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## **Corporate Information**

### **BOARD OF DIRECTORS**

**\* Mr. Ihsan ul Haq Khan Chairman**  
**Mr. Naveed Amin Chief Executive Officer**  
**Mr. Ali A. Rahim**  
**Ms. Mehnaz Kaludi**  
**Mr. Junaid Mohmand**  
**Mian Tahir Bashir**  
**Mr. Ateeq Ur Rehman**

\* subject to approval of SECP

### **AUDIT COMMITTEE**

**Mr. Ateeq Ur Rehman Chairman**  
**Mr. Ali A. Rahim Member**  
**Mian Tahir Bashir Member**  
**Ms. Shafque Akhter Committee Secretary**

### **HUMAN RESOURCE COMMITTEE**

**Ms. Mehnaz Kaludi Chairperson**  
**Mr. Ihsan Ul Haq Khan Member**  
**Mr. Junaid Mohmand Member**  
**Mr. Naveed Amin Member / Committee Secretary**

## Corporate Information

### **COMPANY SECRETARY & CFO**

Mr. Osama Iqbal

### **EXTERNAL AUDITORS**

KPMG Taseer Hadi & Co.  
Chartered Accountants

### **INTERNAL AUDITOR**

Ms. Shafque Akhter

### **TAX CONSULTANT**

Earnst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

### **LEGAL ADVISOR**

Mohsin Tayebaly & Company,  
Advocate & Legal Consultant

### **CREDIT RATING**

Long-term: BB +      Short-term: B

### **REGISTERED OFFICE**

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

### **MAIN OFFICE**

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

### **REGISTRAR AND SHARE TRANSFER OFFICE**

#### **Corptec Associates (Pvt.) Limited**

503-E, Johar Twon, Lahore.  
Tel: (+92-042) 35170336-7, Fax: (+92-042) 35170338  
E-mail: info@corptec.com.pk

### **BANKS AND LENDING INSTITUTIONS**

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



## Directors' Review

The Board of Directors of **SME Leasing Limited** (the Company) is pleased to present their report and review of un-audited financial statements for the half year, ended June 30, 2014.

Despite a number of positive indicators, Pakistan's economic condition, during the period under review, remained full of uncertainties, mainly due to law and order situation, terrorism and energy crises, etc. This raised the cost of doing business at higher side. Also, the leasing sector, since 2008 financial meltdown, has been facing severe difficulties due to Non Performing Portfolios (NPL) and non-availability of low cost funds.

Lack of availability of financing not only shakes the confidence of the investor, but also effects the growth of economy. However, the morale of the management of SME Leasing remained high during the period; it is not only diligently handling the difficult situation, but also concentrating on new business opportunities at handsome profit margin. Further, the management is actively pursuing recoveries against NPL with encouraging results, and is hopeful that their efforts would have positive impact on the Company's balance sheet in near future.

The Board is informed that the SME Leasing has written new disbursement of Rs. 216.59 Million in the first half of the year, 2014, which was Rs. 81.7 Million in December 2013. The Management of SME Leasing has expressed gratitude to the sponsor of the Company i.e. SME Bank Limited, whose support in shape of financing facility enabled them to achieve their business targets. The Company during the period under review, enhanced its total assets due to new lease business to Rs. 682.36 Million from Rs. 542 Million. The gross revenue of the Company, thus, increased to Rs. 18.21 Million, as compared to Rs. 12.93 Million in the corresponding period. The Company earned gross revenue of Rs. 21.8 Million after adjustment of routine suspension of income. However, at the beginning of the year a landmark decision of Honorable Supreme Court of Pakistan compelled the Company to reverse an income of Rs. 3.6 million due to revocation of provision of section 15(2) of FIO 2001, resulting in conversion of Company's profit into losses. Operating expense of the Company, however, increased to Rs. 18.23 Million as against Rs. 14.7 Million in the corresponding period, mainly due to fresh hiring and increase in operational activities for new business. The Company have an after tax net loss of Rs. 0.75 Million for the half year ended June 30, 2014 that reduced its equity to Rs. 198.7 Million.

SME Leasing is working on various funding options in consultation with the main sponsor, SME Bank Limited, to build new healthy assets during the year. Further, in view of the prevailing growth rate, disbursements strategy and expansion plans, the Company expects good financial results in future.

The Board recognizes and appreciates the support and role of the lending institutions, regulatory authorities, management team and all the staff members of the SME Leasing.

On behalf of Board of Directors

**Ihsan Ul Haq Khan**  
Chairman

Dated: August 27, 2014

## Independent Auditors' Report on Review of Interim Financial Information to the Members

### Introduction

We have reviewed the accompanying condensed interim balance sheet of SME Leasing Limited ("the Company") as at 30 June 2014 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 financial information for the six months period then ended (here-in-after referred to as the interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information 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 condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of matter

We draw attention to note 1.2 to the interim financial information which discusses the matter relating to the minimum equity requirements as required by the Non Banking Finance Companies and Notified Entities Regulations, 2008 and expiry of license to conduct leasing business granted by Securities and Exchange Commission of Pakistan. This condition, along with other matters as set forth in the above referred note; indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the condensed interim financial information have been prepared on the basis of going concern as the management, considering the mitigating factors mentioned in the above referred note including availability of financing from the parent company, is confident that the Company will be able to continue its business in the foreseeable future. Our conclusion is not qualified in this respect.

### Other matter

The figures for the three months period ended 30 June 2014 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: August 27, 2014

Karachi

*KPMG Taseer Hadi & Co.*

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem

## Condensed Interim Balance Sheet

As at 30 June 2014

	Note	30 June 2014 (Un-audited)	31 December 2013 (Audited)
Rupees .....			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	6	4,422,836	6,033,050
Advances		2,246,684	1,282,930
Deposits, prepayments and other receivables		1,349,153	2,128,180
Accrued interest on loans		179,284	132,771
Investments	7	1,966,254	3,987,699
Current maturity of net investment in finance lease and long term finances and loans	8 & 9	423,580,364	407,463,578
		<b>433,744,575</b>	421,028,208
<b>Non-current assets</b>			
Long term finances and loans	8	51,455,963	6,510,409
Net investment in finance leases	9	181,221,344	98,779,821
Long term deposits and prepayments		1,570,700	1,560,055
Property and equipment	10	14,369,527	14,206,139
		<b>248,617,534</b>	121,056,424
<b>Total assets</b>		<b>682,362,109</b>	542,084,632
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued and other liabilities	9.1.1	16,181,706	6,840,078
Accrued mark-up on borrowings		1,864,466	644,874
Short term borrowings		161,878,383	37,534,120
Short term certificates of investment		200,000	200,000
Current maturity of non-current liabilities	11	209,694,937	220,987,809
Provision for compensated absences		822,393	676,871
Advance tax net of provisions		12,335,147	12,415,093
		<b>402,977,032</b>	279,298,845
<b>Non-current liabilities</b>			
Long term finances	12	373,232	723,580
Liabilities against assets subject to finance lease	9.1	1,682,423	1,404,491
Lease key deposits		74,065,944	56,649,944
Deferred liabilities		3,703,031	3,674,069
		<b>79,824,630</b>	62,452,084
<b>Total liabilities</b>		<b>482,801,662</b>	341,750,929
<b>NET ASSETS</b>		<b>199,560,447</b>	200,333,703
<b>FINANCED BY</b>			
Authorised share capital 100,000,000 (31 December 2013: 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		(169,692,136)	(168,940,325)
		<b>198,774,193</b>	199,526,004
Surplus on revaluation of available-for-sale investments		786,254	807,699
<b>Total shareholder's equity</b>		<b>199,560,447</b>	200,333,703
<b>COMMITMENTS</b>	13		

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

  
**Naveed Amin**  
Chief Executive Officer

  
**Mehnaz Kaludi**  
Director

## Condensed Interim Profit And Loss Account (Un-audited)

For the six months period ended 30 June 2014

Note	Six months period ended		Three Months period ended		
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	
(Rupees)					
<b>INCOME</b>					
Income from operations	14	18,089,366	12,613,964	11,769,741	4,781,721
<b>Other Operating Income</b>					
Income from investments		68,134	279,739	34,112	188,671
Income from financial assets		36,078	39,422	7,642	19,574
Gain from disposal of fixed assets		11,000	-	-	-
		115,212	319,161	41,754	208,245
		18,204,578	12,933,125	11,811,495	4,989,966
<b>EXPENSES</b>					
Administrative and operating expenses	15	18,239,083	14,724,136	9,250,617	7,277,819
Finance cost	16	5,289,247	5,260,038	3,420,534	2,514,806
		23,528,330	19,984,174	12,671,151	9,792,625
Operating loss before provisions		(5,323,752)	(7,051,049)	(859,656)	(4,802,659)
<b>PROVISIONS</b>					
(Reversal)/Provision for potential lease losses		(5,137,153)	(175,011)	(4,028,660)	2,257,193
Provision for doubtful finances and loans		383,166	409,521	365,041	405,631
		(4,753,987)	234,510	(3,663,619)	2,662,824
(Loss) / profit before taxation		(569,765)	(7,285,559)	2,803,963	(7,465,483)
Taxation		182,046	64,666	118,115	25,250
(Loss) / profit after taxation		(751,811)	(7,350,225)	2,685,848	(7,490,733)
(Loss) / profit per share - basic and diluted	17	(0.02)	(0.23)	0.08	(0.23)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

  
Naveed Amin  
Chief Executive Officer

  
Mehnaz Kaludi  
Director

## Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months period ended 30 June 2014

Note	Six months period ended		Three Months period ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	----- (Rupees) -----			
<b>(Loss) / profit after taxation</b>	<b>(751,811)</b>	(7,350,225)	<b>2,685,848</b>	(7,490,733)
<b>Other comprehensive income</b>				
(Deficit) / surplus on revaluation of available-for-sale investments	(21,445)	620,257	(29,255)	336,317
Actuarial gain on defined benefit obligation	-	395,393	-	395,393
	(21,445)	1,015,650	(29,255)	731,710
<b>Total comprehensive income for the period</b>	<b>(773,256)</b>	(6,334,575)	<b>2,656,593</b>	(6,759,023)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



**Naveed Amin**  
Chief Executive Officer



**Mehnaz Kaludi**  
Director

## Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 30 June 2014

	Six months period end	
	30 June 2014	30 June 2013
	Note	
		Rupees .....
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(569,765)	(7,285,559)
Adjustments for:		
- Depreciation and amortization	950,254	1,012,612
- Gratuity	201,356	454,930
- Finance cost	5,120,591	5,118,075
- Profit on bank accounts / return on investments	(104,212)	(319,161)
- Lease finance charges	168,656	141,963
- Gain on disposal of property and equipment	(11,000)	-
- Provision for potential lease losses	(5,137,153)	(175,011)
- Provision for doubtful finances and loans	383,166	409,521
	<u>1,571,658</u>	<u>6,642,929</u>
<b>Operating profit before working capital changes</b>	<b>1,001,893</b>	<b>(642,630)</b>
<b>Movement in working capital</b>		
(Increase) / decrease in operating assets		
- Interest accrued	(46,513)	247,868
- Net investment in finance leases	(82,100,008)	44,800,189
- Deposits, prepayments and other receivables	779,027	(994,368)
- Long term deposits and prepayments	(10,645)	418,800
- Advances	(963,754)	(112,036)
	<u>(82,341,893)</u>	<u>44,360,453</u>
<b>Increase / (decrease) in operating liabilities</b>		
- Provision for compensated absences	145,522	43,532
- Long term deposits received	6,961,580	(10,623,000)
- Accrued and other liabilities	9,341,628	(1,205,859)
	<u>16,448,730</u>	<u>(11,785,327)</u>
<b>Cash generated from operations</b>	<b>(64,891,270)</b>	<b>31,932,496</b>
(Increase) / decrease in long term finances and loans	(56,649,868)	8,549,302
Financial charges paid	(3,900,999)	(5,078,797)
Interest received	104,212	319,161
Gratuity paid	(172,394)	(161,760)
Taxes paid	(261,992)	(84,057)
	<u>(60,881,041)</u>	<u>3,543,849</u>
<b>Net cash flows from operating activities</b>	<b>(125,772,311)</b>	<b>35,476,345</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(299,313)	-
Proceeds from disposal of fixed assets	245,670	-
Decrease in investments	2,000,000	500,000
Net cash flows from investing activities	<u>1,946,357</u>	<u>500,000</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Decrease in long-term finances	(1,235,034)	(9,565,208)
Decrease in certificates of investment	-	(2,112,646)
Lease rentals paid	(893,489)	(535,806)
<b>Net cash flows from financing activities</b>	<b>(2,128,523)</b>	<b>(12,213,660)</b>
Net increase in cash and cash equivalents	<u>(125,954,477)</u>	<u>23,762,685</u>
Cash and cash equivalents at beginning of the period	<b>(31,501,070)</b>	<b>(48,567,198)</b>
Cash and cash equivalents at end of the period	<b>19 (157,455,547)</b>	<b>(24,804,513)</b>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

  
Naveed Amin  
Chief Executive Officer

  
Mehnaz Kaludi  
Director

## Condensed Interim Statement of Changes in Equity (Un-audited)

For the six months period ended 30 June 2014

	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		Surplus / (deficit) on revaluation of available-for-sale investments
----- Rupees -----							
Balance as at 1 January 2013 - restated	320,000,000	10,000,000	28,019,277	10,447,052	(160,709,956)	129,433	207,885,806
<b>Total comprehensive income for the period ended 30 June 2013</b>							
Loss after taxation for the period	-	-	-	-	(7,350,225)	-	(7,350,225)
<b>Other comprehensive income</b>							
Actuarial gain on defined benefit obligation	-	-	-	-	395,393	-	395,393
Surplus on revaluation of available-for-sale investments - net	-	-	-	-	-	620,257	620,257
Balance as at 30 June 2013	320,000,000	10,000,000	28,019,277	10,447,052	(167,664,788)	749,690	201,551,231
<b>Balance as at 1 January 2014</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>28,019,277</b>	<b>10,447,052</b>	<b>(168,940,325)</b>	<b>807,699</b>	<b>200,333,703</b>
<b>Total comprehensive income for the period ended 30 June 2014</b>							
Loss after taxation for the period	-	-	-	-	(751,811)	-	(751,811)
<b>Other comprehensive income</b>							
Deficit on revaluation of available-for-sale investments - net	-	-	-	-	-	(21,445)	(21,445)
Balance as at 30 June 2014	320,000,000	10,000,000	28,019,277	10,447,052	(169,692,136)	786,254	199,560,447

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

  
Naveed Amin  
Chief Executive Officer

  
Mehnaz Kaludi  
Director

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 30 June 2014

### 1. STATUS AND NATURE OF BUSINESS

- 1.1** SME Leasing Limited (the Company) was incorporated in Pakistan on 12 July 2002 as an unlisted public company and acquired the status of a listed company on 13 December 2006. The Company is a subsidiary of SME Bank Limited (holding company), which holds 73.14% (31 December 2013: 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 28 January 2003. The Company is listed on Lahore Stock Exchange and its registered office is situated at 56 - F Nizam-ud-Din Road, 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.
- 1.2** Regulation 4 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations 2008) requires a leasing company to maintain, at all times, minimum equity of Rs. 350 million by 30 June 2011, Rs. 500 million by 30 June 2012 and Rs. 700 million by 30 June 2013. The equity of the Company as at 30 June 2014 is Rs. 198.774 million which is Rs. 501.226 million short of the minimum capital requirement. The Company has been incurring losses since the year ended 31 December 2009 which has resulted in erosion of equity. During the half year ended 30 June 2014, the Company has incurred a loss of Rs. 0.752 million and the accumulated losses, as at 30 June 2014, amounts to Rs. 169.692 million. Further, the net assets of the Company amounting to Rs.199.560 million includes non-performing loans, net of provision, amounting to Rs.133.415 million

The license to conduct leasing business granted to the Company by the Securities and Exchange Commission of Pakistan (SECP) dated 30 June 2010, which expired on 20 May 2013, specifically mentions that the license is subject to consistent compliance with all the requirements of NBFC Regulations 2008.

The Company has applied for renewal of the license on 22 April 2013 and submitted a detailed business plan including measures to be taken for improvement of financial health of the Company and due compliance with minimum equity requirement as per NBFC Regulations 2008. Considering the financial health of the Company and expiry of leasing license, the SECP in letter dated 05 July 2013 instructed the Company to not to raise deposits from general public in any form till the compliance of the minimum equity requirement and the renewal of the leasing license.

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 realise 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:

- Securities and Exchange Commission of Pakistan on the recommendation of NBF Sector Reform Committee is currently reviewing the overall regulatory regime of NBF sector which includes considering various options relating to minimum equity requirements;
- The parent company has granted a short term running finance facility to the Company amounting to Rs. 180 million out of which Rs. 161.878 million has been utilised as at 30 June 2014. 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 has also confirmed the availability of this extended facility via their letter dated 20 August 2014;
- The management of the Company has prepared cash flow projections which reflect that based on financial support by the parent company the Company will be able to continue its business on going concern basis in the foreseeable future;
- Concerted efforts are being made for the recovery of non-performing loans and in this respect during the period Rs. 17.097 million has been recovered. Further, subsequent to the period ended 30 June 2014, Rs. 1.480 million has been recovered in respect of the non-performing loans till the end of July 2014;
- Efforts are also being made by the management to reduce the overall cost of the Company.

### 2. BASIS OF PREPARATION

#### Statement of compliance

These condensed interim financial information of the Company for the six months period ended 30 June 2014 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, 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 Ordinance, 1984, NBFC Rules, 2003 and NBFC Regulations, 2008 shall prevail.

This condensed interim financial information is Un-audited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulation of Lahore Stock Exchange. However, a limited scope review has been carried out by the auditors. This condensed interim financial information has been presented in Pakistani Rupees, which is the functional currency of the Company. The figures are rounded off to the nearest rupee.

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 30 June 2014

The comparative balance sheet presented in the condensed interim financial information as at 30 June 2014 has been extracted from the audited financial statements of the Company for the year ended 31 December 2013, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement have been extracted from condensed interim financial information of the Company for the six months period ended 30 June 2013. Further, the figures in the condensed interim financial information for the three month period ended 30 June 2014 have not been reviewed by the auditors.

### 3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of the financial statements of the Company as at and for the year ended 31 December 2013.

### 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 this 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 those that applied to the financial statements of the Company for the year ended 31 December 2013.

### 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 31 December 2013.

Note	30 June 2014 (Un-audited)	31 December 2013 (Audited)
<b>6. CASH AND BANK BALANCES</b>		
		Rupees .....
Cash in hand	<b>66,512</b>	53,579
Balance with State Bank of Pakistan in current account	<b>23,095</b>	3,095
Balances with banks in:		
- current accounts	6.1 <b>3,448,573</b>	3,397,573
- saving accounts	6.2 <b>884,656</b>	2,578,803
	<b>4,422,836</b>	6,033,050

6.1 These include balance with a related party amounting to Rs. 0.548 million (Dec 2013: Rs. 1.692 million).

6.2 These saving accounts carry profit rate of 6% per annum ( Dec 2013: 7% per annum).

	30 June 2014 (Un-audited)	31 December 2013 (Audited)
<b>7. INVESTMENTS - available-for-sale</b>		
		Rupees .....
<b>Government securities</b>		
Special saving certificates	-	2,000,000
<b>Mutual Fund</b>		
Close end mutual fund	7.1 <b>1,966,254</b>	1,987,699
	<b>1,966,254</b>	3,987,699

7.1 This represents investment in 327,709 certificates (31 December 2013: 306,271) of Namco Balanced Fund, a close end mutual fund. As at 30 June 2014, the cost of the above investments amounted to Rs. 1.18 million (31 December 2013: Rs. 1.18 million).

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 30 June 2014

	Note	30 June 2014 (Un-audited)	31 December 2013 (Audited)
<b>8. LONG TERM FINANCES AND LOANS - secured</b>			
..... Rupees .....			
Related parties - considered good - Employees		1,459,921	1,506,965
<b>Other than related parties</b>			
- Customers considered good		76,231,643	17,591,931
considered doubtful		36,572,952	38,515,752
		112,804,595	56,107,683
Provision for doubtful finances		(5,120,529)	(4,737,363)
		107,684,066	51,370,320
		109,143,987	52,877,285
Less: Current maturity			
Related parties - Employees		(95,388)	(93,038)
Other than related parties - Customers		(57,592,636)	(46,273,838)
		(57,688,024)	(46,366,876)
		51,455,963	6,510,409
<b>9. NET INVESTMENT IN FINANCE LEASES</b>			
Net investment in finance leases	9.1	547,113,684	459,876,523
Current portion shown under current assets	9.1	(365,892,340)	(361,096,702)
		181,221,344	98,779,821

### 9.1 Net investment in finance leases

Note	30 June 2014 (Un-audited)			31 December 2013 (Audited)			
	Not later than one year	Later than one year and less than five years	Total	Not later than one year	Later than one year and less than five years	Total	
	..... Rupees .....						
Minimum lease payments	9.1.1	399,782,952	130,310,591	530,093,543	372,553,627	50,912,406	423,466,033
Add: Residual value of leased assets	9.1.2	206,445,629	74,065,944	280,511,573	216,900,049	56,649,944	273,549,993
Gross investment in leases		606,228,581	204,376,535	810,605,116	589,453,676	107,562,350	697,016,026
Unearned lease income		(30,438,082)	(23,155,191)	(53,593,273)	(13,355,593)	(8,782,529)	(22,138,122)
Mark-up held in suspense		(57,750,946)	-	(57,750,946)	(57,717,015)	-	(57,717,015)
		(88,189,028)	(23,155,191)	(111,344,219)	(71,072,608)	(8,782,529)	(79,855,137)
		518,039,553	181,221,344	699,260,897	518,381,068	98,779,821	617,160,889
Provision for potential lease losses		(152,147,213)	-	(152,147,213)	(157,284,366)	-	(157,284,366)
Net investment in finance leases		365,892,340	181,221,344	547,113,684	361,096,702	98,779,821	459,876,523

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 30 June 2014

The Internal Rate of Return (IRR) on lease contracts receivable ranges from 9.5 percent to 29 percent per annum (31 December 2013: 9.5 percent to 24 percent per annum).

- 9.1.1 This includes a lease receivable of Rs 8.371 million, restored as a result of the order of the Supreme Court of Pakistan dated 03 January 2014. The said order cancelled the previous settlement of the lease through sale of underlying mortgaged property. A liability of Rs. 9.819 million has also been recorded towards the buyer of the said property.
- 9.1.2 These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases. The amount is net of security deposit held against matured leases amounting to Rs. 248.754 million (31 December 2013: Rs. 240.233 million).

Note	For the six months period ended	
	30 June 2014 (Un-audited)	30 June 2013 (Un-audited)
..... Rupees .....		
<b>10. PROPERTY AND EQUIPMENT</b>		
<b>Additions</b>		
<b>Owned</b>		
Office equipment	89,777	-
Building improvements	122,124	-
Vehicles (transfer from leased assets)	698,000	341,807
Computers	67,100	-
Intangibles	20,312	-
	<b>997,313</b>	<b>341,807</b>
<b>Leased Assets</b>		
Vehicles	1,049,000	-
	<b>2,046,313</b>	<b>341,807</b>
<b>Disposals</b>		
<b>Owned</b>		
Vehicles	723,961	-
	<b>723,961</b>	-
<b>Leased Assets</b>		
Vehicles (transfer to leased assets)	698,000	341,807
	<b>1,421,961</b>	<b>341,807</b>

Note	For the six months period ended	
	30 June 2014 (Un-audited)	31 December 2013 (Audited)
..... Rupees .....		
<b>11. CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>		
Long term finances	12.1	2,172,573
Liabilities against assets subject to finance lease		3,057,259
Long term deposits	9.1	1,076,735
		1,030,501
		206,445,629
		216,900,049
		<b>209,694,937</b>
		<b>220,987,809</b>

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 30 June 2014

		30 June 2014 (Un-audited)	31 December 2013 (Audited)
		Rupees .....	
<b>12. LONG TERM FINANCES</b>			
Long Term Loans			
- Enercon	12.1	<b>2,545,805</b>	3,780,839
Current maturity			
- Enercon		<b>(2,172,573)</b>	(3,057,259)
		<b>373,232</b>	723,580

**12.1** This represents balance due against financing facilities amounting to Rs. 7.3 million from Enercon. The facilities from Enercon have been obtained under an agreement whereby they have agreed to provide funds to the Company for granting lease / finance facility to its customers for procuring and using energy efficient equipments. The facility carries mark-up at the rate of 5% per annum payable on quarterly basis subject to the condition that the Company will provide lease / finance facility to its customers at a preferential mark-up rate.

### 13. COMMITMENTS

Lease disbursements	13.1	<b>3,280,000</b>	13,000,000
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**13.1** This represents those leases which have been approved by the Company as at the period end.

### 14. INCOME FROM OPERATIONS

	Six months period ended		Three months period ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Rupees .....				
Leases				
Income from finance lease operations	<b>14,329,907</b>	9,548,391	<b>9,294,024</b>	3,537,908
Gain on termination of leases	-	67,107	-	67,107
	<b>14,329,907</b>	9,615,498	<b>9,294,024</b>	3,605,015
Finances and loans				
Customers	<b>3,759,459</b>	2,998,466	<b>2,475,717</b>	1,176,706
	<b>18,089,366</b>	12,613,964	<b>11,769,741</b>	4,781,721

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 30 June 2014

### 15. ADMINISTRATIVE & OPERATING EXPENSES

	Six months period ended		Three months period ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Rupees			
Salaries, allowances and other benefits	9,871,616	7,469,495	5,021,558	3,538,546
Directors' fee	183,000	145,000	81,000	81,000
Rent	1,064,063	1,114,267	525,946	562,622
Electricity, gas and water	452,396	286,275	228,149	170,247
Telephone and postage	492,438	450,148	251,873	158,541
Repairs and maintenance	296,416	221,091	176,407	138,758
Books and periodicals	16,747	15,068	8,716	8,091
Fees and subscriptions	26,722	16,672	17,862	8,596
Vehicle running	308,674	88,951	133,675	40,735
Advertising	100,590	32,020	71,760	32,020
Training and development	14,000	-	9,000	-
Travelling, conveyance and entertainment	1,129,953	739,858	652,181	437,383
Printing and stationery	556,016	555,422	440,391	425,066
Auditors' remuneration	184,000	151,900	134,000	100,000
Depreciation and amortisation	950,254	1,012,612	560,811	505,378
Legal and professional	1,624,380	1,580,656	634,741	606,093
Insurance	495,680	486,171	292,115	259,955
Commission and brokerage charges	72,200	-	-	-
Miscellaneous	399,938	358,530	10,432	204,788
	<b>18,239,083</b>	<b>14,724,136</b>	<b>9,250,617</b>	<b>7,277,819</b>

### 16. FINANCE COST

Mark-up on:				
- Long term finance	62,212	186,471	29,185	59,574
- Short term borrowings	4,899,254	4,260,482	3,195,800	2,020,706
- Certificates of investment	12,466	516,524	2,806	268,916
Lease finance charges	168,656	141,963	95,863	65,234
Bank charges	146,659	154,598	96,880	100,376
	<b>5,289,247</b>	<b>5,260,038</b>	<b>3,420,534</b>	<b>2,514,806</b>

### 17. LOSS PER SHARE - BASIC AND DILUTED

	Six months period ended		Three months period ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Rupees			
Loss after taxation attributable to ordinary shareholders (Rupees)	(751,811)	(7,350,225)	2,685,848	(7,490,733)
Weighted average number of outstanding ordinary shares	32,000,000	32,000,000	32,000,000	32,000,000
(Loss) / profit per share (Rupees)	<b>(0.02)</b>	<b>(0.23)</b>	<b>0.08</b>	<b>(0.23)</b>

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 30 June 2014

### 18. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of SME Bank Limited (Holding Company), key management personnel, non executive directors and contributory employee plan:

	30 June 2014 (Un-audited)		31 December 2013 (Audited)	
	Key Management Personnel	SME Bank Limited (Holding Company)	Key Management Personnel	SME Bank Limited (Holding Company)
..... Rupees .....				
<b>Borrowings</b>				
Balance as at 1 January	-	37,534,120	-	58,138,470
Borrowings during the period / year	-	124,344,263	-	-
Repayments during the period / year	-	-	-	(20,604,350)
Balance as at period / year end	-	<u>161,878,383</u>	-	<u>37,534,120</u>
<b>Loans and advances</b>				
Balance as at 1 January	-	-	190,000	-
Advances given during the period / year	-	-	228,000	-
Repayments during the period / year	-	-	(418,000)	-
Balance as at period / year end	-	-	-	-

	30 June 2014 (Un-audited)	December 31, 2013 (Audited)
..... Rupees .....		
<b>Balances</b>		
Payable to Staff Provident Fund	<u>(38,249)</u>	<u>(3,488)</u>
Transactions during the period		

	30 June 2014 (Un-audited)	30 June 2013 (Un-audited)
..... Rupees .....		
Mark-up expense against borrowings from holding company	<u>4,899,254</u>	<u>4,277,976</u>
<b>Rent expense</b>		
Key management remuneration	<u>162,804</u>	<u>159,572</u>
Post retirement benefits	-	<u>798,000</u>
Provident fund - company's contribution	-	<u>532,000</u>
	-	<u>36,480</u>



SME Leasing Limited  
A subsidiary of SBL Bank Ltd.

## Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 30 June 2014

30 June 2014 (Un-audited)	30 June 2013 (Un-audited)
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..... Rupees .....

### 19. CASH AND CASH EQUIVALENTS

Cash and bank balances	<b>4,422,836</b>	5,304,721
Short term borrowings	<b>(161,878,383)</b>	(30,109,234)
	<b>(157,455,547)</b>	(24,804,513)

### 20. SEGMENT INFORMATION

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

The Company's reportable segments under IFRS 8 are therefore finance lease, loans and receivables, and investments. Other operations, which are not deemed by the management to be sufficiently 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.

30 June 2014 (Un-audited)

	Finance Lease	Loans and receivables	Investment	Others	Total
	..... Rupees .....				
<b>Segment revenue</b>	<b>14,329,907</b>	<b>3,759,459</b>	<b>68,134</b>	<b>47,078</b>	<b>18,204,578</b>
<b>Segment profit</b>	<b>19,467,060</b>	<b>3,376,293</b>	<b>68,134</b>	<b>47,078</b>	<b>22,958,565</b>
<b>Segment result</b>					<b>22,958,565</b>
<b>Unallocated cost</b>					
Finance cost					5,289,247
Administrative and operating expenses					18,239,083
					<b>23,528,330</b>
<b>Profit before taxation</b>					(569,765)
Taxation					(182,046)
<b>Profit after taxation</b>					<b>(751,811)</b>
<b>Other information</b>					
Segment assets	547,113,684	107,684,066	1,966,254	-	656,764,004
Unallocated assets				25,598,105	25,598,105
Total assets					682,362,109
Segment liabilities	285,502,327	-	-	-	285,502,327
Unallocated liabilities				197,299,335	197,299,335
<b>Total liabilities</b>					<b>482,801,662</b>
<b>Net assets</b>					<b>199,560,447</b>
<b>Capital expenditure</b>	-	-	-	299,313	<b>299,313</b>

## Selected Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 30 June 2014

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

21.2 Revenue from finance lease includes income from finance lease operations and gain/loss on termination of lease. Revenue from loans and receivable includes mark-up income on loans to customers and employees, and revenue from investments include gain on disposal of investments, dividend income and mark-up on government securities.

30 June 2013 (Un-audited)

	Finance Lease	Loans and receivables	Investment	Others	Total
	Rupees .....				
<b>Segment revenue</b>	<u>9,615,498</u>	<u>2,998,466</u>	<u>279,739</u>	<u>39,422</u>	<u>12,933,125</u>
<b>Segment profit</b>	<u>9,790,509</u>	<u>2,588,945</u>	<u>279,739</u>	<u>39,422</u>	<u>12,698,615</u>
<b>Segment result</b>					12,698,615
Unallocated cost					
Finance cost					5,260,038
Administrative and operating expenses					<u>14,724,136</u>
					<u>19,984,174</u>
Loss before taxation					(7,285,559)
Taxation					(64,666)
Loss after taxation					<u>(7,350,225)</u>

31 December 2013 (Audited)

	Finance Lease	Loans and receivables	Investment	Others	Total
	Rupees .....				
Other information					
Segment assets	459,876,523	51,370,320	4,223,611	-	515,470,454
Unallocated assets				26,614,178	<u>26,614,178</u>
<b>Total assets</b>					<b>542,084,632</b>
Segment liabilities	278,848,293	-	-	-	278,848,293
Unallocated liabilities				62,902,636	<u>62,902,636</u>
<b>Total liabilities</b>					<b>341,750,929</b>
Net assets					<u>200,333,703</u>
<b>Capital expenditure</b>	-	-	-	138,184	<u>138,184</u>

## 22. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on August 27, 2014.

  
**Naveed Amin**  
Chief Executive Officer

  
**Mehnaz Kaludi**  
Director

## Branch Network

### **KARACHI**

#### **Main Branch:**

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

### **HYDERABAD**

M-06, Mezzanine Floor, Rabi Shopping Centre,  
Cantonment Area, Saddar.

Phone: 022-9200747, Fax: 022-9201060

### **LAHORE**

#### **Allama Iqbal Town Branch:**

Office No. 03, 2nd Floor, Sky Centre,  
Karim Block, Allama Iqbal Town Road.

Phone: 042-35295423-24

Fax: 042-35295425

### **ISLAMABAD**

Office No. 15, 2nd Floor, Rehmat Centre, I-8 Markaz.

Phone: 051-9257524, Fax: 051-9257520

### **SIALKOT**

Small Industrial Estate Uggoki Road, Shahabpura.

Phone: 052-3257138, Fax: 052-3257138

### **PESHAWAR**

34, Ground Floor, State Life Building, The Mall, Peshawar Cantt.

Phone: 091-9211683, Fax: 091-9211683