) investing activities	<b>(1,858,718)</b>	427,158
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Lease rentals paid	<b>56,982</b>	-
Net cash from financing activities	<b>56,982</b>	-
Net increase / (decrease) in cash and cash equivalents	<b>(9,283,185)</b>	(27,467,469)
Cash and cash equivalents at beginning of the year	<b>(135,425,605)</b>	(108,449,079)
Cash and cash equivalents at end of the period	<b>(144,708,790)</b>	(135,916,548)

17

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.


  
**Bilal Mustafa**  
Director


  
**M. Shahzad**  
Chief Financial Officer


  
**Abdul Waseem**  
Chief Executive Officer

## Condensed Interim Statement of Changes In Equity

For the nine months period ended September 30, 2019

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

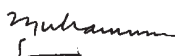
----- Rupees -----

Balance as at January 01, 2018 - Audited	320,000,000	10,000,000	28,019,277	10,447,052	(235,215,727)	133,250,602
(Loss) after Taxation	-	-	-	-	(14,559,933)	(14,559,933)
Balance as at September 30, 2018 - Un-audited	320,000,000	10,000,000	28,019,277	10,447,052	(249,775,660)	118,690,669
<b>Balance as at January 01, 2019</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>28,019,277</b>	<b>10,447,052</b>	<b>(256,786,646)</b>	<b>111,679,683</b>
<b>(Loss) after Taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,455,800)</b>	<b>(21,455,800)</b>
<b>Balance as at September 30, 2019</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>28,019,277</b>	<b>10,447,052</b>	<b>(278,242,446)</b>	<b>90,223,883</b>


The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



**Bilal Mustafa**  
Director



**M. Shahzad**  
Chief Financial Officer



**Abdul Waseem**  
Chief Executive Officer

## Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended September 30, 2019

### 1. THE COMPANY AND ITS OPERATIONS

SME Leasing Limited (the Company) was incorporated in Pakistan on July 12, 2002 as an unlisted public company and acquired the status of a listed company on December 13, 2006. The Company is a subsidiary of SME Bank Limited (the Parent Company), which holds 73.14% (December 31, 2018: 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 formerly Lahore 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 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 complied with said requirement of NBFC Regulations 2008. The PACRA Credit Rating Agency has assigned a long term rating of B (2018: B+) and a short term rating of B (2018: B) to the Company in the month of September 2018.

- 1.2** The Company has been incurring losses since year ended December 31, 2009 which has resulted in erosion of equity. During the period ended September 30, 2019, the Company has incurred a loss of Rs. 21.456 million (September 30, 2018: Rs. 14.559 million) which has further increased accumulated losses to Rs. 278.242 million (December 31, 2018: Rs. 256.784 million) as at the year end. Further, the net assets of the Company amounting to Rs. 90.224 million (December 31, 2018: Rs. 111.682 million) includes non-performing leases and loans and finances, net of provisions of Rs. 124.778 million (December 31, 2018: Rs. 131.791 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, the Parent Company has applied for relaxation of the aforesaid requirement in respect of its financing to the Company by State Bank of Pakistan vide its letter SMEBL: HO: CFO: 2018/1230/3856, which has expired on June 2018. However extension of the exemption is currently in progress.

The above 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 financial statements have been prepared on going concern basis considering the factors mentioned below:

- The Parent Company has granted a short term running finance facility to the Company amounting to Rs. 150 million out of which Rs. 146.313 million has been utilized as at September 30, 2019 (Dec 31, 2018: Rs. 141.556 million). The said facility can be extended to the extent of Rs. 300 million as per the stand-by agreement for finance facility. Parent company has applied for relaxation to the State Bank of Pakistan from the requirements of related party exposure limits in order to continue its support towards the Company. Further, the Parent Company has been in the list of privatization by Government of Pakistan. Upon successful completion of privatization of the Parent Company, the majority shareholding in SME Leasing Limited will be taken over by the acquirer of SME Bank.
- The management of the Company has prepared cash flow projections which reflect that based on financial support by the parent company the Company will be able to continue its business on going concern basis in the foreseeable future.
- Concerted efforts are being made for the recovery of non-performing leases and loans and finances and in this respect during the period Rs. 14.12 million (Dec 31, 2018: Rs. 21.748 million) has been recovered.

## Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended September 30, 2019

- Efforts are also 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 profitable operations in the foreseeable future and therefore, has prepared the financial statements on going concern basis."

### 2. BASIS OF PREPARATION

#### 2.1. STATEMENT OF COMPLIANCE

These condensed interim financial information of the Company for the six months period ended June 30, 2019 have been prepared in accordance with the requirement of the International Accounting Standard 34 - Interim Financial Reporting and provision of and directives issued under the Companies Act 2017, 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). 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 information does not include all the disclosures required in the annual financial statements. Accordingly, the condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018."

### 3. ACCOUNTING POLICIES

The accounting policies and methods of computations followed for the preparation of these accounts are same as those applied in preparing the annual accounts for the year ended December 31, 2018.

### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. However, actual results may differ from these 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 were the same as applied to the financial statements of the Company for the year ended December 31, 2018 with the exception to the following :

"The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. However, actual results may differ from these 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 were the same as applied to the financial statements of the Company for the year ended December 31, 2018 with the exception to the following :"

#### IFRS 16 "Leases"

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

## Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended September 30, 2019

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has applied the cost model to right-of use assets, except for those assets that meet the definition of investment property. Alternatively, the Company may elect to apply the revaluation model in IAS 16 to right-of-use assets, if it applies the revaluation model to the class of property and equipment that the right-of-use assets relate to.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Impact, of the amounts recognised by the Company in these condensed interim financial information for the nine months period ended September 30, 2019, are considered immaterial and hence, not reflected in these condensed interim financial statements. These shall be considered for an annual financial statements.

Note	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
<b>5. CASH AND BANK BALANCES</b>	..... Rupees .....	
With State Bank of Pakistan in current account	<b>6,282</b>	21,642
With banks:		
in current accounts	<b>1,450,018</b>	5,955,850
in saving accounts	<b>81,616</b>	86,531
	<b>66,412</b>	66,412
	<b>1,604,328</b>	6,130,435
<b>6. LONG TERM FINANCES AND LOANS</b>		
Related Parties - Considered good		
Employees	<b>1,206,965</b>	1,504,534
Customers: Considered good	<b>27,445,025</b>	27,211,350
Considered doubtful	<b>60,426,121</b>	62,999,191
	<b>87,871,146</b>	90,210,541
<b>Less: Provision</b>	<b>(9,672,353)</b>	(10,714,513)
	<b>78,198,793</b>	79,496,028
	<b>79,405,758</b>	81,000,562
<b>Less: Current maturity</b>		
Related parties - Employees	<b>(210,000)</b>	(429,377)
Other than Related parties - Customers	<b>(18,997,513)</b>	(15,180,654)
	<b>(19,207,513)</b>	(15,610,031)
	<b>60,198,245</b>	65,390,531

## Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended September 30, 2019

	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
<b>7. NET INVESTMENT IN LEASES</b>	..... Rupees .....	
Minimum lease payments receivable	<b>372,530,731</b>	391,364,518
Add: Residual value of leased assets	<b>237,270,781</b>	230,534,781
Lease contract receivable	<b>609,801,512</b>	621,899,299
Less: Unearned lease income	<b>67,744,795</b>	(70,625,101)
Less: Provision for potential lease losses	<b>137,024,801</b>	(139,862,307)
	<b>204,769,596</b>	(210,487,408)
Net investment in leases	<b>405,031,916</b>	411,411,891
Less: Current maturity of net investment in leases	<b>135,503,787</b>	138,081,895
Net investment in leases	<b>269,528,129</b>	273,329,996

### 7.1 Net investment in leases

Particulars	September 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	Not later than One year	Later than one year & less than Five years	Total	Not later than One year	Later than one year & less than Five years	Total
	..... Rupees .....					
Minimum Lease payments	<b>94,055,447</b>	<b>278,475,284</b>	<b>372,530,731</b>	291,883,192	99,481,326	391,364,518
Add : Residual Value of Leased Assets	<b>51,635,417</b>	<b>185,635,364</b>	<b>237,270,781</b>	179,200,619	51,334,162	230,534,781
Gross Investment in Leases	<b>145,690,864</b>	<b>464,110,648</b>	<b>609,801,512</b>	471,083,811	150,815,488	621,899,299
Unearned lease Income	<b>(10,187,077)</b>	<b>(7,744,790)</b>	<b>(17,931,867)</b>	(6,907,125)	(12,733,593)	(19,640,718)
Markup held in Suspense Account	<b>-</b>	<b>(49,812,928)</b>	<b>(49,812,928)</b>	(50,984,383)	-	(50,984,383)
	<b>(10,187,077)</b>	<b>(57,557,718)</b>	<b>(67,744,795)</b>	(57,891,508)	(12,733,593)	(70,625,101)
	<b>135,503,787</b>	<b>406,552,930</b>	<b>542,056,717</b>	413,192,303	138,081,895	551,274,198
Provision for potential lease losses	<b>-</b>	<b>(137,024,801)</b>	<b>(137,024,801)</b>	(139,862,307)	-	(139,862,307)
Net Investment in Finance leases	<b>135,503,787</b>	<b>269,528,129</b>	<b>405,031,916</b>	273,329,996	138,081,895	411,411,891

### 8. Property and equipments

	September 30, 2019 (Un-Audited)	December 31, 2018 (Audited)
	..... Rupees .....	
Fixed Assets	<b>4,663,710</b>	4,998,971
Intangible Assets	<b>-</b>	77,838
	<b>4,663,710</b>	5,076,809

## Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended September 30, 2019

The following is the detail of additions / disposals in the operating assets during the current period.

	September 30, 2019 (Un-audited)		December 31, 2018 Audited	
	Additions	Deletions	Additions	Deletions
	Rupees .....			
<b>Owned</b>				
Computers	15,000	(18,900)	7,956	(20,000)
Office equipment & others	219,510	-	76,439	-
Vehicles	-	-	-	(1,549,900)
	<u>234,510</u>	<u>(18,900)</u>	<u>84,395</u>	<u>(1,569,900)</u>

	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		Rupees .....
<b>9. Current Maturity of Non-Current Liabilities</b>		
Long term finances	373,233	373,233
Liabilities against assets subject to finance lease	1,537,416	-
Long term deposits	51,635,417	51,334,162
	<u>53,546,066</u>	<u>51,707,395</u>
<b>10 CONTINGENCIES AND COMMITMENTS</b>		
Lease disbursements	<u>20,350,000</u>	<u>8,624,950</u>

	Nine months period ended		Three Months period ended	
	(Un-Audited) September 30, 2019	(Un-Audited) September 30, 2018	(Un-Audited) September 30, 2019	(Un-Audited) September 30, 2018
	(Rupees) .....			
<b>11 INCOME FROM OPERATIONS</b>				
Income from finance lease operations	14,960,786	20,457,755	4,536,952	6,971,685
Gain/(Loss) on termination of leases	-	-	-	-
	<u>14,960,786</u>	<u>20,457,755</u>	<u>4,536,952</u>	<u>6,971,685</u>
Income on finances and loans to Customers	5,188,363	3,194,712	2,144,067	1,096,547
	<u>20,149,149</u>	<u>23,652,467</u>	<u>6,681,019</u>	<u>8,068,232</u>
<b>12 OTHER OPERATING INCOME</b>				
Income from Investments	-	2,788	-	-
Income from financial assets	69,340	86,555	18,093	28,120
Other Income	8,307	8,444	8,307	8,444
Gain from non-financial assets	2,500	161,678	-	-
	<u>80,147</u>	<u>259,465</u>	<u>26,400</u>	<u>36,564</u>



## Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended September 30, 2019

	Nine months period ended		Three Months period ended	
	(Un-Audited) September 30, 2019	(Un-Audited) September 30, 2018	(Un-Audited) September 30, 2019	(Un-Audited) September 30, 2018
----- (Rupees) -----				
<b>13 ADMINISTRATIVE &amp; SELLING EXPENSES</b>				
Salaries, allowances and other benefits	19,384,615	20,104,411	6,338,643	6,780,745
Directors' fee	495,000	570,000	155,000	170,000
Rent	2,841,179	2,404,212	944,280	736,696
Electricity, gas and water	720,350	735,849	354,213	327,836
Telephone and postage	690,596	735,496	205,874	276,351
Repairs and maintenance	374,828	340,637	147,268	120,279
Books and periodicals	52,487	32,666	25,040	10,874
Vehicle running	357,106	213,866	54,527	89,040
Advertising	197,376	248,187	-	8,187
Training and development	303,000	19,500	303,000	-
Travelling, conveyance and entertainment	1,193,141	1,282,511	377,196	484,160
Printing and stationery	453,651	619,824	170,052	192,224
Auditors' remuneration	104,885	82,100	25,360	25,600
Depreciation and amortization	647,609	1,208,550	178,670	403,271
Legal and professional	1,990,975	2,564,824	597,989	530,542
Insurance	713,559	778,670	243,866	265,890
Miscellaneous	572,366	426,588	153,982	117,778
	<b>31,092,723</b>	<b>32,367,891</b>	<b>10,274,960</b>	<b>10,539,473</b>
<b>14 FINANCE COST</b>				
Mark-up on Short term borrowings	14,085,354	10,567,772	5,436,570	3,619,148
Lease finance charges	23,898	-	23,898	-
Bank charges	127,319	99,866	4,723	15,050
	<b>14,236,571</b>	<b>10,667,638</b>	<b>5,465,191</b>	<b>3,634,198</b>
<b>Finance cost includes mark up expense related to SME Bank Limited, related party:</b>				
Short term borrowings	14,085,354	10,567,772	5,436,570	3,619,148
	<b>14,085,354</b>	<b>10,567,772</b>	<b>5,436,570</b>	<b>3,619,148</b>

Note	September 30, 2019		September 30, 2018	
	Un-Audited	Un-Audited	Un-Audited	Un-Audited
..... Rupees .....				
<b>15. Taxation</b>				
Current Tax				
- Minimum Tax U/S 113.		235,466		268,329

## Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended September 30, 2019

### 16 TRANSACTIONS WITH RELATED PARTIES

The related parties of the company include SME Bank Limited (holding company), Staff Provident fund, directors, key management personnel and companies in which directors are common or a hold office. Transactions with SME Bank Limited, directors and key management personnel are disclosed in their relevant notes. Transactions with other related parties and the balances outstanding at the year end are given below:

September 30, 2019 (Un-Audited)		December 31, 2018 (Audited)	
Key Management Personnel (Un-audited)	SME Bank Limited	Key Management Personnel (Audited)	SME Bank Limited

Rupees .....

#### Borrowings

Closing Balance	-	146,313,118	-	141,556,042
-----------------	---	-------------	---	-------------

	September 30, 2019 (Un-Audited)		September 30, 2018 (Un-Audited)	
--	---------------------------------	--	---------------------------------	--

Markup expense for the period	-	14,085,354	-	10,567,772
Rent expenses	-	407,237	-	317,466
Key Management Remuneration	3,962,171	-	5,986,260	-
P. F. - Company's Contribution	4,640	-	38,448	-

All transactions with the holding company are carried out on commercial terms and on arms length.

September 30, 2019 (Un-audited)	September 30, 2018 (Un-audited)
---------------------------------	---------------------------------

Rupees .....

### 17 CASH AND CASH EQUIVALENTS

Cash and bank balances	1,604,328	1,792,525
Short term borrowings	(146,313,118)	(137,709,073)
	(144,708,790)	(135,916,548)

### 18 SEGMENTAL INFORMATION.

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

The company's reportable segments under IFRS 8 are therefore finance lease, loans and receivables, and investments. Other operations, which are not deemed by the management to be significant to disclose as separate items are reported under Others.

## Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended September 30, 2019

Particulars	September 30, 2019				Total
	Finance Lease	Loans and Receivable	Investment	Others	
Segment Revenue	14,960,786	5,188,363	-	80,147	<b>20,229,296</b>
Segment Profit	17,798,292	6,230,521	-	80,147	<b>24,108,960</b>
Segment Result	24,108,960				
<b>Unallocated Cost</b>					
Finance Cost					14,236,571
Administrative & selling expenses					<u>31,092,723</u>
					45,329,294
<b>Profit / (Loss) before Income Tax</b>					(21,220,334)
Income Tax Expense					(235,466)
<b>Profit / Loss for the year</b>					<u>(21,455,800)</u>
<b>Other Information</b>					
Segment Assets	405,031,916	78,198,793	-	-	483,230,709
Unallocated Assets	-	-	-	15,665,491	<u>15,665,491</u>
<b>Total Assets</b>					<u>498,896,200</u>
Segment Liabilities	240,692,430	-	-	-	240,692,430
Unallocated Liabilities				167,979,887	<u>167,979,887</u>
<b>Total Liabilities</b>					<u>408,672,317</u>
<b>Net Assets</b>					<u>90,223,883</u>
<b>Capital Expenditure</b>				234,510	<u>234,510</u>

## Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended September 30, 2019

Particulars	September 30, 2018				Total
	Finance Lease	Loans and Receivable	Investment	Others	
Segment Revenue	20,457,755	3,194,712	-	259,465	<b>23,911,932</b>
Segment Profit	25,270,231	3,214,229	-	259,465	<b>28,743,925</b>
Segment Result	28,743,925				
Unallocated Cost					
Finance Cost					<b>10,667,638</b>
Administrative & selling expenses					<b>32,367,891</b>
					<b>43,035,529</b>
Loss before Taxation					<b>(14,291,604)</b>
Taxation					<b>(268,329)</b>
( Loss ) for the year after Taxation					<b>(14,559,933)</b>

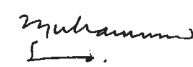
Particulars	December 31, 2018				Total
	Finance Lease	Loans and Receivable	Investment	Others	
<b>Other Information</b>					
Segment Assets	411,411,892	79,496,028	-	-	<b>490,907,920</b>
Unallocated Assets	-	-	-	18,095,434	<b>18,095,434</b>
<b>Total Assets</b>					<b>509,003,354</b>
Segment Liabilities	233,430,517	-	-	-	<b>233,430,517</b>
Unallocated Liabilities				163,890,585	<b>163,890,585</b>
<b>Total Liabilities</b>					<b>397,321,102</b>
<b>Net Assets</b>					<b>111,682,252</b>
<b>Capital Expenditure</b>				84,395	<b>84,395</b>

### 19. DATE OF AUTHORISATION FOR ISSUE


These financial statements were authorized for issue on October 23, 2019 by the Board of Directors of the Company.



**Bilal Mustafa**  
Director



**M. Shahzad**  
Chief Financial Officer



**Abdul Waseem**  
Chief Executive Officer

## Branch Network

### KARACHI

#### **Main Branch:**

Office # 304, 3rd Floor, Business Arcade,  
Shahra-e-Faisal, Karachi.  
Phone No. 92-21-34322128-9 Fax: 92-21-34322082

### HYDERABAD

M-06, Mezzanine Floor, Rabi Shopping Centre,  
Cantonment Area, Saddar.  
Phone: 022-9200747, Fax: 022-9201060

### LAHORE

Office No. 805, 8th Floor, Al-Hafeez Heights,  
65-D-A, Sir Syed/Ghalib Road, Gulberg III, Lahore.  
Phone: 042-35750149, 35751660  
Fax: 042-35751661

### ISLAMABAD

Office No. 15, 2nd Floor, Rehmat Centre, I-8 Markaz.  
Phone: 051-9257524, Fax: 051-9257520

### SIALKOT

Chowk Shahab Pura, City Bazar, Street No. 3, Shop No. 195,  
Opposite Sahab Marriage Hall, Sialkot.  
Phone: 052-3572136

### PESHAWAR

34, Ground Floor, State Life Building, The Mall, Peshawar Cantt.  
Phone: 091-9211683, Fax: 091-9211683



**SME Leasing Limited**  
(A subsidiary of SME Bank Ltd.)

Office No. 304, 3rd Floor, Business Arcade, Shakra-e-Faisal, Karachi  
Phone No. +92-21-34322128-9 Fax No. +92-21-34322082