

Half Yearly Report
June 30,
2018



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



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Corporate Information

BOARD OF DIRECTORS

Mr. Bilal Mustafa - Chairman
Mr.Ihsan ul Haq Khan
Mir Javed Hashmat - CEO
Mr.Dilshad Ali Ahmad
Mr. Muhamamad Farrukh Mansoor Malik
Mr. Abdul Waseem
Ms. Darakshan S.Vohra

CHIEF EXECUTIVE OFFICER

Mir Javed Hashmat

AUDIT COMMITTEE

Mr. Abdul Waseem- Chairman
Mr. Mohammad Farrukh Mansoor Malik - Member
Ms. Darakshan S.Vohra - Member
Mr. Naeem-ul-Hasan - Committee Secretary

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

Mr. Bilal Mustafa - Chairman
Mr. Dilshad Ali Ahmad - Member
Mir Javed Hashmat - Member
Ms.Darakshan S.Vohra -Member
Mr. Adnan Sajar - Committee Secretary



COMPANY SECRETARY & CFO

Liaquat Ali

EXTERNAL AUDITORS

Grant Thornton Anjum Rahman
Chartered Accountants

INTERNAL AUDITOR

Mr. Naeem-ul-Hasan

TAX CONSULTANT

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company,
Advocate & Legal Consultant

CREDIT RATING

Long-term: B + Short-term: B

REGISTERED OFFICE

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

MAIN OFFICE

Office # 304, 3rd Floor, Business Arcade, Shahra-e-Faisal, Karachi.
Tel: (+92-21) 34322128-129-137
Fax: (+92-21) 34322082
E-mail: info@smelease.com

REGISTRAR AND SHARE TRANSFER OFFICE

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

BANKS AND LENDING INSTITUTIONS

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



Directors' Review Report

The Board of directors of **SME Leasing Limited** (the company) is pleased to present unaudited condensed financial statements for the period ended June 30, 2018.

The management remained focused on recovery from its portfolio and utilizing these resources in writing new quality business. As reported in the last quarterly report, Management's consistent efforts in implementing its strategy have started paying back and the operating result has shown improvement. The loss before tax during the period under review was Rs. 9.1 Million compared to Rs. 15.8 million in the corresponding period last year. This was made possible after recovering Rs. 56 Million from the portfolio and writing new leases worth Rs. 79 Million during the period. An increase of 32% 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. 4 million compared to a net provision charge of Rs. 2.5 million last year. Financial charges increased on enhanced utilization of the credit line as new leases were disbursed. Administrative expenses recorded an increase of 6% on inflation and volumes when compared with the previous period last year. Funding constraint remained a major obstacle in converting the company into a profit making institution. Shareholders are informed that PACRA in its report issued in June 2018 has maintained the ratings of the company as under with a stable out-look :

Long term B Plus
Short term B

The Net equity of the Company amounted to Rs.124.1 Million as at 30th June 2018 .The Company is fully compliant of SECP equity requirement for leasing companies. The current and non-current liabilities increased by Rs. 44 Million whereas the total assets recorded a net increase of Rs. 34 Million, principally on account of fresh leases written. Our efforts for recoveries from the portfolio and exploring new avenues of funding shall continue, going forward.

Shareholders are informed that the privatization of SME Bank, our major shareholder, remained in process during the period ended 30th June 2018. We shall keep our shareholders informed of development, in this regard.

Election of the Board was held on 23rd July 2018. Following new directors have been appointed by the shareholders after retirement of Ms. Mehnaz Saleem and Mr. Ateeq Ur Rehman:

-Mr. Abdul Waseem -a retired senior banker
-Ms. Darakshan Sheikh Vohra -a senior lawyer

Further Mr. Bilal Mustafa has been appointed as Chairman of the Board following retirement of Ms. Mehnaz Saleem.

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

A handwritten signature in black ink, appearing to read "Bilal Mustafa".

Bilal Mustafa
Chairman

Dated: August 27, 2018

ڈائریکٹر زر پورٹ

ایس ائم اے لیزنگ لیمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز 30 جون 2018 کو ختم ہونے والی مدت کیلئے غیر آڈٹ شدہ مالیاتی حسابات پیش کر رہے ہیں۔

انتظامیہ اپنے پورٹ فولیو، ریکوری اور منع کاروبار کیلئے اپنی نظریں مرکوز ہوئی ہے۔ گروہت سے ماہی روپورٹ میں یہ روپورٹ دی گئی تھی کہ انتظامیہ نے اپنی حکمت عملی پر عملدرآمد کے لئے مسلسل کوششیں شروع کر دی ہیں جس سے متاخر میں کافی بہتری آئی ہے۔ زیرِ حاصلہ مدت کے دوران خسارہ قابل ایکس 9.1 ملین روپے ہوا جس کا موازنہ گزشتہ سال اسی مدت کے دوران 15.8 ملین روپے سے کیا جاسکتا ہے اور اس پورٹ فولیو سے 56 ملین روپے کی ریکوری کے بعد اور اسی مدت کے دوران نئی لیزز مبلغ 79 ملین روپے کی ہے۔ آمدی میں 32% کا اضافہ ہوا جس کا موازنہ گزشتہ سال کی اسی مدت سے کیا جاسکتا ہے۔ زیرِ نظر مدت کے دوران صافی منافع 4 ملین روپے پر رہا جس کا موازنہ گزشتہ سال کی اسی مدت کے دوران کے خسارہ مبلغ 2.5 ملین روپے سے کیا جاسکتا ہے۔ بالآخر چار جزوں میں کریڈٹ کے استعمال کی وجہ سے اضافہ ہوا۔ انتظامی اخراجات جس میں 6 فیصد کا اضافہ دیکھا گیا ہے جبکہ اس کا موازنہ گزشتہ سال کی اسی مدت سے کیا جاسکتا ہے۔ شیئر ہولڈر کو مطلع کیا جاتا ہے کہ جون 2018ء میں PACRA کی جانب سے جاری کردہ روپورٹ میں کمپنی کی رینگ کی گئی ہے۔ رینگ یہ ہے:

طویل مدت: B+

مختصر مدت: B

30 جون 2018ء کو کمپنی کی صافی ایکوئی کی رقم مبلغ 124.1 ملین روپے رہی۔ ایکوئی کیلئے کمپنی کمکمل طور پر SECP کے قواعد پر عملدرآمد کر رہی ہے۔ موجودہ اور غیر موجودہ قرضہ جات میں اضافہ 44 ملین روپے ہوا ہے جبکہ کل اتنا شجات میں صافی اضافہ مبلغ 34 ملین روپے ریکارڈ کیا گیا ہے جوکہ نئی جاری کردہ لیزز کی وجہ سے ہے۔ ہماری کوششیں پورٹ فولیو سے ریکوریز اور فنڈنگ کیلئے جاری ہیں۔

شیئر ہولڈر کو مطلع کیا گیا ہے کہ SME بینک کی پرائیوریتیشن کی کوشش جاری ہے جو ہمارے اہم شیئر ہولڈر ہیں۔

بورڈ کا ایکشن 23 جولائی 2018 کو منعقد کیا گیا تھا جس میں مندرجہ ذیل نئے ڈائریکٹرز کا تقرر ہمارے شیئر ہولڈر ز نے مس مہناز سلیم اور جناب عقیق الرحمن کی ریٹائرمنٹ کے بعد کیا۔
جناب عبدالوہیم ریٹائرڈ سینئر پیکنر
مس درخواش شیخ دہرا۔ سینئر قانون دان

مزید جناب بلاں مصطفیٰ کا تقرر بورڈ کے چیئر مین کی حیثیت سے کیا گیا ہے جو کہ مس مہناز سلیم کی ریٹائرمنٹ کے بعد ہوا ہے۔

بورڈ اپنے تمام شیئر ہولڈر، قانونی حکام کے مستقل تعاون پر بے حد مشکور ہے اور ہم اپنی انتظامی ٹیم اور کمپنی کے تمام اسٹاف میران کی مسلسل کوششوں پر بھی ان کے مشکور ہیں۔


بلاں مصطفیٰ
چیئر مین

تاریخ: 27 اگست 2018



Independent Auditor's Review Report

To the members of SME Leasing Limited
Report on review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of SME Leasing Limited (the Company) as at June 30, 2018 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six month period then ended (here-in-after referred to as 'condensed interim financial information'). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the condensed interim financial information 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 Independent Auditor of the Entity". A review of condensed interim financial information consist 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 condensed interim financial information 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

We draw attention to the note 1.2 to the condensed interim financial information which indicates that the Company has incurred net loss Rs. 9.184 million (June 30, 2017: Rs. 15.878 million) during the six month period ended June 30, 2018, and as of that date, its accumulated losses amounted to Rs. 244.399 million (Dec 31, 2017: Rs. 235.215 million). 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. Our conclusion is not modified in respect of these matters.

Other Matter

The figures of the condensed interim profit and loss account, condensed interim statement of comprehensive income for the three-month period ended June 30, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended June 30, 2018.

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

Grant Thornton Anjum Rahman
Chartered Accountants

Karachi
Date: August 27, 2018



Statement of Financial Position

As at June 30, 2018

	Note	June 30, 2018 (Un-Audited)	December 31, 2017 (Audited)
..... Rupees			
ASSETS			
Current assets			
Cash and bank balances	6	2,507,192	1,902,743
Mark-up accrued		77,103	9,337
Advances	7	2,995,723	2,803,744
Deposits, prepayments and other receivables		1,913,927	956,092
Current maturity of non current assets	8	64,858,050	110,903,503
Total current assets		72,351,995	116,575,419
Non-current assets			
Long term finances and loans	9	62,404,453	64,098,814
Net investment in leases	10	369,727,531	289,282,913
Long-term deposits and prepayments		829,055	1,186,898
Property and equipment	11	5,768,647	6,500,443
Total non-current assets		438,729,686	361,069,068
Total assets		511,081,681	477,644,487
LIABILITIES			
Current liabilities			
Trade and others payable		3,658,795	3,677,308
Unclaimed dividend		19,906	20,629
Mark-up accrued		1,234,856	918,407
Short term borrowings		141,088,766	110,351,822
Current maturity of long term finance and leases	12	44,495,415	41,275,989
Provision for compensated absences		2,425,860	2,379,069
Taxation payable		8,219,985	8,215,355
Total current liabilities		201,143,583	166,838,579
Non-current liabilities			
Long-term deposits		178,513,600	170,644,000
Deferred liabilities		7,358,023	6,911,306
Total liabilities		185,871,623	177,555,306
NET ASSETS		124,066,475	133,250,602
FINANCED BY			
Authorised share capital			
100,000,000 (2017: 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
Reserves		48,466,329	48,466,329
Accumulated loss		(244,399,854)	(235,215,727)
Total shareholder's equity		124,066,475	133,250,602
Contingencies and commitments	13		

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information.


Bilal Mustafa
Director


Liaquat Ali
Chief Financial Officer


Mir Javed Hashmat
Chief Executive Officer



Profit and Loss Account (Un-audited)

For the period ended June 30, 2018

Note	Six months period ended		Three Months period ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
----- (Rupees) -----				
REVENUE				
Income from operations	14	15,584,235	11,367,644	8,069,775
Other operating income	15	223,901	581,510	38,684
Total Revenue		15,808,136	11,949,154	8,108,459
EXPENSES				
Administrative	16	21,828,418	20,150,839	10,931,803
Finance cost	17	7,033,440	5,043,853	3,899,908
Total expenses		28,861,858	25,194,692	14,831,711
Operating (Loss) before provisions		(13,053,722)	(13,245,538)	(6,723,252)
PROVISIONS				
Reversal / Provision charged for potential lease losses		(4,041,438)	908,510	(2,263,267)
Reversal / Provision charged for loans and receivables		(486)	1,610,964	(41,947)
Total provisions		(4,041,924)	2,519,474	(2,305,214)
Profit / (Loss) before taxation		(9,011,798)	(15,765,012)	(4,418,038)
TAXATION				
Current	18	172,329	113,676	78,398
Deferred Tax		-	-	56,538
Net Profit / (Loss) for the Period		172,329	113,676	78,398
Gain / (Loss) per share - basic and diluted	21	(0.29)	(0.50)	(0.14)
				(0.21)

The annexed notes 1 to 25 form an integral part of these financial statements.

Bilal Mustafa
 Director

Liaquat Ali
 Chief Financial Officer

Mir Javed Hashmat
 Chief Executive Officer



Condensed Interim Statement of Comprehensive Income (Un-audited)

For the period ended June 30, 2018

Note	Six months period ended		Three Months period ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
----- (Rupees) -----				
Loss after Taxation	(9,184,127)	(15,878,688)	(4,496,436)	(6,651,340)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	<u><u>(9,184,127)</u></u>	<u><u>(15,878,688)</u></u>	<u><u>(4,496,436)</u></u>	<u><u>(6,651,340)</u></u>

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information.

The signature of Bilal Mustafa, Director.

The signature of Liaquat Ali, Chief Financial Officer.

The signature of Mir Javed Hashmat, Chief Executive Officer.

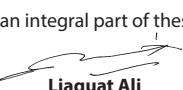
Condensed Interim Cash Flow Statement - Unaudited

For the six-months period ended June 30, 2018

	Note	June 30, 2018	June 30, 2017
..... Rupees			
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax		(9,011,798)	(15,765,012)
Adjustment for :			
Depreciation and amortization		805,279	826,457
Provision for gratuity		446,717	298,596
Provision for compensated absences		743,072	833,294
Finance cost		7,033,440	5,032,510
Profit on bank accounts / return on investment		(62,223)	(35,643)
Financial charges on leased assets		-	11,343
Gain on disposal of property and equipment		(161,678)	(545,867)
(Reversal)/Provision for potential lease losses		(4,041,438)	908,510
(Reversal)/Provision for loans and receivables		(486)	1,610,964
		4,762,683	8,940,164
		(4,249,115)	(6,824,848)
Cash Consumed from operations before working capital changes			
Working capital changes			
(Increase)/decrease in operating assets			
Other receivable/interest accrued		(67,766)	(244,302)
Deposits, prepayments and other receivables		(957,003)	349,907
(Increase)/decrease in net investment in leases		(28,341,965)	42,486,865
Loans and advances		(191,979)	(56,593)
Long term deposits and prepayments		357,843	(284,942)
		(29,200,870)	42,250,935
Increase/(decrease) in operating liabilities			
Trade and other payables		(19,345)	(638,530)
Unclaimed dividend		(723)	-
Long term deposits (paid) / received		11,089,026	(14,311,259)
		11,068,958	(14,949,789)
Total Working capital changes		(18,131,912)	27,301,146
Cash consumed in operations after working capital changes		(22,381,027)	20,476,298
Net cash (used in)/generated operating activities		(30,220,190)	13,591,515
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(75,295)	(111,129)
Accrued Interest on loans		-	(244,302)
Proceeds from disposal of property and equipment		162,990	1,056,021
Net cash from investing activities		87,695	700,590
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		-	(601,306)
Net cash from financing activities		-	(601,306)
Net (decrease) / increase in cash and cash equivalents		(30,132,495)	13,690,799
Cash and cash equivalents at beginning of the year		(108,449,079)	(102,319,486)
Cash and cash equivalents at end of the period	20	(138,581,574)	(88,628,687)

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information.


Bilal Mustafa
Director


Liaquat Ali
Chief Financial Officer


Mir Javed Hashmat
Chief Executive Officer



Statement of Changes in Equity (Un-Audited)

For the period ended June 30, 2018

	Capital reserves		Revenue reserves			Total shareholder's equity
	Issued, subscribed and paid-up capital	Share premium	Statutory reserve	Reserve against future losses	Un-appropriated profit	
----- Rupees -----						
Balance as at January 01, 2017	320,000,000	10,000,000	28,019,277	10,447,052	(211,510,762)	- 156,955,567
Sale of investments.						- -
(Redemption of Namco M. Fund)						- -
Net change to Retained Earnings					-	-
(Loss) after Taxation					(15,878,688)	- (15,878,688)
Actuarial Loss on obligations						
Balance as at May 31, 2017	320,000,000	10,000,000	28,019,277	10,447,052	(227,389,450)	- 141,076,879
Balance as at January 01, 2018	320,000,000	10,000,000	28,019,277	10,447,052	(235,215,727)	- 133,250,602
(Loss) after Taxation					(9,184,127)	- (9,184,127)
Balance as at June 30, 2018	320,000,000	10,000,000	28,019,277	10,447,052	(244,399,854)	- 124,066,475

The annexed notes 1 to 25 form an integral part of these financial statements.


Bilal Mustafa
Director


Liaquat Ali
Chief Financial Officer


Mir Javed Hashmat
Chief Executive Officer



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

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, who holds 73.14% (December 31, 2017: 73.14%) of the Company's shares. At the time of incorporation, the Company was a wholly owned subsidiary of SME Bank Limited, whereby under an arrangement the assets and liabilities of the leasing division of SME Bank Limited were transferred to the Company on January 28, 2003. The company is listed on Pakistan Stock Exchange formerly Lahore Stock Exchange and its registered office is situated at 56-F, Nazim-ul-Din Road F-6/1, Blue Area, Islamabad. The core objective of the Company is to extend lease and working capital financing facilities to small and medium enterprises of the country. The Company obtained license of non deposit taking NBFC and as per section 4(Schedule I) of NBFC Regulations 2008, a non deposit taking NBFC shall have minimum equity of Rs. 50 million. The Company being non deposit taking NBFC has complied with said requirement of NBFC Regulations 2008. The PACRA Credit Rating Agency has assigned a long term rating of B+ (2017: B+) and a short term rating of B (2017: B) to the Company in the month of June 2018.
- 1.2** The Company has been incurring losses since year ended December 31, 2009 which has resulted in erosion of equity. During the period ended June 30, 2018, the Company has incurred a loss of Rs. 9.184 million (June 30, 2017: Rs. 15.879 million) which has further increased accumulated losses to Rs. 244.399 million (December 31, 2017: Rs. 235.117 million) as at the year end. Further, the net assets of the Company amounting to Rs. 124.066 million (December 31, 2017: Rs. 133.250 million) includes non-performing leases and loans and finances, net of provisions of Rs. 135.559 million (December 31, 2017: Rs. 142.755 million).

Further the Company is dependent on the running finance facility granted by the parent company. The revised prudential regulation of State Bank of Pakistan (SBP) applicable from June 2015 has restricted the exposure by bank to a related party to the extent of 7.5% of its equity. However, the parent company has applied for relaxation of the aforesaid requirement in respect of its financing to the Company by State Bank of Pakistan vide its letter SMEBL: HO: CFO: 2018/1230/3856, which has expired on June 2018. However extension of the exemption is currently in progress.

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

- The parent company has granted a short term running finance facility to the Company amounting to Rs. 150 million out of which Rs. 141.088 million has been utilized as at June 30, 2018 (Dec 31, 2017: Rs. 110.351 million). The said facility can be extended to the extent of Rs. 300 million as per the stand-by agreement for finance facility. Parent company has applied for relaxation to the State Bank of Pakistan from the requirements of related party exposure limits in order to continue its support towards the Company. Further, parent company has been in the list of privatization by Government of Pakistan. Upon successful completion of privatization of the parent company, the majority shareholding in SME Leasing Limited will be taken over by the acquirer of SME Bank.
- The management of the Company has prepared cash flow projections which reflect that based on financial support by the parent company the Company will be able to continue its business on going concern basis in the foreseeable future.



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

- Concerted efforts are being made for the recovery of non-performing leases and loans and finances and in this respect during the year Rs. 55.296 million (Dec 31, 2017: Rs. 39.588 million) has been recovered.
- Efforts are also being made by the management to reduce the overall cost of the Company.

Based on the above mentioned financial measures and the concerted operational measures being taken by the Company, the management is confident of the profitable operations in the foreseeable future and therefore, has prepared the financial statements on going concern basis.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial information of the Company for the six months period ended June 30, 2018 have been prepared in accordance with the requirement of the International Accounting Standard 34 - Interim Financial Reporting and provision of and directives issued under the Companies Act 2017, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provision or directives issued under the Companies Act, 2017, NBFC Rules, 2003 and NBFC Regulations, 2008 shall prevail.

2.2 Promulgation of Companies Act, 2017

The Companies Act 2017 applicable for periods ending after December 31, 2017 which result in additional disclosures and certain changes in financial statements presentation.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations followed for the preparation of these accounts are same as those applied in preparing the annual accounts for the year ended December 31, 2017.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing these condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimates uncertainty were the same as applied to the financial statements of the Company for the year ended December 31, 2017.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Company as at and for the year ended December 31, 2017.



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

Note	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
..... Rupees		

6. CASH AND BANK BALANCES

With State Bank of Pakistan in current account
 With commercial banks:
 - in current accounts
 - in saving accounts
 Cash in hand

6.1	21,642	21,642
	2,334,822	1,733,001
	84,316	81,688
	66,412	66,412
	2,507,192	1,902,743

6.1 These carry profit rate of 3.5% to 4% per annum (Dec 31, 2017: 3.5% to 4% per annum)

Note	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
..... Rupees		

7. ADVANCES - considered good

Advances to:
 -employees
 -others

	958,347	805,048
	2,037,376	1,998,696
	2,995,723	2,803,744

8. CURRENT MATURITY OF NON CURRENT ASSET

Current portion of:
 - Long term finances and loans
 - Net investment in leases

	12,617,216	10,517,139
	52,240,834	100,386,364
	64,858,050	110,903,503

9. LONG TERM FINANCES AND LOANS - Secured

Employees
 Others
 - Considered good
 - Considered doubtful

	1,695,150	1,884,251
	20,187,608	18,135,402
	63,926,800	65,384,674
	84,114,408	83,520,076
	(10,787,889)	(10,788,374)
	73,326,519	72,731,702
	75,021,669	74,615,953
Total		
	(379,435)	(390,984)
	(12,237,781)	(10,126,155)
	(12,617,216)	(10,517,139)
	62,404,453	64,098,814



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

Note	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
 Rupees	
10. NET INVESTMENT IN LEASES		
Minimum lease payments receivable	418,614,854	397,763,577
Add: Residual value of leased assets	222,635,782	211,546,756
Lease contract receivable	641,250,636	609,310,333
Less: Unearned lease income	(77,933,207)	(74,250,554)
Less: Provision for potential lease losses	(141,349,064)	(145,390,502)
Net investment in leases	(219,282,271)	(219,641,056)
	421,968,365	389,669,277
Less: Current maturity of net investment in leases	10.1	
Net investment in leases	(52,240,834)	(100,386,364)
	369,727,531	289,282,913

10.1 Net investment in leases

Particulars	June 30, 2018 (Un-audited)			December 31, 2017 (Audited)		
	Not later than One year	Later than one year & less than Five years	Total	Not later than One year	Later than one year & less than Five years	Total
 Rupees					
Minimum Lease payments	24,228,795	394,386,059	418,614,854	72,400,332	325,363,245	397,763,577
Add : Residual value of leased assets	44,122,182	178,513,600	222,635,782	40,902,756	170,644,000	211,546,756
Gross investment in leases	68,350,977	572,899,659	641,250,636	113,303,088	496,007,245	609,310,333
Unearned lease income	(16,110,143)	(9,994,810)	(26,104,953)	(12,916,724)	(7,944,790)	(20,861,514)
Markup held in suspense account	-	(51,828,254)	(51,828,254)	-	(53,389,040)	(53,389,040)
	(16,110,143)	(61,823,064)	(77,933,207)	(12,916,724)	(61,333,830)	(74,250,554)
Provision for potential lease losses	52,240,834	511,076,595	563,317,429	100,386,364	434,673,415	535,059,779
	-	(141,349,064)	(141,349,064)	-	(145,390,502)	(145,390,502)
Net investment in finance leases	52,240,834	369,727,531	421,968,365	100,386,364	289,282,913	389,669,277



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

Note	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
..... Rupees		

11. PROPERTY AND EQUIPMENT

Fixed assets	5,574,152	6,189,293
Intangible assets	194,495	311,150
	5,768,647	6,500,443

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

	June 30, 2018 Unaudited		December 31, 2017 Audited	
	Additions	Deletions	Additions	Deletions
..... Rupees				
Owned				
Furniture and fixtures	-	-	88,495	-
Computers	7,956	-	22,634	-
Office equipment & others	67,339	20,000	41,275,989	-
Vehicles	-	1,549,900	2,143,000	(1,664,100)
	75,295	1,569,900	43,530,118	(1,664,100)
Leased Assets				
Vehicles	-	-	(2,143,000)	
	75,295	1,569,900	43,530,118	(3,807,100)

Note	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
..... Rupees		

12. CURRENT MATURITY OF LONG TERM FINANCE AND LEASES

Long term finances	373,233	373,233
Long term deposits	44,122,182	40,902,756
	44,495,415	41,275,989

13. CONTINGENCIES AND COMMITMENTS

Lease disbursements	-	9,750,000
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Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

Six months period ended Three Months period ended

(Un-Audited) June 30, 2018	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2018	(Un-Audited) June 30, 2017
-------------------------------	-------------------------------	-------------------------------	-------------------------------

----- (Rupees) -----

14. INCOME FROM OPERATIONS

Income from finance lease operations	13,486,070	8,864,204	6,972,980	4,162,531
Gain/(loss) on termination of leases	-	-	-	-
	13,486,070	8,864,204	6,972,980	4,162,531
Income on finances and loans to Customers	2,098,165	2,503,440	1,096,795	1,491,341
	15,584,235	11,367,644	8,069,775	5,653,872

15. OTHER OPERATING INCOME

Income from investments	2,788	2,719	825	1,462
Income from financial assets	58,435	32,924	31,171	8,415
Other income	1,000	-	-	-
Gain from non-financial assets	161,678	545,867	6,688	-
	223,901	581,510	38,684	9,877

Six months period ended Three Months period ended

(Un-Audited) June 30, 2018	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2018	(Un-Audited) June 30, 2017
-------------------------------	-------------------------------	-------------------------------	-------------------------------

----- (Rupees) -----

16. ADMINISTRATIVE & OPERATING EXPENSES

Salaries, allowances and other benefits	13,323,666	11,902,039	6,749,091	5,941,885
Directors' fee	400,000	360,000	220,000	180,000
Rent	1,667,516	1,512,760	838,390	693,690
Electricity, gas and water	408,013	485,253	226,617	307,049
Telephone and postage	459,145	400,792	225,684	236,280
Repairs and maintenance	220,358	250,236	118,883	129,049
Books and periodicals	21,792	13,862	10,907	7,114
Vehicle running	124,826	286,758	62,426	256,748
Advertising	240,000	246,550	240,000	161,280
Training and Development	19,500	-	19,500	-
Travelling, conveyance and entertainment	798,351	745,929	434,319	319,911
Printing and stationery	427,600	558,861	228,838	436,042
Auditors' remuneration	56,500	74,000	52,500	50,000
Depreciation and amortization	805,279	826,457	401,745	437,867
Legal and professional	2,034,282	1,591,098	689,796	790,867
Insurance	512,780	455,923	261,140	219,699
Miscellaneous	308,810	337,405	151,967	106,446
Commission and brokerage charges	-	102,916	-	23,200
	21,828,418	20,150,839	10,931,803	10,297,127



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

Six months period ended Three Months period ended

(Un-Audited) June 30, 2018	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2018	(Un-Audited) June 30, 2017
-------------------------------	-------------------------------	-------------------------------	-------------------------------

----- (Rupees) -----

17. FINANCE COST

Mark-up on:

Long term finance from banking -
companies and financial institutions

Short term borrowings (Note 17.1)

-	-	-	-
6,948,624	4,898,888	3,823,072	2,321,333
6,948,624	4,898,888	3,823,072	2,321,333
-	11,343	-	-
84,816	133,622	76,836	96,301
7,033,440	5,043,853	3,899,908	2,417,634

Note	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
------	----------------------------------	-----------------------------------

..... Rupees

17.1 Finance cost includes mark up expense related to SME Bank Limited, related party:

Short term borrowings

6,948,624	4,898,888
6,948,624	4,898,888

Note	June 30, 2018 (Un-audited)	June 30, 2017 (Un-audited)
------	----------------------------------	----------------------------------

..... Rupees

18. TAXATION

Current Tax

- Minimum Tax u/s 113

172,329	113,676
172,329	113,676

19. TRANSACTIONS WITH RELATED PARTIES

The related parties 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 SME Bank Limited, directors and key management personnel are disclosed in their relevant notes. Transactions with other related parties and the balances outstanding at the year end are given below:



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

	June 30, 2018		December 31, 2017
	Key Management Personnel (Un-audited)	SME Bank Limited	Key Management Personnel (Audited)
..... Rupees			
Borrowings			
Opening Balance	-	110,351,822	-
Add: Further used during the year / period -Net period -net	-	30,736,944	-
Closing Balance	-	141,088,766	110,351,822
Staff Provident Fund			
Receivable from staff provident fund	832	-	-
Markup expense for the period	-	6,948,624	-
Rent expenses	-	211,644	-
Key management remuneration	3,990,840	-	3,607,170
P.F. - Company's contribution	25,632	-	37,408

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

(Un-Audited) June 30, 2018	(Audited) December 31, 2017	(Un-Audited) June 30, 2017
----------------------------------	-----------------------------------	----------------------------------

20. CASH AND CASH EQUIVALENTS

Cash and bank balances	2,507,192	1,902,743	4,617,235
Short term borrowings	(141,088,766)	(110,351,822)	(93,245,922)
	(138,581,574)	(108,449,079)	(88,628,687)

----- (Rupees) -----

(Un-Audited) June 30, 2018	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2018	(Un-Audited) June 30, 2017
-------------------------------	-------------------------------	-------------------------------	-------------------------------

----- (Rupees) -----

21. LOSS PER SHARE - BASIC AND DILUTED

Loss after taxation attributable to Ordinary Shareholders (Rupees)	(9,184,127)	(15,878,688)	(4,496,436)	(6,651,340)
Weighted average number of outstanding Ordinary Shareholders	32,000,000	32,000,000	32,000,000	32,000,000
Loss per share (rupees)	(0.29)	(0.50)	(0.14)	(0.21)



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

22. SEGMENT INFORMATION

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

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

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

Particulars	June 30, 2018 (Unaudited)				
	Finance Lease	Loans and Receivable	Investment	Others	Total
Segment revenue	13,486,070	2,098,165	-	223,901	15,808,136
Segment profit	17,527,508	2,098,651	-	223,901	19,850,060
Segment result					19,850,060
Unallocated cost					
Finance cost					7,033,440
Administrative & selling expenses					21,828,418
					28,861,858
Loss before income tax					(9,011,798)
Income tax expense					(172,329)
Loss for the year					(9,184,127)
Other information					
Segment assets	421,968,365	73,326,519	-		495,294,884
Unallocated assets	-	-	-	(119,331,418)	(119,331,418)
Total assets					375,963,466
Segment liabilities	225,585,519	-	-		225,585,519
Unallocated liabilities	-	-	-	161,428,855	161,428,855
Total liabilities					387,014,374
Net assets					(11,050,908)
Capital expenditure	-	-	-	75,295	75,295



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

June 30, 2017 (Unaudited)					
Particulars	Finance Lease	Loans and Receivable	Investment	Others	Total
Segment revenue	8,864,204	2,503,440	-	581,510	11,949,154
Segment profit	7,955,694	892,476	-	581,510	9,429,680
Segment result					9,429,680
Unallocated cost					5,043,853
Finance cost					5,043,853
Administrative & selling expenses					20,150,841
					<u>25,194,694</u>
Loss before taxation					(15,765,014)
Taxation					(113,676)
Loss for the period after taxation					<u>(15,878,690)</u>

December 31, 2017 (Audited)					
Particulars	Finance Lease	Loans and Receivable	Investment	Others	Total
Other information					
Segment assets	389,669,277	72,731,702	-	-	462,400,979
Unallocated assets	-	-	-	15,243,508	<u>15,243,508</u>
Total assets					<u>477,644,487</u>
Segment liabilities	214,248,329	-	-	-	214,248,329
Unallocated liabilities	-	-	-	130,145,556	<u>130,145,556</u>
Total liabilities					<u>344,393,885</u>
Net assets					<u>133,250,602</u>
Capital expenditure	-	-	-	111,129	<u>111,129</u>

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

22.2 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.



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

23. 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).

As at June 30, 2018, the Company held the following classes of financial instruments measured at fair value:

June 30, 2018	Carrying amount			Fair value			
	Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3 Total
Financial assets not measured at fair value							
Cash and bank balance	6 2,507,192	-	-	2,507,192	-	-	-
Advances	7 -	2,995,723	-	2,995,723	-	-	-
Deposits, prepayments and other receivables	-	1,913,927	-	1,913,927	-	-	-
Long term finances and loans and accrued interest thereon	9 -	75,021,669	-	75,021,669	-	-	-
Net investment in finance leases	10 -	421,968,365	-	421,968,365	-	-	-
	2,507,192	501,899,684		- 504,406,876	-	-	-
Financial liabilities not measured at fair value							
Trade and other payable	-	-	3,678,701	3,678,701	-	-	-
Accrued mark-up on borrowings	-	-	1,234,856	1,234,856	-	-	-
Short term borrowings	141,088,766	-	-	141,088,766	-	-	-
Provision for compensated absences	-	-	2,425,860	2,425,860	-	-	-
Long term finances	-	-	373,233	373,233	-	-	-
Long term deposits	-	-	178,513,600	178,513,600	-	-	-
Deferred liabilities	-	-	7,358,023	7,358,023	-	-	-
	141,088,766		- 193,584,273	334,673,039	-	-	-



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

- 23.1** The Company has not disclosed the fair values for these financial instruments, because their carrying amounts are reasonable approximation of fair value.
- 23.2** 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, 2018, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

December 31, 2017	Carrying amount			Fair value				
	Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash and bank balance	6	1,902,743	-	-	1,902,743	-	-	-
Advances	7	-	2,803,744	-	2,803,744	-	-	-
Deposits, prepayments and other receivables	-	956,092	-	956,092	-	-	-	-
Long term finances and loans and accrued interest thereon	9	-	74,615,953	-	74,615,953	-	-	-
Net investment in finance leases	10	-	389,669,277	-	389,669,277	-	-	-
		<u>1,902,743</u>	<u>468,045,066</u>	<u>-</u>	<u>469,947,809</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value								
Trade and other payable	-	-	3,697,937	3,697,937	-	-	-	-
Accrued mark-up on borrowings	-	-	918,407	918,407	-	-	-	-
Short term borrowings	110,351,822	-	-	110,351,822	-	-	-	-
Provision for compensated absences	-	-	2,379,069	2,379,069	-	-	-	-
Long term finances	-	-	373,233	373,233	-	-	-	-
Long term deposits	-	-	170,644,000	170,644,000	-	-	-	-
Deferred liabilities	-	-	6,911,306	6,911,306	-	-	-	-
	<u>110,351,822</u>	<u>-</u>	<u>184,923,952</u>	<u>295,275,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

24. RECLASSIFICATION

Items presented in the balance sheet as at December 31, 2017 have been reclassified to confirm to current year's presentation. Effect of these reclassifications are presented in following table:



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2018

December 31, 2017

	As previously reported	Reclassification	Currently reported
----- (Rupees) -----			
Net investment in leases			
Residual value of Leased Assets			
-Not later than one year	6,300,000	34,602,756	40,902,756
-Later than one but not later than five years	205,246,756	(34,602,756)	170,644,000
	<u>211,546,756</u>		<u>211,546,756</u>
Transferred unclaimed dividend from trade and other payable			
Trade and other payable	3,697,937	(20,629)	3,677,308
Unclaimed dividend	-	20,629	20,629
	3,697,937		3,697,937

25. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on August 27, 2018 by the Board of Directors of the Company.

Bilal Mustafa
Director

Liaquat Ali
Chief Financial Officer

Mir Javed Hashmat
Chief Executive Officer



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CORPORATE

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