



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

**Main Office:**  
Office No. 304, 3rd Floor,  
Business Arcade,  
Shahra-e-Faisal, Karachi.  
Phone: +92-21-34322128-9  
Facsimile: +92-21-34322082  
Website: [www.smelease.com](http://www.smelease.com)

## SME Leasing Limited Half Yearly Report 30 June 2020

Half Yearly Report 2020



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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

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Mr. Bilal Mustafa, Chairman  
Mr. Dilshad Ali Ahmad  
Mr. Mohammad Mubeen Mufti  
Mr. Javed Mehmood  
Ms. Darakhshan S. Vohra

### **OFFICIATING CHIEF EXECUTIVE OFFICER**

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Mr. Asghar Maqsood

### **AUDIT COMMITTEE**

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Mr. Javed Mehmood, Chairman  
Mr. Mohammad Mubeen Mufti  
Ms. Darakhshan S. Vohra  
Mr. Asad Ali, Committee Secretary

### **RISK MANAGEMENT COMMITTEE**

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Mr. Javed Mehmood, Chairman  
Mr. Bilal Mustafa  
Ms. Darakhshan S. Vohra  
Mr. Naeem ul Hasan, Secretary

### **HUMAN RESOURCE COMMITTEE**

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

### **COMPANY SECRETARY & CFO**

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Mr. M Shahzad

### **EXTERNAL AUDITORS**

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Grant Thornton Anjum Rahman, Chartered Accountants

### **INTERNAL AUDITOR**

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Mr. Asad Ali

Half Yearly Report 2020



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**TAX CONSULTANTS**

EY Ford Rhodes, Chartered Accountants

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**LEGAL ADVISOR**

Mohsin Tayebaly & Co., Advocate & Legal Consultant

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**CREDIT RATING**

Long Term: B      Short Term: B

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**REGISTERED OFFICE**

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

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**MAIN OFFICE**

Office No.304, 3rd Floor, Business Arcade, Shahra-e-Faisal, Karachi  
Tel: (+92-21) 34322128-129-137      Fax: (+92-21) 34322082  
E-mail: info@smelease.com

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**REGISTRAR AND SHARE TRANSFER CERTIFICATE**

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

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**BANKS AND LENDING INSTITUTIONS**

Allied Bank Limited  
MCB Bank Limited  
SME Bank Limited  
Meezan Bank Limited

Half Yearly Report 2020

## Directors' Review Report

The Board of directors of SME Leasing Limited (the Company) is pleased to present unaudited condensed interim financial statements for the six month's period ended on June 30, 2020.

In consideration of COVID-19, the management remained very focused on recoveries during the period under review. The Company results are reflective of prevailing unprecedented business conditions, and unavailability of funds.

The loss before tax during the period under review was Rs. 22.26 Million compared to Rs. 13.41 million in the corresponding period last year. After recovering Rs 36.10 Million from the portfolio and writing new Gross leases worth Rs. 10 Million during the period. A decrease of 26% was recorded in the revenues when compared with the corresponding period last year. Net provision reversals on account of recoveries during the period aggregated Rs. 1.02 million compared to a reversal of net provision charge of Rs. 2.7 million last year. Administrative expenses recorded increase of 1.75% when compared with the previous period last year. Funding constraint remained a major obstacle in converting the company into a profit-making institution.

On 06 April 2020, PACRA maintained the entity ratings, which is as under:

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

The Net equity of the Company amounted to Rs. 54.71 Million as at June 30, 2020 .The Company is fully compliant with SECP equity requirement for non-deposit taking leasing companies. The total liabilities increased by Rs. 7.1 Million whereas the total assets also decreased by Rs 17.79 Million when compared with December 31, 2019.

Shareholders are informed that the due diligence for privatisation of SME Bank, our major shareholder, is at an advanced stage. We shall keep our shareholders informed of development, in this regard.

The Board recognises 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.

Dated: August 27, 2020



**Bilal Mustafa**  
Chairman





# Grant Thornton

An instinct for growth™

## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the members of SME Leasing Limited Report on review of condensed Interim Financial Statements

**GRANT THORNTON ANJUM RAHMAN**

1st & 3rd Floor,  
Modern Motors House  
Beaumont Road,  
Karachi 75530

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F +92 021 3568 8834  
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#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of **SME Leasing Limited** (the Company) as at **June 30, 2020** and the related condensed interim profit or loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the financial statements for the six month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

#### Scope of Review

We conducted our review in accordance with the 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 accounting and reporting standards as applicable in Pakistan for interim financial reporting.

#### Emphasis of matter

- a) We draw attention to the note 1.3 to the condensed interim financial statements which indicates that, the Company has incurred a loss of Rs. 22.39 million (June 30, 2019: Rs.13.57 million) which has further increased accumulated losses to Rs.313.75 million (December 31, 2019: Rs. 291.36 million) as at period ended June 30, 2020. These conditions,

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

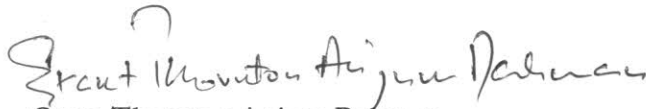
- b) We draw attention to the note 1.2 to the condensed interim financial statements which fully explain the status of application filed with Securities and Exchange Commission of Pakistan for renewal of license to operate as leasing company.

Our conclusion is not modified in respect of above matters.

#### **Other Matter**

The figures of the condensed interim profit or loss account, condensed interim statement of comprehensive income for the three-month period ended June 30, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2020.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb**.

  
**Grant Thornton Anjum Rahman**  
Chartered Accountants

Karachi

Date: 03 SEP 2020

**SME Leasing Limited**  
**Condensed Interim Financial Statements**


For the six months' period ended June 30, 2020



**SME LEASING LIMITED**  
**Condensed interim statement of financial position**  
**As at June 30, 2020.**

	Note	June 30, 2020 Un Audited	December 31, 2019 Audited
-----Rupees-----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	7	4,180,693	4,510,324
Right-of-use assets	8	10,580,423	12,053,712
Intangible assets	9	-	-
Net investment in finance leases	10	217,791,741	237,195,651
Long term finances and loans - secured	11	52,838,946	57,932,105
Long-term loans to employees - secured	12	558,896	732,683
Long-term deposits and prepayments	13	995,562	1,162,410
<b>Total non-current assets</b>		<b>286,946,261</b>	<b>313,586,885</b>
<b>Current assets</b>			
Advances	14	3,095,378	3,369,958
Prepayments and other receivables	15	1,345,779	951,154
Current maturity of non-current assets	16	168,339,541	163,024,745
Cash and bank balances	17	4,200,989	787,718
<b>Total current assets</b>		<b>176,981,687</b>	<b>168,133,575</b>
<b>Total assets</b>		<b>463,927,948</b>	<b>481,720,460</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorized share capital</b>			
100,000,000 (2019: 100,000,000) Ordinary shares of Rs 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital		320,000,000	320,000,000
Capital reserves		38,019,277	38,019,277
		358,019,277	358,019,277
<b>Revenue reserves</b>			
Reserve against future losses		10,447,052	10,447,052
Accumulated losses		(313,752,797)	(291,358,265)
		(303,305,745)	(280,911,213)
<b>Total shareholder's equity</b>		<b>54,713,532</b>	<b>77,108,064</b>
<b>Non-current liabilities</b>			
Liabilities against assets subject to finance lease	18	9,621,860	10,505,675
Long-term deposits		150,865,094	163,545,094
Defined benefit obligation		8,218,267	7,623,230
<b>Total non-current liabilities</b>		<b>168,705,221</b>	<b>181,673,999</b>
<b>Current liabilities</b>			
Trade and other payables		4,397,834	4,870,238
Unclaimed dividend		19,694	19,694
Mark-up accrued on borrowings		1,440,621	2,143,384
Short term borrowings - secured	19	149,776,265	142,156,359
Current maturity of non-current liabilities	20	71,903,414	60,590,939
Current maturity of liabilities against assets subject to finance lease	18	2,212,786	2,489,296
Provision for compensated absences		2,616,338	2,500,565
Taxation - net		8,142,243	8,167,922
<b>Total current liabilities</b>		<b>240,509,195</b>	<b>222,938,397</b>
<b>Total equity and liabilities</b>		<b>463,927,948</b>	<b>481,720,460</b>
<b>Contingencies and commitments</b>			
	21		

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements. *9/10/20*

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director


**SME LEASING LIMITED**

Condensed interim statement of profit or loss account - Unaudited

For the period ended June 30, 2020

	Note	Six months period ended		Three months period ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
-----Rupees-----					
<b>REVENUE</b>					
<b>Income from operations</b>					
Finance leases		8,060,789	10,423,834	3,152,677	5,283,050
Finance and loans		1,848,981	3,044,296	1,065,853	1,526,773
		<b>9,909,770</b>	<b>13,468,130</b>	<b>4,218,530</b>	<b>6,809,823</b>
<b>Income from other activities</b>					
Other income	22	39,139	53,747	14,386	26,431
Total revenue		<b>9,948,909</b>	<b>13,521,877</b>	<b>4,232,916</b>	<b>6,836,254</b>
<b>EXPENSES</b>					
Administrative and general expenses	23	21,181,254	20,817,763	11,819,568	10,367,151
Finance cost	24	12,047,188	8,771,380	5,558,643	5,150,978
Total expenses		<b>33,228,442</b>	<b>29,589,143</b>	<b>17,378,211</b>	<b>15,518,129</b>
Operating loss before reversals		<b>(23,279,533)</b>	<b>(16,067,266)</b>	<b>(13,145,295)</b>	<b>(8,681,875)</b>
<b>REVERSALS</b>					
Net reversals for potential lease losses		967,160	2,487,051	1,452,224	1,990,726
Net reversals for loans and receivables		48,066	170,335	95,323	126,203
Total reversals		<b>1,015,226</b>	<b>2,657,386</b>	<b>1,547,547</b>	<b>2,116,929</b>
Loss before taxation		<b>(22,264,307)</b>	<b>(13,409,880)</b>	<b>(11,597,748)</b>	<b>(6,564,946)</b>
Taxation	25	130,225	161,530	61,374	78,325
Net loss for the period		<b>(22,394,532)</b>	<b>(13,571,410)</b>	<b>(11,659,122)</b>	<b>(6,643,271)</b>
Loss per share - basic and diluted	26	<b>(0.70)</b>	<b>(0.42)</b>	<b>(0.36)</b>	<b>(0.21)</b>

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

  
Chief Executive Officer


  
Chief Financial Officer

  
Director

**SME LEASING LIMITED**  
**Condensed interim statement of comprehensive income**  
**For the period ended June 30, 2020**

	Six months period ended		Three months period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	-----Rupees-----			
Loss after taxation for the period	(22,394,532)	(13,571,410)	(11,659,122)	(6,643,271)
<b>Other Comprehensive Income</b>				
Items to be reclassified to profit or loss account in subsequent years	-	-	-	-
Items not to be reclassified to profit or loss account in subsequent years	-	-	-	-
Total comprehensive Income for the period	<u>(22,394,532)</u>	<u>(13,571,410)</u>	<u>(11,659,122)</u>	<u>(6,643,271)</u>

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements. ९५५

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director


**SME LEASING LIMITED**  
**Condensed interim statement of cash flows - Unaudited**  
**For the period ended June 30, 2020**

	Note	Six months period ended	
		June 30, 2020	June 30, 2019
----- Rupees -----			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(22,264,307)	(13,409,880)
Adjustment for:			
Depreciation and amortization	23	1,851,720	468,939
Provision of gratuity		595,037	-
Provision for compensated absences		837,351	-
Finance cost	24	12,047,188	8,771,380
Interest income		(26,266)	(47,940)
Income from saving account	22	(6,873)	-
Gain on disposal of property and equipment	22	(6,000)	(2,500)
Net reversals for potential lease losses		(967,160)	(2,487,051)
Net reversals for loans and receivables		(48,066)	(170,335)
		<u>14,276,931</u>	<u>6,532,493</u>
<b>Operating loss before working capital changes</b>		<b>(7,987,376)</b>	<b>(6,877,387)</b>
<b>Movement in working capital</b>			
(Increase) / decrease in operating assets			
Accrued interest on loan		-	(76,082)
Net investment in finance leases		14,440,632	16,307,543
Long term finances and loans - secured		5,629,797	(1,677,133)
Long-term loans to employees - secured		180,436	-
Prepayments and other receivables		(394,625)	129,933
Long-term deposits and prepayments		166,848	(1,469,122)
Advances		274,580	221,889
		<u>20,297,668</u>	<u>13,437,028</u>
(Decrease) / increase in operating liabilities			
Long term deposits		(1,362,707)	(3,344,000)
Trade and other payables		(472,404)	963,452
Unclaimed dividend		-	212
		<u>(1,835,111)</u>	<u>(2,380,336)</u>
		<u>10,475,181</u>	<u>4,179,305</u>
Financial charges paid		(11,680,517)	(7,573,461)
Interest income received		33,139	47,940
Gratuity paid		-	(2,134,552)
Benefits paid		(713,612)	(548,020)
Taxes paid		(155,904)	(161,571)
		<u>(12,516,894)</u>	<u>(10,369,664)</u>
<b>Net cash used in operating activities</b>		<b>(2,041,713)</b>	<b>(6,190,359)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(48,800)	(17,570)
Proceeds from disposal of fixed assets		6,000	2,500
<b>Net cash used in investing activities</b>		<b>(42,800)</b>	<b>(15,070)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Lease rentals paid		(2,122,122)	-
Net decrease in cash and cash equivalents		(4,206,635)	(6,205,429)
<b>Cash and cash equivalents at beginning of the period</b>	30	<b>(141,368,641)</b>	<b>(135,425,607)</b>
<b>Cash and cash equivalents at end of the period</b>		<b>(145,575,276)</b>	<b>(141,631,033)</b>

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements. १७

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director


SME LEASING LIMITED  
 Condensed interim statement of changes in equity  
 For the period ended June 30, 2020

	Six months period ended					Total shareholder equity
	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves		
		Share premium	Statutory reserve	Reserve against future losses	Unappropriated profit	
	----- Rupees -----					
Balance as at January 01, 2019 - audited	320,000,000	10,000,000	28,019,277	10,447,052	(256,784,077)	111,682,252
Loss after taxation	-	-	-	-	(13,571,410)	(13,571,410)
Balance as at June 30, 2019 - unaudited	320,000,000	10,000,000	28,019,277	10,447,052	(270,355,487)	98,110,842
Balance as at January 01, 2020 - audited	320,000,000	10,000,000	28,019,277	10,447,052	(291,358,265)	77,108,064
Loss after taxation	-	-	-	-	(22,394,532)	(22,394,532)
Balance as at June 30, 2020 - unaudited	320,000,000	10,000,000	28,019,277	10,447,052	(313,752,797)	54,713,532

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

  
 \_\_\_\_\_  
 Chief Executive Officer

  
 \_\_\_\_\_  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Director

## SME LEASING LIMITED

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2020

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#### 1.1 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% (June 30, 2019: 73.14%) shares of the 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 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 (2019: B) and a short term rating of B (2019: B) to the Company in the month of April 2020.

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 # SMEL/MO/2019 dated April 16, 2019 for its renewal in the manner so required by the NBFC rules, 2003. However, renewal of license was in progress till the half year end.

1.3 The Company has been incurring losses since year ended December 31, 2009 which has resulted in erosion of equity. During the period ended June 30, 2020, the Company has incurred a loss of Rs. 22.39 million (June 30, 2019: Rs. 13.57 million) which has further increased accumulated losses to Rs.313.75 million (December 31, 2019: Rs. 291.36 million) as at the half year end. Further, the net assets of the Company amounts to Rs. 54.71 million (December 31, 2019: Rs. 77.11 million) as against the minimum equity requirement of Rs. 50 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

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. 149.77 million has been utilized as at June 30, 2020 (December 31, 2019: Rs. 142.156 million). The said facility can be extended to the extent of Rs. 300 million as per the stand-by agreement for finance facility. The Parent Company will not call off the said amount till June 30, 2021 and has applied for relaxation to the State Bank of Pakistan from the requirements of related party exposure limits in order to continue its support
- The management of the Company has prepared cash flow projections that is based on new strategy of vigorous recovery efforts. As per the projections, the Company is expected to disburse Rs 15 million from July 2020 to June 2021 and to recover Rs 30 million from July 2020 to June 2021 from non-performing leases and loans and finances. Concerted efforts are being made for the recovery of non-performing leases and loans and finances.
- 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 going concern status of the Company and therefore, has prepared the financial statements on going concern basis.

**SME LEASING LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**For the six months ended June 30, 2020**

	Note	June 30, 2020 Un-Audited	June 30, 2019 Un-Audited
		-----Rupees-----	
<b>2 SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS</b>			
Net lease disbursements	2.1	<u>7,000,000</u>	<u>37,535,000</u>
Recoveries	2.2	<u>36,102,979</u>	<u>62,084,940</u>

- 2.1** This represents amount disbursed against new leases written during the period.
- 2.2** This represents recoveries from non-performing loans amounting to Rs. 6,405,517 (2019: Rs. 10,488,670) and regular parties amounting to Rs. 29,697,462 (2019: Rs. 51,596,270).
- 2.3** The existence of novel coronavirus (COVID 19) was confirmed in early 2020 and had spread across the globe, causing disruption to businesses and economic activities. The impact of outbreak on the company's operations resulted in decline in recoveries during the period. However, with the reducing affects of the pandemic, the Company's performance is expected to improve in near future.

**3. BASIS OF PREPARATION**

**3.1 Statement of compliance**

These condensed interim financial statement of the Company for the six months period ended June 30, 2020 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 statement are un-audited and are being submitted to the members as requirement of section 237 of the Companies Act, 2017 (the Act). The figures for the half year ended June 30, 2020 have been subjected to limited scope review by the auditors of the Company.

These condensed interim financial statement 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, 2019. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Company's financial position and performance since the last audited financial statements.

**3.2 Standards, Amendments and Interpretations to Approved Accounting Standards**

**3.2.1 Standards, amendments and interpretations to the published standards that are relevant to the company and**

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current period.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 14 'Regulatory Deferral accounts'	July 1, 2019
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

Adoption of the above standard have no significant effect on the amounts for the period ended June 30, 2020 .

**SME LEASING LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**For the six months ended June 30, 2020**

**3.2.2 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP).**

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

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 17 'Insurance Contracts'	January 1, 2022
IFRS 1 'First-time Adoption of International Financial Reporting Standards'	July 1, 2009

**4. SIGNIFICANT 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, 2019.

**5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT**

The preparation of condensed interim financial statement 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 statement, 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, 2019.

**6. FINANCIAL RISK MANAGEMENT**

The Company's financial risk management objectives and policies are consistent with those disclosed in the financials statements of the company as at and for the year ended December 31, 2019

<b>June 30,</b>	December 31,
<b>2020</b>	2019
<b>Un-Audited</b>	Audited
-----Rupees-----	

**7. PROPERTY AND EQUIPMENT**

Net book value	<u><b>4,180,693</b></u>	<u>4,510,324</u>
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The following is the cost of additions and disposals in the operating fixed assets during the current period.

	June 30, 2020 (Unaudited)		June 30, 2019 (Unaudited)	
	Additions	Disposals	Addition	Disposal
<b>Owned</b>				
Furniture and fixtures	6,800	-	-	-
Office equipment	25,000	17,500	15,000	18,900
Computers	17,000	-	-	-
	<u>48,800</u>	<u>17,500</u>	<u>15,000</u>	<u>18,900</u>



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	Note	June 30, 2020 Un-Audited	December 31, 2019 Audited
		-----Rupees-----	
<b>8. RIGHT OF USE ASSETS</b>			
The recognized right of use assets relates to the following types of assets:			
Balance as at January 1, 2020 / Initial application i.e. January 01, 2019		12,053,712	12,950,191
Additions during the period		-	1,782,700
Depreciation charged for the period		(1,473,289)	(2,679,179)
		<u>10,580,423</u>	<u>12,053,712</u>
<b>9. INTANGIBLE ASSETS</b>			
<b>Software</b>			
Cost		1,507,142	1,507,142
Accumulated amortization		(1,507,142)	(1,507,142)
		<u>-</u>	<u>-</u>
<b>10. NET INVESTMENT IN FINANCE LEASES</b>			
Net investment in leases	10.1	369,628,650	383,222,542
Less: Current maturity of net investment in leases		(151,836,909)	(146,026,891)
		<u>217,791,741</u>	<u>237,195,651</u>

	(Unaudited)			(Audited)		
	June 30, 2020			December 31, 2019		
	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	346,802,521	257,883,248	88,919,273	363,613,847	266,683,943	96,929,904
Add: Residual value of leased assets	222,395,275	150,865,094	71,530,181	223,762,800	163,545,094	60,217,706
Gross investment in leases	569,197,796	408,748,342	160,449,454	587,376,647	430,229,037	157,147,610
Less: Unearned lease income	(14,382,403)	(5,769,858)	(8,612,545)	(18,120,622)	(6,999,903)	(11,120,719)
Less: Markup held in suspense account	(49,802,090)	(49,802,090)	-	(49,681,670)	(49,681,670)	-
	(64,184,493)	(55,571,948)	(8,612,545)	(67,802,292)	(56,681,573)	(11,120,719)
	505,013,303	353,176,394	151,836,909	519,574,355	373,547,464	146,026,891
Less: Provision for potential lease losses	(135,384,653)	(135,384,653)	-	(136,351,813)	(136,351,813)	-
Net investment in finance leases	<u>369,628,650</u>	<u>217,791,741</u>	<u>151,836,909</u>	<u>383,222,542</u>	<u>237,195,651</u>	<u>146,026,891</u>

**SME LEASING LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**For the six months ended June 30, 2020**

		June 30, 2020	December 31, 2019
		Un-Audited	Audited
		-----Rupees-----	
<b>11. LONG TERM FINANCES AND LOANS - secured</b>			
Considered good		13,527,651	24,244,705
Considered doubtful		64,905,313	59,818,056
		78,432,964	84,062,761
Less: Provision		(9,445,965)	(9,494,030)
		68,986,999	74,568,731
Less: Current maturity	16	(16,148,053)	(16,636,626)
		<u>52,838,946</u>	<u>57,932,105</u>
<b>12. LONG-TERM LOAN TO EMPLOYEES - secured</b>			
House Loan		135,305	155,352
Car Loan		778,170	938,559
		913,475	1,093,911
Less: Current Maturity	16	(354,579)	(361,228)
		<u>558,896</u>	<u>732,683</u>
<b>13. LONG-TERM DEPOSITS AND PREPAYMENTS</b>			
Long term prepayments		208,340	375,188
Other deposits		787,222	787,222
		<u>995,562</u>	<u>1,162,410</u>
<b>14. ADVANCES</b>			
<b>Considered good - unsecured</b>			
- Employees	14.1	973,944	1,180,216
- Legal advisors	14.2	1,984,892	2,053,200
- Others		136,542	136,542
		<u>3,095,378</u>	<u>3,369,958</u>
<b>14.1</b>	These represents interest free advances given to employees against salaries. These are recovered through monthly deductions from salaries over a period of one year from the date of disbursement.		
<b>14.2</b>	These represents advance payments made to the legal advisors of the Company for handling the cases on behalf of the Company.		
		June 30, 2020	December 31, 2019
		Un-Audited	Audited
		-----Rupees-----	
<b>15. PREPAYMENTS AND OTHER RECEIVABLES</b>			
Prepayments		1,066,716	838,786
Accrued interest on long term finances and loans		214,063	47,368
Other receivable		65,000	65,000
		<u>1,345,779</u>	<u>951,154</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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	Note	June 30, 2020 Un-Audited -----Rupees-----	December 31, 2019 Audited
<b>16. CURRENT MATURITY OF NON-CURRENT ASSETS</b>			
Current maturity of:			
- Net Investment in leases	10	151,836,909	146,026,891
- Long term loans to employees	12	354,579	361,228
- Long term finances and loans	11	16,148,053	16,636,626
		<u>168,339,541</u>	<u>163,024,745</u>

**17. CASH AND BANK BALANCES**

With State Bank of Pakistan in current account	17.1	6,282	6,282
With other banks:			
in current accounts	17.2	4,040,811	633,408
in saving accounts		87,484	81,616
Cash in hand		66,412	66,412
		<u>4,200,989</u>	<u>787,718</u>

17.1 These amounts are deposited with SBP for settlement of payments against CIB portal charges.

17.2 These carry profit rate of 4% per annum (December 31, 2019: 4% per annum).

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

	June 30, 2020		December 31, 2019	
	Minimum lease payment	Present value	Minimum lease payment	Present value
	----- Rupees-----		----- Rupees-----	
Upto one year	4,205,269	2,212,786	4,392,078	2,489,296
Later than one year but not later than five years	11,727,446	9,621,860	13,183,867	10,505,675
Total minimum lease payments	15,932,715	11,834,646	17,575,945	12,994,971
Less: Finance charges not due yet	(4,098,069)	-	(4,580,974)	-
Present value of minimum lease payments	11,834,646	11,834,646	12,994,971	12,994,971
Less: Current maturity	(2,212,786)	(2,212,786)	(2,489,296)	(2,489,296)
	9,621,860	9,621,860	10,505,675	10,505,675

**19 SHORT-TERM BORROWING - secured**

The facility for short-term running finance available from SME Bank Limited amounts to Rs. 150 million (2019: Rs. 150 million). Mark-up is payable at rate of 17.33 % to 11.53 % (2019: 10.43 % to 17.33 %) per annum. The finance are secured by way of hypothecation of the company's leased assets and related receivables.

**SME LEASING LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**For the six months ended June 30, 2020**

	June 30, 2020	December 31, 2019
	Un-Audited	Audited
	-----Rupees-----	
<b>20. CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>		
Long term finance	373,233	373,233
Long term deposits	71,530,181	60,217,706
	<u>71,903,414</u>	<u>60,590,939</u>

**21. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

The income tax assessments of the Company for tax year 2012 has been selected for tax audit u/s 214 C of Income tax ordinance 2001. In respect of Tax year 2012, the tax authorities have served order under section 122(1) read with section 177(1) and 214C of the Income Tax Ordinance, 2001 disallowing expenses relating to depreciation allowance, markup on loan to employees and financial cost and creating tax demand of Rs. 3.8 million. The Company filed an appeal before the Commissioner Inland Revenue (Appeals-II) against the said order who decided all the issues in favor of the Company except for initial allowance on leased asset. Company has filed second appeal and the appeal has not yet been fixed for hearing.

In respect of minimum tax for the year ended December 31, 2015, the tax authorities have served order under section 124 of Income Tax Ordinance, 2001 for additional amount of minimum tax of Rs. 0.14 million payable due to restatement of turnover of the Company. The Company has filed application for rectification in the order on the issue of incorrect value of turnover for the purpose of charging minimum tax under section 113 and tax credit not allowed. No action has been taken by the tax officer yet.

**Commitments**

There are no commitments as at June 30, 2020. (December 31, 2019: nil)

Six months period ended		Three months period ended	
June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Un-Audited	Un-Audited	Un-Audited	Un-Audited

**22. OTHER INCOME**

Income from saving account	6,873	-	6,873	-
Income from financial assets	26,266	51,247	15,479	26,431
Gain on disposal of property and equipment	6,000	2,500	-	-
	<u>39,139</u>	<u>53,747</u>	<u>22,352</u>	<u>26,431</u>

## SME LEASING LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2020

	Six months period ended		Three months period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	Un-Audited	Un-Audited	Un-Audited	Un-Audited
<b>23. ADMINISTRATIVE &amp; GENERAL EXPENSES</b>				
Salaries, allowances and other benefits	14,954,734	13,045,972	8,704,836	6,254,783
Directors' fee	155,000	340,000	155,000	185,000
Rent	95,855	1,896,899	40,826	982,460
Electricity, gas and water	381,060	366,137	175,327	214,054
Telephone and postage	421,741	484,722	211,652	264,573
Repairs and maintenance	187,785	227,560	79,608	117,055
Books and periodicals	13,340	27,447	5,525	9,928
Vehicle running	78,358	302,579	11,490	233,839
Advertising	-	197,376	-	89,716
Travelling, conveyance and entertainment	231,436	815,945	61,110	428,199
Printing and stationery	355,107	283,599	256,732	233,270
Auditors' remuneration	66,271	79,525	-	79,525
Depreciation and amortization	1,851,720	468,939	926,545	202,672
Legal and professional	1,444,135	1,392,986	700,236	666,689
Insurance	646,316	469,693	334,880	237,716
Miscellaneous	298,396	418,384	155,801	167,672
	<b>21,181,254</b>	<b>20,817,763</b>	<b>11,819,568</b>	<b>10,367,151</b>

**24. FINANCE COST**

Mark-up on short term borrowings	10,977,754	8,648,784	4,990,444	5,077,046
Lease finance charges	961,797	-	478,398	(11,343)
Bank charges	107,637	122,596	89,801	85,275
	<b>12,047,188</b>	<b>8,771,380</b>	<b>5,558,643</b>	<b>5,150,978</b>

**25. TAXATION**

Minimum tax under Section 113 of the Income Tax Ordinance, 2001.		<b>130,225</b>	<b>161,530</b>
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**26. LOSS PER SHARE - BASIC AND DILUTED**

	Six months period ended		Three months period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	Un-Audited	Un-Audited	Un-Audited	Un-Audited
Loss after taxation attributable to Ordinary Shareholders (Rupees)	(22,394,532)	(13,571,410)	(11,659,122)	(6,643,271)
Weighted average number of ordinary shares outstanding during the period	32,000,000	32,000,000	32,000,000	32,000,000
Loss per share (Rupees)	(0.70)	(0.42)	(0.36)	(0.21)

**SME LEASING LIMITED**  
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**27. TRANSACTIONS WITH RELATED PARTIES**

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

June 30, 2020		December 31, 2019	
Key Management Personnel	SME Bank Limited	Key Management Personnel	SME Bank Limited
-----Rupees-----		-----Rupees-----	

**27.1 BALANCES**

**Short term borrowings**

Opening balance	-	142,156,359	-	141,556,042
Borrowings used during the period- net	-	7,619,906	-	600,317
Closing balance	-	149,776,265	-	142,156,359

**27.2 TRANSACTIONS**

Markup on Short term borrowings	-	-	-	20,290,115
Rent expense paid for Peshawar branch	-	275,136	-	554,805
Key management remuneration	3,310,000	-	5,722,504	-
Post retirement benefits	595,037	-	3,141,686	-
Contribution towards provident fund	357,261	-	665,233	-

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

**28 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

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.

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

**SME LEASING LIMITED**  
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Particulars	June 30, 2020 (Unaudited)			
	Finance Lease	Loans and Receivable	Others	Total
Segment Revenue	8,060,789	1,848,981	39,139	9,948,909
Segment Profit	9,027,949	1,897,047	39,139	10,964,135
Segment Result	-	-	-	10,964,135
Unallocated Cost				
Finance Cost	-	-	-	12,047,188
Administrative & selling expenses	-	-	-	21,181,254
	-	-	-	33,228,442
Loss before Income Tax	-	-	-	(22,264,307)
Income tax expense	-	-	-	130,225
Loss for the period	-	-	-	(22,394,532)
Other Information				
Segment Assets	369,628,650	68,986,999	-	438,615,649
Unallocated Assets	-	-	25,312,299	25,312,299
Total Assets				463,927,948
Segment Liabilities	222,395,275	-	-	222,395,275
Unallocated Liabilities	-	-	186,819,141	186,819,141
Total Liabilities	-	-	-	409,214,416
Net Assets				54,713,532
Capital Expenditure	-	-	48,800	48,800
Particulars	June 30, 2019 (Unaudited)			
	Finance Lease	Loans and Receivable	Others	Total
Segment Revenue	10,423,834	3,044,296	50,440	13,518,570
Segment Profit	12,910,885	3,214,631	50,440	16,175,956
Segment Result				16,175,956
Unallocated Cost				
Finance Cost	-	-	-	8,771,380
Administrative & selling expenses	-	-	-	20,817,763
	-	-	-	29,589,143
Loss before Income Tax	-	-	-	(13,413,187)
Income tax expense	-	-	-	(161,530)
Loss for the period	-	-	-	(13,574,717)

**SME LEASING LIMITED**  
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Particulars	December 31, 2019 (Audited)			Total
	Finance Lease	Loans and Receivable	Others	
Other Information				
Segment Assets	383,222,542	74,568,731	-	<u>457,791,273</u>
Unallocated Assets	-	-	-	<u>23,929,187</u>
Total Assets	-	-	-	<u>481,720,460</u>
Segment Liabilities	227,109,894	-	-	<u>227,109,894</u>
Unallocated Liabilities	-	-	-	<u>177,502,502</u>
Total Liabilities	-	-	-	<u>404,612,396</u>
Net Assets	-	-	-	<u>77,108,064</u>
Capital Expenditure	-	-	272,011	<u>272,011</u>

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

28.2 Revenue from finance lease includes income from finance lease operations and gain/(loss) on termination of lease. Revenue from loan and receivable includes markup income on loans to customers and employees and revenue from investment include gain on disposal of investment.

**29. FAIR VALUE AND RISK MANAGEMENT**

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

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

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

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

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



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As at June 30, 2020, the Company held the following classes of financial instruments measured at fair value:

June 30, 2020	Carrying amount				Fair value			
	Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>								
Cash and bank balance	17	4,200,989	-	-	4,200,989	-	-	-
Advances	14	-	3,095,378	-	3,095,378	-	-	-
Prepayments and other receivables		-	1,345,779	-	1,345,779	-	-	-
Long term finances and loans and accrued interest thereon	10	-	68,986,999	-	68,986,999	-	-	-
Net investment in finance leases	9	-	369,628,650	-	369,628,650	-	-	-
		<u>4,200,989</u>	<u>443,056,806</u>	<u>-</u>	<u>447,257,795</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>								
Trade and other payable		-	-	4,392,469	4,392,469	-	-	-
Accrued mark-up on borrowings				-	-	-	-	-
Short term borrowings		149,776,265	-	-	149,776,265	-	-	-
Provision for compensated absences				2,616,338	2,616,338	-	-	-
Long term finances		-	-	373,233	373,233	-	-	-
Long term deposits		-	-	150,865,094	150,865,094	-	-	-
Defined benefit obligation		-	-	8,218,267	8,218,267	-	-	-
Lease liabilities		-	-	11,834,646	11,834,646	-	-	-
		<u>149,776,265</u>	<u>-</u>	<u>178,300,047</u>	<u>328,076,312</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

29.2 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 December 31, 2019, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

December 31, 2019	Carrying amount				Fair value			
	Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>								
Cash and bank balance	16	787,718	-	-	787,718	-	-	-
Advances	13	-	3,369,958	-	3,369,958	-	-	-
Prepayments and other receivables		-	951,154	-	951,154	-	-	-
Long term finances and loans and accrued interest thereon	10	-	74,568,731	-	74,568,731	-	-	-
Net investment in finance leases	9	-	383,222,542	-	383,222,542	-	-	-
		<u>787,718</u>	<u>462,112,385</u>	<u>-</u>	<u>462,900,103</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>								
Trade and other payable		-	-	4,868,398	4,868,398	-	-	-
Accrued mark-up on borrowings		-	-	2,143,384	2,143,384	-	-	-
Short term borrowings		142,156,359	-	-	142,156,359	-	-	-
Provision for compensated absences		-	-	2,500,565	2,500,565	-	-	-
Long term finances		-	-	373,233	373,233	-	-	-
Long term deposits		-	-	10,505,675	10,505,675	-	-	-
Defined benefit obligation		-	-	7,623,230	7,623,230	-	-	-
Lease liabilities		-	-	12,994,971	12,994,971	-	-	-
		<u>142,156,359</u>	<u>-</u>	<u>41,009,456</u>	<u>183,165,815</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	Note	June 30,	December 31,
		2020	2019
30. CASH AND CASH EQUIVALENTS		Un-Audited	Audited
		-----Rupees-----	
Cash and bank balances	17	4,200,989	787,718
Short term borrowings	19	(149,776,265)	(142,156,359)
		<u>(145,575,276)</u>	<u>(141,368,641)</u>

**31. GENERAL**

**31.1 Corresponding figures**

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

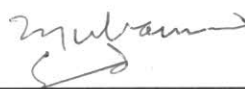
31.2 The figures in the condensed interim financial statement are rounded off to the nearest rupee.

**32. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on 27-August-2020 by the Board of Directors of the Company. *gsm*



Chief Executive Officer



Chief Financial Officer



Director