

SME Leasing Limited
Half Yearly Report 30 June 2022

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Javed Mehmood, Chairman
Mr. Dilshad Ali Ahmad
Mr. Tahir Saeed Effendi
Mr. Muhammad Mubeen Mufti
Mr. Bilal Mohy Ud Din
Ms. Darakhshan Sheikh Vohra
Mr. Asghar Maqsood *

** Approval from the SECP is in process*

CHIEF EXECUTIVE OFFICER

Mr. Asghar Maqsood

AUDIT COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Muhammad Mubeen Mufti
Mr. Bilal Mohy Ud Din

RISK MANAGEMENT COMMITTEE

Mr. Javed Mehmood, Chairman
Mr. Muhammad Mubeen Mufti
Mr. Bilal Mohy Ud Din
Ms. Darakhshan Sheikh Vohra

HUMAN RESOURCE COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Dilshad Ali Ahmad
Mr. Muhammad Mubeen Mufti
Mr. Asghar Maqsood

PROCUREMENT COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Dilshad Ali Ahmad
Mr. Bilal Mohy Ud Din

NOMINATION COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Dilshad Ali Ahmad
Mr. Muhammad Mubeen Mufti

COMPANY SECRETARY & CFO

Mr. M Shahzad

EXTERNAL AUDITORS

BDO Ebrahim & Co, Chartered Accountants

INTERNAL AUDITOR (ACTING)

Syed Muhammad Khurram Ali

TAX CONSULTANTS

EY Ford Rhodes, Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Co., Advocate & Legal Consultant

CREDIT RATING

Long Term: B- (B Minus) Short Term: A4

REGISTERED OFFICE

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

MAIN OFFICE

Office No.304, 3rd Floor, Business Arcade, Shakra-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

SME Bank Limited
Meezan Bank Limited

Directors' Review Report

The Board of directors of SME Leasing Limited (the Company) is pleased to present the unaudited condensed interim financial statements for the period ended June 30, 2022.

The Company remained focused on recoveries from Non-performing loans (NPLs) and enhancing its performing portfolio by writing fresh new business. During the period under review, the Company wrote a new business of Rs 14.083 Million, while total recoveries from the portfolio aggregated to Rs 41.667 Million.

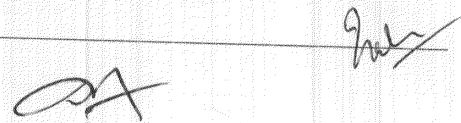
The Company continued to follow up for early settlements of NPLs through legal processes and negotiations. As a result, provisions for non-performing portfolio recorded a net reversal of Rupees 24.384 million. The revenues recorded an increase of Rupees 2.971 million compared to last year's corresponding period. The administrative expenses recorded an increase of Rs 1.878 million due to inflation. Financial charges increase by 1.163 million due to an increase in the financing rate. The loss after tax during the period under review was Rs. 1.746 Million compared to a loss of Rs. 5.721 Million in the corresponding period last year. The funding constraint remained a significant obstacle in converting the Company into a profit-making institution.

The Company's Net equity amounted to Rs 4.789 Million as of June 30, 2022, against the minimum prescribed equity requirement of Rs.50 million for non-deposit taking leasing companies. The current liabilities decreased by Rs. 4.122 million, and non-current liabilities decreased by Rs 6.389 million, whereas the total assets recorded a net decrease of Rs. 12.258 Million. The Company would continue the efforts for recoveries from the portfolio and explore new funding avenues.

On April 06 2022, PACRA maintained the entity ratings of the Company, which are as under:

- Long-term "B-"
- Short-term "A4"
- Outlook Negative

Regarding the privatisation of the Parent Company, SME Bank Limited (Bank) and its Subsidiary, the Cabinet Committee on Privatisation (CCOP) approved the new privatisation 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 the lack of interest from prospective investors, the Board of

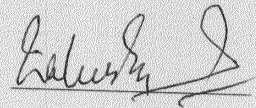


Privatisation Commission, in its meeting held on November 25, 2021, has recommended the delisting of SME Bank Limited from the list of privatisations. The Financial Adviser (FA) of the Privatisation Commission asserted that despite all efforts and iterative interactions with the pre-qualified bidders to date, positive feedback from the pre-qualified bidders is not forthcoming and owing to the deteriorating financial position of the Bank, the FA recommended shelving the Transaction. The recommendation of the Board of Privatisation was presented to the CCOP in its meeting held on December 31, 2021, where the CCOP decided to ascertain the way forward for the Bank before delisting from the list of privatisation; and, in this regard, constituted a committee consisting of Deputy Governor SBP, Secretary Finance, Secretary Privatisation Commission, Chairman SECP and Minister of Finance.

The Board recognises and appreciates the continued support of all stakeholders.



Asghar Maqsood
Chief Executive Officer



Director

Dated: December 29, 2022

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **SME LEASING LIMITED** ("the Company") as at June 30, 2022 and the related condensed interim statement of profit or loss, the condensed interim statement of comprehensive income, the condensed interim statement of cash flows, the condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after referred as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting.

-Emphasis of matter

Without modifying our conclusion, we draw attention to the following:

- a) Note 1.2 to the condensed interim financial statements which fully explain the status of the application filed with the Securities and Exchange Commission of Pakistan for renewal of license to operate as a leasing company;
- b) Note 1.3 to the condensed interim financial statements which indicate that the Company unable to maintain minimum equity requirement; and
- c) Note 1.4 to the condensed interim financial statements which indicates that the Company has reported a loss of Rs. 1.746 million (June 30, 2021: loss of Rs. 5.721 million) which has increased accumulated losses to Rs. 363.677 million (December 31, 2021: Rs. 361.931 million) as at period ended June 30, 2022.

- d) Note 1.5 to the condensed interim financial statements which explains the status of privatization program of the Company and its Parent Company in the Cabinet Commission on Privatization (CCP).

These conditions, along with the other matters as set forth in the above referred note indicate the existence a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Other matters


The figures for the quarters ended June 30, 2022 and June 30, 2021 in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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

KARACHI

DATED: 29 DEC 2022

UDIN: [RR202210067GhYsLitqk](https://www.udin.gov.pk/)



BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

SME LEASING LIMITED
 CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
 AS AT JUNE 30, 2022

| | | June 30, 2022 (Un-Audited) | December 31, 2021 (Audited) |
|---|------|----------------------------------|-----------------------------------|
| | Note | Rupees ----- | |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property and equipment | 6 | 3,222,382 | 3,340,157 |
| Right-of-use assets | 7 | 5,222,764 | 6,697,288 |
| Intangible assets | 8 | - | - |
| Net investment in finance leases | 9 | 216,773,903 | 177,323,371 |
| Long term finances and loans - secured | 10 | 40,415,178 | 43,914,041 |
| Long term loans to employees - secured | 11 | 271,205 | 341,921 |
| Long term deposits and prepayments | 12 | 787,222 | 787,222 |
| | | 266,692,654 | 232,406,000 |
| CURRENT ASSETS | | | |
| Advances | 13 | 3,164,526 | 2,779,957 |
| Prepayments and other receivables | 14 | 1,605,557 | 749,393 |
| Current maturity of non current assets | 15 | 62,089,399 | 107,452,416 |
| Cash and bank balances | 16 | 735,488 | 3,157,864 |
| | | 67,594,970 | 114,139,630 |
| TOTAL ASSETS | | 334,287,624 | 346,545,630 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital 100,000,000 (2021: 100,000,000) Ordinary shares of Rs 10 each | | <u>1,000,000,000</u> | <u>1,000,000,000</u> |
| Issued, subscribed and paid-up capital 32,000,000 (2020: 32,000,000) Ordinary shares of Rs 10 each | | 320,000,000 | 320,000,000 |
| Capital reserves | | 38,019,277 | 38,019,277 |
| | | 358,019,277 | 358,019,277 |
| REVENUE RESERVES | | | |
| Reserve against future losses | | 10,447,052 | 10,447,052 |
| Accumulated losses | | (363,677,322) | (361,930,933) |
| | | (353,230,270) | (351,483,881) |
| | | 4,789,007 | 6,535,396 |
| NON CURRENT LIABILITIES | | | |
| Liabilities against assets subject to finance lease | | 2,171,924 | 4,020,884 |
| Long-term deposits | 17 | 125,158,295 | 130,202,795 |
| Defined benefit obligation | | 10,268,667 | 9,764,513 |
| | | 137,598,886 | 143,988,192 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 3,020,989 | 2,736,096 |
| Mark-up accrued on borrowings | | 5,763,516 | 4,209,212 |
| Short term borrowings - secured | 18 | 140,254,021 | 137,183,616 |
| Current maturity of non-current liabilities | 19 | 35,448,992 | 44,918,469 |
| Current maturity of liabilities against assets subject to finance lease | 17 | 3,675,631 | 3,594,336 |
| Provision for compensated absences | | 3,423,722 | 3,045,411 |
| Taxation - net | | 312,860 | 334,002 |
| | | 191,899,731 | 196,022,042 |
| TOTAL EQUITY AND LIABILITIES | | 334,287,624 | 346,545,630 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 20 | | |

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 JUNE 30, 2022

| | Note | Half Year Ended | | Quarter Ended | |
|---|------|---------------------|---------------------|---------------------|---------------------|
| | | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| -----Rupees----- | | | | | |
| REVENUE | | | | | |
| Finance leases | | 3,561,894 | 3,731,016 | 1,915,994 | 645,513 |
| Finance and loans | | 5,157,432 | 2,010,576 | 938,857 | 939,520 |
| Other income | 21 | 18,213 | 24,643 | 8,555 | 12,664 |
| | | <u>8,737,539</u> | <u>5,766,235</u> | <u>2,863,406</u> | <u>1,597,697</u> |
| EXPENSES | | | | | |
| Administrative and general expenses | 22 | 24,434,917 | 22,557,499 | 9,840,479 | 12,742,056 |
| Finance cost | 23 | 10,323,639 | 9,160,915 | 6,130,933 | 4,873,687 |
| | | <u>34,758,556</u> | <u>31,718,414</u> | <u>15,971,412</u> | <u>17,615,743</u> |
| Operating loss before reversal | | <u>(26,021,017)</u> | <u>(25,952,179)</u> | <u>(13,108,006)</u> | <u>(16,018,046)</u> |
| Reversal / (Provision) for potential lease losses | | 23,048,025 | 10,110,154 | 20,898,345 | (3,540,914) |
| Reversal of income tax provision | | - | 7,979,392 | - | 7,979,392 |
| Credit losses on loans and receivables reversal | | 1,335,822 | 2,213,373 | 535,447 | (154,329) |
| | | <u>24,383,847</u> | <u>20,302,919</u> | <u>21,433,792</u> | <u>4,284,149</u> |
| (Loss) / profit for the period before taxation | | <u>(1,637,170)</u> | <u>(5,649,260)</u> | <u>8,325,786</u> | <u>(11,733,897)</u> |
| Taxation | 24 | 109,219 | 71,770 | 35,792 | 9,422 |
| NET(LOSS) / PROFIT FOR THE PERIOD | | <u>(1,746,389)</u> | <u>(5,721,030)</u> | <u>8,289,994</u> | <u>(11,743,319)</u> |
| (Loss) / earning per share - basic and diluted | 25 | (0.05) | (0.18) | 0.26 | (0.37) |

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 JUNE 30, 2022

| | Half Year Ended | | Quarter Ended | |
|--|--------------------|--------------------|------------------|---------------------|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| | -----Rupees----- | | | |
| Net(loss) / profit for the period | (1,746,389) | (5,721,030) | 8,289,994 | (11,743,319) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive (loss) / income for the period | <u>(1,746,389)</u> | <u>(5,721,030)</u> | <u>8,289,994</u> | <u>(11,743,319)</u> |

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


 CHIEF EXECUTIVE OFFICER


 CHIEF FINANCIAL OFFICER

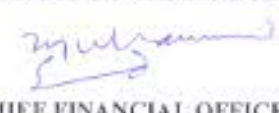

 DIRECTOR


SME LEASING LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2022

| | Note | Half year ended | |
|--|------|------------------|------------------|
| | | June 30, 2022 | June 30, 2021 |
| | | Rupees | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before taxation | | (1,637,170) | (5,649,260) |
| Adjustment for: | | | |
| Depreciation and amortization | 22 | 1,794,799 | 1,755,603 |
| Provision of gratuity | | 1,625,082 | 829,089 |
| Provision for compensated absences | | 1,219,530 | (923,318) |
| Finance cost | 23 | 10,323,639 | 9,160,915 |
| Interest income | 21 | (18,213) | (24,643) |
| Provision / (Reversal) for potential lease losses | | (23,048,025) | (10,110,154) |
| Reversal of income tax provision | | - | (7,979,392) |
| Provision / (Reversal) for credit losses on loans | | (1,335,822) | (2,213,373) |
| | | (9,439,010) | (7,658,637) |
| | | (11,076,180) | (13,307,897) |
| Decrease / (increase) in current assets: | | | |
| Net investment in finance leases | 9 | 28,471,754 | 31,586,234 |
| Long term finances and loans - secured | 10 | 5,269,812 | 1,357,382 |
| Long term loans to employees - secured | 11 | 126,345 | (204,757) |
| Prepayments and other receivables | 14 | (856,164) | 312,931 |
| Long term deposits and prepayments | 12 | - | 83,336 |
| Advances | 13 | (384,569) | 1,727,149 |
| | | 32,627,178 | 34,862,275 |
| (Decrease) / increase in current liabilities: | | | |
| Long term deposits | | (14,513,977) | (8,949,200) |
| Trade and other payables | | 284,893 | (348,868) |
| | | (14,229,084) | (9,298,068) |
| Cash generated from operations | | | |
| | | 7,321,914 | 12,256,310 |
| Financial charges paid | | (8,162,094) | (8,260,639) |
| Interest income received | | 18,213 | 24,643 |
| Gratuity paid | | (1,083,717) | (311,850) |
| Benefits paid | | (841,219) | (992,591) |
| Taxes paid | | (87,177) | (128,222) |
| | | (10,155,994) | (9,668,659) |
| Net cash (used in) / flows from operating activities | | (2,834,080) | 2,587,651 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to property and equipment | | (202,500) | (25,000) |
| Net cash used in investing activities | | (202,500) | (25,000) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease rentals paid | | (2,456,201) | (3,669,890) |
| Net cash used in financing activities | | (2,456,201) | (3,669,890) |
| Net decrease in cash and cash equivalents | | (5,492,781) | (1,107,239) |
| Cash and cash equivalents at beginning of the period | | (134,025,752) | (143,164,311) |
| Cash and cash equivalents at end of the period | 29 | (139,518,533) | (144,271,570) |

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 (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2022

| | Capital reserves | | | Revenue reserves | | Total shareholder equity |
|---------------------------------------|--|---------------|-------------------|-------------------------------|---------------------|--------------------------|
| | Issued, subscribed and paid-up capital | Share premium | Statutory reserve | Reserve against future losses | Unappropriated loss | |
| Balance at January 01, 2021 - audited | 320,000,000 | 10,000,000 | 28,019,277 | 10,447,052 | (348,905,989) | 19,560,340 |
| Loss for the period | - | - | - | - | (5,721,030) | (5,721,030) |
| Balance at June 30, 2021 | 320,000,000 | 10,000,000 | 28,019,277 | 10,447,052 | (354,627,019) | 13,839,310 |
| Balance at January 01, 2022 - audited | 320,000,000 | 10,000,000 | 28,019,277 | 10,447,052 | (361,930,933) | 6,535,396 |
| Loss for the period | - | - | - | - | (1,746,389) | (1,746,389) |
| Balance at June 30, 2022 - unaudited | 320,000,000 | 10,000,000 | 28,019,277 | 10,447,052 | (363,677,322) | 4,789,007 |

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 JUNE 30, 2022

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 Parent Company). 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 Pakistan Credit Rating Agency (PACRA) 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 application reference no. SMEL/MO/2019 dated April 16, 2019 and thereafter the company applied via application reference no. 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 release date of these condensed interim financial
- 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 The Company has been incurring losses since year ended December 31, 2009 which has resulted in erosion of equity. For the period ended June 30, 2022 the Company has reported a loss of Rs.1.746 million (December 31, 2021: Rs. 13.399 million) which has increased accumulated losses to Rs. 363.677 million (December 31, 2021: Rs. 361.931 million) as on June 30, 2022. Further, the net assets of the Company amounts to Rs. 4.789 million (December 31, 2021: Rs. 6.535 million). The Company has negative cash and cash equivalent of Rs.139.519 million (December 31, 2021: Rs.134.026 million) which comprise of running finance facility from SME Bank Limited and as of reporting date the Company's current liabilities exceed its current assets by Rs. 124.305 million (December 31, 2021: Rs. 81.882 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 2021, 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. 140.254 million has been utilized as at June 30, 2022 (December 31, 2021: Rs. 137.184 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 December 31, 2022 and the Parent 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.
- Concerted efforts are being made for the recovery of non performing leases and loans and finances and in this respect during the period ended June 30, 2022 Rs. 23.64 million (June 30, 2021: Rs. 19.328 million) has been recovered.
- Business development plan and budget are being made by the management to reduce the overall operational 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 the Board has approved the Revival plan of the Company's operations in its meeting held as on December 29, 2022. Therefore, the Company 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 (CCP) 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 the Bank, the FA recommended to shelve the Privatisation. Recommendation of the Board of Privatization was presented to the CCP in its meeting held on December 31, 2021, where the CCP 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 Committee has not yet met for any deliberation in this regard.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements of the Company for the six-months period ended June 30, 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, 2021.

2.2 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 material impact on the Company's operations and, therefore, have not been detailed in these condensed interim financial statements.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or will not have any material effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

2.4 Standards, amendments and interpretations to the published standards that are notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standard have been issued by the International Accounting Standards Board (IASB) which are notified by the SECP for the purpose of applicability in Pakistan.

| Standard or Interpretation | Effective Date (Annual on or after) |
|-----------------------------------|--|
| Financial Instruments - IFRS 9 | June 30, 2024 |

The SECP has issued S.R.O. 1827(I)/2022 and has extended the effective date for applicability of International Financial Reporting Standard - Financial Instruments (IFRS 9) in place of International Accounting Standard (IAS 39) (Financial Instruments: Recognition and Measurement) for Non-Banking Finance Companies from reporting period/year ending on or after June 30, 2024.

3 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.

4 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, 2021.

5 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, 2021.

| | | June 30, 2022 (Un-Audited) | December 31, 2021 (Audited) |
|---|---|----------------------------------|-----------------------------------|
| | Note | ----- Rupees ----- | |
| 6 | PROPERTY AND EQUIPMENT | | |
| Opening carrying amount as at January 01 | | 3,340,157 | 3,903,810 |
| Additions for the period / year | 6.1 | 202,500 | 163,413 |
| Depreciation charge for the period / year | | (320,275) | (727,066) |
| Closing carrying amount as at June 30 | | <u>3,222,382</u> | <u>3,340,157</u> |
| The following is the cost of additions to operating fixed assets during the period. | | | |
| 6.1 | Additions for the period | | |
| Furniture and fixtures | | - | 25,000 |
| Office equipment | | 127,000 | 47,513 |
| Computers | | 75,500 | - |
| Motor Vehicle | | - | 90,900 |
| | | <u>202,500</u> | <u>163,413</u> |
| 6.2 | During the reporting period the Company disposed off the assets having cost of Rs. 151,024 (Dec 31, 2021: 160,495) which are fully depreciated. | | |
| 7 | RIGHT-OF-USE ASSETS | | |
| Balance as at January 1 | | 6,697,288 | 7,770,109 |
| Additions during the period / year | | - | 1,795,000 |
| -Depreciation charged for the period / year | | (1,474,524) | (2,867,821) |
| | | <u>5,222,764</u> | <u>6,697,288</u> |
| 8 | INTANGIBLE ASSETS | | |
| Cost | | 1,507,142 | 1,507,142 |
| Accumulated amortization | | (1,507,142) | (1,507,142) |
| | | <u>-</u> | <u>-</u> |
| 9 | NET INVESTMENT IN FINANCE LEASES | | |
| Net investment in finance leases | 9.1 | 269,918,778 | 275,342,507 |
| Less: Current maturity of net investment in leases | | (53,144,875) | (98,019,136) |
| | | <u>216,773,903</u> | <u>177,323,371</u> |

9.1 Net investment in finance leases

| | June 30, 2022 (Un-audited) | | | December 31, 2021 (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 | 271,861,631 | 247,462,832 | 24,398,799 | 286,239,684 | 227,716,256 | 58,523,388 |
| Add: Residual value of leased assets | 160,233,491 | 125,158,295 | 35,075,196 | 174,748,031 | 130,202,795 | 44,545,236 |
| Gross investment in leases | 432,095,122 | 372,621,127 | 59,473,995 | 460,987,715 | 357,919,051 | 103,068,624 |
| Less: Unearned lease income | (8,746,507) | (2,908,563) | (6,329,120) | (8,728,447) | (3,678,959) | (5,049,488) |
| Less: Markup held in suspense account | (44,091,120) | (44,091,120) | - | (44,530,019) | (44,530,019) | - |
| | (52,837,627) | (46,999,683) | (6,329,120) | (53,258,466) | (48,208,978) | (5,049,488) |
| | 379,257,495 | 325,621,444 | 53,144,875 | 407,729,249 | 309,710,111 | 98,019,136 |
| Less: Provision for potential lease losses | (109,338,717) | (109,338,717) | - | (132,386,742) | (132,386,742) | - |
| Net investment in finance leases | 269,918,778 | 216,282,727 | 53,144,875 | 275,342,507 | 177,323,371 | 98,019,136 |

June 30, **December 31,**
2022 **2021**
(Un-Audited) **(Audited)**
Note **----- Rupees -----**

10 LONG TERM FINANCES AND LOANS - SECURED

| | | | |
|------------------------|----|-------------------|-------------------|
| Considered good | | 11,079,881 | 12,489,003 |
| -Considered doubtful | | 44,209,221 | 48,069,911 |
| | | 55,289,102 | 60,558,914 |
| Less: Provision | | (6,104,651) | (7,440,473) |
| | | 49,184,451 | 53,118,441 |
| Less: Current maturity | 15 | (8,769,273) | (9,204,400) |
| | | <u>40,415,178</u> | <u>43,914,041</u> |

11 LONG TERM LOAN TO EMPLOYEES - SECURED

| | | | |
|------------------------|----|----------------|----------------|
| Vehicle loan | | 446,456 | 572,801 |
| Less: Current Maturity | 15 | (175,251) | (228,880) |
| | | <u>271,205</u> | <u>343,921</u> |

12 LONG TERM DEPOSITS AND PREPAYMENTS

| | | | |
|----------------|--|----------------|----------------|
| Other deposits | | <u>787,222</u> | <u>787,222</u> |
|----------------|--|----------------|----------------|

| | | June 30, 2022 (Un-Audited) | December 31, 2021 (Audited) |
|-----------|---|----------------------------------|-----------------------------------|
| | Note | ----- Rupees ----- | |
| 13 | ADVANCES | | |
| | Considered good - unsecured | | |
| | Employees | 13.1 716,407 | 466,858 |
| | Legal advisors | 13.2 2,215,980 | 2,175,980 |
| | SBP deposit | 15,000 | 15,000 |
| | Others | 217,139 | 122,119 |
| | | <u>3,164,526</u> | <u>2,779,957</u> |
| 13.1 | 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. | | |
| 13.2 | This represents advance payments made to the legal advisors of the Company for handling cases on behalf of the Company. | | |
| 14 | PREPAYMENTS AND OTHER RECEIVABLES | | |
| | Prepayments | 1,540,557 | 622,659 |
| | Accrued interest on long term finances and loans | - | 61,734 |
| | Other receivable | 65,000 | 65,000 |
| | | <u>1,605,557</u> | <u>749,393</u> |
| 15 | CURRENT MATURITY OF NON CURRENT ASSETS | | |
| | Current maturity of: | | |
| | Net investments in finance lease | 9 53,144,875 | 98,019,136 |
| | Long term finances and loans | 10 8,769,273 | 9,204,400 |
| | Long term loans to employees | 11 175,251 | 228,880 |
| | | <u>62,089,399</u> | <u>107,452,416</u> |
| 16 | CASH AND BANK BALANCES | | |
| | Balances with banks in: | | |
| | in current accounts | 676,076 | 3,091,452 |
| | Cash in hand | 59,412 | 66,412 |
| | | <u>735,488</u> | <u>3,157,864</u> |

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | June 30, 2022 (Un-audited) | | December 31, 2021 (Audited) | |
|---|-------------------------------|---------------|--------------------------------|---------------|
| | Minimum lease payment | Present value | Minimum lease payment | Present value |
| | ----- Rupees ----- | | | |
| Upto one year | 4,399,468 | 3,675,631 | 4,535,365 | 3,594,336 |
| Later than one year but not later than five years | 2,210,144 | 2,171,941 | 4,376,388 | 4,020,884 |
| Total minimum lease payments | 6,609,612 | 5,847,572 | 8,911,753 | 7,615,220 |
| Less: Finance charges not due yet | (762,057) | - | (1,296,533) | - |
| Present value of minimum lease payments | 5,847,555 | 5,847,572 | 7,615,220 | 7,615,220 |
| Less: Current maturity | (3,675,631) | (3,675,631) | (3,594,336) | (3,594,336) |
| | 2,171,924 | 2,171,941 | 4,020,884 | 4,020,884 |

18 SHORT-TERM BORROWING - SECURED

The facility for short-term running finance available from SME Bank Limited amounting to Rs. 150 million (December 31, 2021: Rs. 150 million). Mark-up is payable at rate of 18.10% (December 31, 2021: from 11.35% to 11.65%) per annum. The finance are secured by way of hypothecation of the Company's leased assets and related receivables.

| | June 30, 2022 (Un-Audited) | December 31, 2021 (Audited) |
|------|----------------------------------|-----------------------------------|
| Note | ----- Rupees ----- | ----- Rupees ----- |

19 CURRENT MATURITY OF NON-CURRENT LIABILITIES

| | | | |
|--------------------|-----|-------------------|-------------------|
| Long term finance | | 373,233 | 373,233 |
| Long term deposits | 9.1 | 35,075,196 | 44,545,236 |
| | | <u>35,448,992</u> | <u>44,918,469</u> |

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

A suit has been filed against the Company impleaded it for declaration, injunction and damages amounting to Rs. 3.5 million in the Honorable 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.

20.2 Commitments

There are no commitments at June 30, 2022 (December 31, 2021: nil).

| | Half year ended | | Quarter ended | |
|---|----------------------------------|----------------------------------|---|---|
| | June 30, 2022 (Un-Audited) | June 30, 2021 (Un-Audited) | June 30, 2022 (Un-Audited) | June 30, 2021 (Un-Audited) |
| | Rupees | | | |
| 21 OTHER INCOME | | | | |
| Income from financial assets | 18,213 | 24,643 | 8,555 | 12,664 |
| 22 ADMINISTRATIVE AND GENERAL EXPENSES | | | | |
| Salaries, allowances and other benefits | 16,916,924 | 14,769,881 | 6,000,635 | 8,600,080 |
| Directors' fee | 375,000 | 360,000 | 220,000 | 180,000 |
| Rent | 113,138 | 220,215 | 89,192 | 118,287 |
| Electricity, gas and water | 528,090 | 357,528 | 319,002 | 168,745 |
| Telephone and postage | 400,991 | 462,599 | 197,259 | 228,005 |
| Repairs and maintenance | 260,931 | 266,791 | 136,350 | 136,576 |
| Books and periodicals | 23,580 | 17,390 | 19,030 | 7,045 |
| Vehicle running | 157,939 | 138,150 | 67,120 | 51,940 |
| Advertising | 12,200 | 154,862 | 5,500 | 154,862 |
| Travelling, conveyance and entertainment | 497,790 | 421,076 | 334,330 | 152,422 |
| Printing and stationery | 178,606 | 458,792 | 79,668 | 382,804 |
| Auditors' remuneration | 268,750 | 271,200 | 218,000 | 233,800 |
| Depreciation | 1,794,799 | 1,755,603 | 899,163 | 893,558 |
| Staff training and development | 13,000 | 10,500 | - | 10,500 |
| Legal and professional | 2,113,206 | 2,077,975 | 881,781 | 1,068,019 |
| Insurance | 407,935 | 502,989 | 201,531 | 199,490 |
| Miscellaneous | 372,039 | 311,948 | 171,918 | 155,923 |
| | <u>24,434,917</u> | <u>22,557,499</u> | <u>9,840,479</u> | <u>12,742,056</u> |
| 23 FINANCE COST | | | | |
| Mark-up on short term borrowings | 9,634,707 | 8,148,526 | 5,720,485 | 4,200,412 |
| Lease finance charges | 607,241 | 911,075 | 329,037 | 586,546 |
| -Bank charges | 81,691 | 101,314 | 81,411 | 86,729 |
| | <u>10,323,639</u> | <u>9,160,915</u> | <u>6,130,933</u> | <u>4,873,687</u> |
| 24 TAXATION | | | June 30, 2022 (Un-Audited) | June 30, 2021 (Un-Audited) |
| Minimum tax under Section 113 of the Income Tax Ordinance, 2001. | | | -----Rupees----- | |
| | | | <u>109,219</u> | <u>71,770</u> |

| Half year ended | | Quarter ended | |
|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| June 30, 2022 (Un-Audited) | June 30, 2021 (Un-Audited) | June 30, 2022 (Un-Audited) | June 30, 2021 (Un-Audited) |
| Rupees | | | |

25 LOSS PER SHARE - BASIC AND DILUTED

| | | | | |
|--|--------------------|--------------------|-------------------|---------------------|
| (Loss) / profit for the period attributable to ordinary shareholders (Rupees) | <u>(1,746,389)</u> | <u>(5,721,030)</u> | <u>8,289,994</u> | <u>(11,743,319)</u> |
| Weighted average number of ordinary shares outstanding during the period (Numbers) | <u>32,000,000</u> | <u>32,000,000</u> | <u>32,000,000</u> | <u>32,000,000</u> |
| Basic (loss) / earnings per share (Rupees) | (0.05) | (0.18) | 0.26 | (0.37) |

26 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:

| | June 30, 2022 (Un-Audited) | December 31, 2021 (Audited) |
|---|---|---|
| 26.1 Balances | | |
| SME Bank Limited (Parent Company) | | |
| Short term borrowings | | |
| Opening balance | 137,183,616 | 144,790,638 |
| Borrowings used during the period- net | 3,070,405 | (7,607,022) |
| Closing balance | <u>140,254,021</u> | <u>137,183,616</u> |
| | June 30, 2022 (Un-Audited) | June 30, 2021 (Un-Audited) |
| | Rupees | |
| 26.2 Transactions | | |
| SME Bank Limited (Parent Company) | | |
| Markup on short term borrowings | 9,634,707 | 8,148,526 |
| Utilization of short term borrowings facility-net | 3,070,405 | 456,098 |
| Rent expense paid for Peshawar branch | 359,178 | 275,136 |
| Key Management Personnel | | |
| Key management remuneration | 4,176,596 | 4,109,294 |

| | June 30, 2022 (Un-Audited) | June 30, 2021 (Un-Audited) |
|-------------------------------------|----------------------------------|----------------------------------|
| | ----- Rupees ----- | |
| Staff Provident Fund | | |
| Contribution towards provident fund | 422,715 | 380,749 |

All transactions with the Parent Company are carried out on commercial terms and on arm's length basis.

27 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 and loans and receivables. Other operations, which are not deemed by the management to be significant to disclose as separate items are reported under others.

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

| Particulars | June 30, 2022 (Un-audited) | | | |
|-----------------------------------|----------------------------|-------------------------|---------------|--------------------|
| | Finance Lease | Loans and Receivable | Others | Total |
| Segment Revenue | 3,561,894 | 5,157,432 | 18,213 | 8,737,539 |
| Reversal of provision - net | 23,048,025 | 1,335,822 | - | 24,383,847 |
| Segment Results | <u>26,609,919</u> | <u>6,493,254</u> | <u>18,213</u> | <u>33,121,386</u> |
| Unallocated Cost | | | | |
| Finance Cost | - | - | - | 10,323,639 |
| Administrative & selling expenses | - | - | - | 24,434,917 |
| Reversal of income tax provision | - | - | - | - |
| | | | | <u>34,758,556</u> |
| Loss before income tax | - | - | - | (1,637,170) |
| Income tax expense | - | - | - | 109,219 |
| Loss for the period | | | | <u>(1,746,389)</u> |
| Other Information | | | | |
| Segment Assets | 269,918,778 | 49,184,451 | - | 319,103,229 |
| Unallocated Assets | - | - | 15,184,395 | 15,184,395 |
| Total Assets | | | | <u>334,287,624</u> |
| Segment Liabilities | 160,233,491 | - | - | 160,233,491 |
| Unallocated Liabilities | - | - | 169,265,126 | 169,265,126 |
| Total Liabilities | | | | <u>329,498,617</u> |
| Net Assets | | | | <u>4,789,007</u> |
| Capital Expenditure | - | - | (202,500) | <u>(202,500)</u> |

| Particulars | June 30, 2021 (Un-audited) | | | |
|-----------------------------------|----------------------------|----------------------|-------------|--------------------|
| | Finance Lease | Loans and Receivable | Others | Total |
| Segment Revenue | 3,731,016 | 2,010,576 | 24,643 | 5,766,235 |
| Reversal of provision - net | 10,110,154 | 2,213,373 | - | 12,323,527 |
| Segment Results | 13,841,170 | 4,223,949 | 24,643 | 18,089,762 |
| Unallocated Cost | | | | |
| Finance Cost | - | - | - | 9,160,915 |
| Administrative & selling expenses | - | - | - | 22,557,499 |
| Reversal of income tax provision | - | - | - | (7,979,392) |
| | | | | 23,739,022 |
| Loss before income tax | - | - | - | (5,649,260) |
| Income tax expense | - | - | - | 71,770 |
| Loss for the period | | | | (5,721,030) |
| Other Information | | | | |
| Segment Assets | 301,892,299 | 61,936,640 | - | 363,828,939 |
| Unallocated Assets | - | - | 18,663,547 | 18,663,547 |
| Total Assets | | | | 382,492,486 |
| Segment Liabilities | 192,237,075 | - | - | 192,237,075 |
| Unallocated Liabilities | - | - | 176,416,101 | 176,416,101 |
| Total Liabilities | | | | 368,653,176 |
| Net Assets | | | | 13,839,310 |
| Capital Expenditure | - | - | 25,000 | 25,000 |

- 27.1 Revenue reported above represents revenue from external customers. There are no intersegment sales.
- 27.2 Revenue from finance lease includes income from finance lease operations and gain/(loss) on termination of lease. Revenue from loan and receivable includes markup income on loans to customers and employees and revenue from investment includes gain on disposal of investment.

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

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). |

At the reporting date, the Company held the following classes of financial instruments measured at fair value:

| June 30, 2022 | Carrying amount | | | Fair value | | | | |
|--|---|----------------|------------------------------|-------------|---------|---------|---------|-------|
| | Fair value through other comprehensive income | Amortized Cost | Other Assets and Liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | | | | |
| Cash and bank balance | - | 725,488 | - | 725,488 | - | - | - | - |
| Advances | - | - | 3,164,526 | 3,164,526 | - | - | - | - |
| Prepayments and other receivables | - | - | 1,605,517 | 1,605,517 | - | - | - | - |
| Long term finances and loans and accrued | - | 49,184,451 | - | 49,184,451 | - | - | - | - |
| Net investment in finance leases | - | 269,918,778 | - | 269,918,778 | - | - | - | - |
| | - | 319,828,717 | 4,770,043 | 324,608,800 | - | - | - | - |
| Financial liabilities | | | | | | | | |
| Trade and other payables | - | 3,020,989 | - | 3,020,989 | - | - | - | - |
| Accrued mark-up on borrowings | - | 5,763,516 | - | 5,763,516 | - | - | - | - |
| Short term borrowings | - | 140,254,021 | - | 140,254,021 | - | - | - | - |
| Provision for compensated absences | - | - | 3,423,722 | 3,423,722 | - | - | - | - |
| Long term finance | - | 373,233 | - | 373,233 | - | - | - | - |
| Long term deposits | - | 125,158,295 | - | 125,158,295 | - | - | - | - |
| Defined benefit obligation | 10,268,667 | - | - | 10,268,667 | - | - | - | - |
| Lease liabilities | - | 5,847,555 | - | 5,847,555 | - | - | - | - |
| | 10,268,667 | 280,417,609 | 3,423,722 | 294,109,998 | - | - | - | - |

| December 31, 2021 (Audited) | Carrying amount | | | Fair value | | | | |
|--|---|-----------------------|------------------------------|-------------|---------|---------|---------|-------|
| | Fair value through other comprehensive income | Loans and receivables | Other Assets and Liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | | | | |
| Cash and bank balance | - | 313,780,91 | - | 3,157,864 | - | - | - | - |
| Advances | - | - | 2,779,957 | 2,779,957 | - | - | - | - |
| Prepayments and other receivables | - | - | 749,393 | 749,393 | - | - | - | - |
| Long term finances and loans and accrued | - | 53,118,441 | - | 53,118,441 | - | - | - | - |
| Net investment in finance leases | - | 275,242,507 | - | 275,242,507 | - | - | - | - |
| | - | 331,618,812 | 3,529,350 | 335,148,162 | - | - | - | - |
| Financial liabilities | | | | | | | | |
| Trade and other payable | - | 2,736,096 | - | 2,736,096 | - | - | - | - |
| Accrued mark-up on borrowings | - | 4,209,212 | - | 4,209,212 | - | - | - | - |
| Short term borrowings | - | 137,183,616 | - | 137,183,616 | - | - | - | - |
| Provision for compensated absences | - | - | 3,045,411 | 3,045,411 | - | - | - | - |
| Long term finances | - | 373,233 | - | 373,233 | - | - | - | - |
| Long term deposits | - | 130,202,795 | - | 130,202,795 | - | - | - | - |
| Defined benefit obligation | 9,764,513 | - | - | 9,764,513 | - | - | - | - |
| Lease liabilities | - | 7,615,220 | - | 7,615,220 | - | - | - | - |
| | 9,764,513 | 282,320,172 | 3,045,411 | 295,130,096 | - | - | - | - |

- 28.1 The Company has not disclosed the fair values for these financial instruments, because their carrying amounts are reasonable approximation of fair value.
- 28.2 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 June 30, 2021 there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

| | | June 30, 2022 | December 31, 2021 |
|-------------------------------------|------|----------------------|----------------------|
| | | Un-Audited | Audited |
| | Note | ----- Rupees ----- | |
| 29 CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 16 | 735,488 | 3,157,864 |
| Short term borrowings | 18 | (140,254,021) | (137,183,616) |
| | | <u>(139,518,533)</u> | <u>(134,025,752)</u> |

30 CORRESPONDING FIGURES

These corresponding figures have been reclassified and rearranged where necessary to facilitate comparison, however there has been no significant reclassification.

31 GENERAL

The figures are rounded off to the nearest rupee.

32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 29 DEC 2022 by the Board of Directors of the Company.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR