

**Half Yearly** Report '08  
(Unaudited) June 30, 2008



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

[www.smelease.com](http://www.smelease.com)



# CONTENTS



Corporate Information	01
Directors' Report	03
Auditors' Report	04
Balance Sheet	05
Profit and Loss Account	06
Cash Flow Statement	07
Statement of Changes in Equity	08
Notes to the Financial Statements	09
Branch Network	15

# Corporate Information

## BOARD OF DIRECTORS

Mr. S.M. Naseem	Chairman
Mr. R.A. Chughtai	Director
Mrs. Arjumand A. Qazi	Director/CEO
Sardar Usman Rashid	Director
Mr. M. Hashim Khan	Director
Mr. M.A. Ghazali Marghoob	Director
Mr. Hussain Ahmad Ozgen	Director

## AUDIT COMMITTEE

Mr. S.M. Naseem  
(Non-Executive Director) Chairman  
Mr. M.A. Ghazali Marghoob  
(Non-Executive Director) Member  
Ms. Shafeque Akhtar  
Committee Secretary

## EXECUTIVE CREDIT COMMITTEE

Mr. S.M. Naseem  
Mrs. Arjumand A. Qazi  
Mr. Shaheen Akhtar

## MANAGEMENT COMMITTEE

Mrs. Arjumand A. Qazi  
Mr. Tanveer-ul-Bari  
Mr. Shaheen Akhtar

## COMPANY SECRETARY & CFO

Mr. Tanveer-ul-Bari

## EXTERNAL AUDITORS

Anjum Asim Shahid Rahman,  
Chartered Accountants

## INTERNAL AUDITORS

Ford Rhodes Sidat Hyder & Company,  
Chartered Accountants

## TAX CONSULTANT

A.F. Ferguson & Co.,  
Chartered Accountants

## LEGAL ADVISOR

Mohsin Tayebaly & Company,  
Advocate & Legal Consultant

## CREDIT RATING

Long-Term: A-      Short-Term: A-2

## REGISTERED OFFICE

40, Jang Building, A.K. Fazal-ul-Haq Road,  
Blue Area, Islamabad.

## MAIN OFFICE

2nd Floor Tower-B,  
Finance & Trade Center (FTC),  
Shahra-e-Faisal, Karachi.  
Phone: 021-9204751-53  
Fax: 021-9204754

## REGISTRAR AND SHARE TRANSFER OFFICE

Progressive Management Services (Pvt) Ltd.  
10th Floor, Mehdi Towers,  
A-115, S.M.C.H.S.,  
Shahra-e-Faisal, Karachi.  
Phone: 021-4526983-84  
Fax: 021-4526985

## BANKS AND LENDING INSTITUTIONS

Allied Bank Limited  
Askari Commercial Bank Limited  
Emirates Global Islamic Bank Limited  
Faysal Bank Limited  
MCB Commercial Bank Limited  
NIB Bank Limited  
National Bank of Pakistan  
Pak Libya Holding Co. (Pvt) Limited  
Pak Oman Investment Co. Limited  
Saudi Pak Commercial Bank Limited  
United Bank Limited



## DIRECTORS' REPORT

The Board of Directors of SME Leasing Limited is pleased to present its report and limited review accounts for the quarter and half year ended June 30, 2008.

The prolonged unstable political and economic conditions and rising interest rate trend have led the financial sector to adopt a conservative and watchful business strategy. Keeping in view the market conditions and socio-economic scenario your company has also adopted a more cautious and prudent approach for disbursements while maintaining a reasonable growth level during the period under review despite a tough period for the financial sector.

During the period under review the total assets were maintained at the previous level of the corresponding period last year and stood at Rs. 1.916 billion. The gross revenue for the period amounted to Rs. 83.173 million as compared to Rs. 83.527 million of the previous corresponding period. Profit after tax for the period amounted to Rs. 15.431 million as compared to Rs. 16.301 million for the corresponding period. To further strengthen the portfolio and to maintain its quality the management has started review of existing exposure in different sectors, as well as increasing provisioning during the period under review. Going forward this will provide the necessary reserve to absorb any adverse effects which may arise due to the ongoing economic downturn.

Operating expenses and financial charges, despite being well below their respective budgeted limits, have shown increase over the corresponding figures last year which is attributable to inflation and rising trend of KIBOR. Nevertheless, subsequent to June 2008 the company has raised funds through Privately Placed Term Finance Certificates at a competitive price. These funds shall be utilized in financing the future disbursements and also for settling few high priced lines. This will help in nullifying the effect of the higher KIBOR to some extent.

The Board of Director is very pleased to report that the credit rating company JCR-VIS has re-affirmed the company's medium to long-term rating at A- (Single A minus) and short-term rating at A-2 (A minus two) with stable outlook.

The Board recognizes and appreciates the support and role of the lending institutions, regulatory authorities, management team and all other staff members in the steady growth of the company.

For and on behalf of Board of Directors

S.M. Naseem  
Chairman

Karachi: August 18, 2008

## **Independent auditors' report on review of condensed interim financial information to the members of SME Leasing Limited**

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of SME Leasing Limited as at June 30, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended, and a summary of significant accounting policies and other explanatory notes (herein after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended June 30, 2008 and 2007 have not been reviewed, and we do not express a conclusion on them.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 interim financial information as of and for the half year ended June 30, 2008 is not prepared in all material respects, in accordance with approved accounting standards as applicable in Pakistan.



Anjum Asim Shahid Rahman  
Chartered Accountants

Karachi: August 18, 2008



# Balance Sheet (Unaudited)

as at June 30, 2008

	Note	June 30, 2008 Rupees	December 31, 2007 Rupees
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		29,910,953	23,704,847
Mark-up accrued		1,485,307	2,248,669
Loans and advances		14,471,642	1,930,106
Deposits, prepayments and other receivables		4,877,144	5,030,721
Investments - available for sale	4	48,181,806	2,087,500
Current maturity of loans and receivables	5	56,945,924	51,085,311
Current maturity of net investment in leases	6	565,615,897	569,842,136
<b>Total current assets</b>		<b>721,488,673</b>	<b>655,929,290</b>
<b>Non-current assets</b>			
Loans and receivables	5	43,167,114	33,510,480
Net investment in leases	6	1,134,083,260	1,206,948,281
Long-term loans		4,933,636	8,390,719
Long-term deposits and prepayments		680,777	851,675
Intangibles	7	335,618	43,542
Property and equipment	8	10,868,392	11,239,509
		1,194,068,797	1,260,984,206
<b>Total assets</b>		<b>1,915,557,470</b>	<b>1,916,913,496</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and others payable		18,855,498	20,987,695
Mark-up accrued		9,763,540	11,875,596
Short-term borrowings		71,104,775	8,556,259
Current maturity of long-term finances	9	296,965,296	300,588,787
Current maturity of liabilities against assets subject to finance lease		1,518,301	1,495,552
Current maturity of term finance certificates	10	33,333,332	-
Current maturity of long-term deposits		220,691,369	207,124,430
Provision for compensated absences		460,425	474,985
Taxation payable		8,731,225	8,769,151
<b>Total current liabilities</b>		<b>661,423,761</b>	<b>559,872,455</b>
Long-term finance	9	251,378,175	423,592,687
Liabilities against assets subject to finance lease		1,623,428	1,437,186
Term finance certificate	10	66,666,668	-
Long-term deposits		497,244,913	485,454,207
Deferred liabilities		11,441,652	11,273,363
		828,354,836	921,757,443
<b>Total liabilities</b>		<b>1,489,778,597</b>	<b>1,481,629,898</b>
<b>NET ASSETS</b>		<b>425,778,873</b>	<b>435,283,598</b>
<b>FINANCED BY</b>			
Authorised share capital		500,000,000	500,000,000
50,000,000 (2007: 50,000,000) ordinary shares of Rs. 10 each		320,000,000	320,000,000
Issued, subscribed and paid-up capital		105,778,873	115,240,056
Reserves		425,778,873	435,240,056
Total shareholders' equity		425,778,873	435,240,056

## Contingencies and commitments

11

The annexed notes 1 to 16 form an integral part of these condensed interim financial information.

Chief Executive Officer

Director

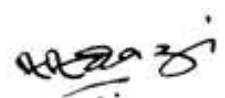


# Profit and Loss Account (Unaudited)

for the half year ended June 30, 2008

	Half Year Ended		Quarter Ended	
	June 30, 2008 Rupees	June 30, 2007 Rupees	June 30, 2008 Rupees	June 30, 2007 Rupees
<b>REVENUE</b>				
Income from operations	82,928,576	83,174,744	38,530,756	42,058,182
Other operating income	244,514	352,316	94,048	184,938
<b>Total revenue</b>	<b>83,173,090</b>	<b>83,527,060</b>	<b>38,624,804</b>	<b>42,243,120</b>
<b>EXPENSES</b>				
Administrative	22,258,336	21,642,729	12,121,997	12,315,545
Finance cost	42,102,434	39,064,393	20,888,604	20,241,966
<b>Total expenses</b>	<b>64,360,770</b>	<b>60,707,122</b>	<b>33,010,601</b>	<b>32,557,511</b>
Operating profit before provisions	18,812,320	22,819,938	5,614,203	9,685,609
<b>PROVISIONS</b>				
Provision for potential lease losses	3,000,000	1,397,538	1,744,919	1,018,614
Provision/(Reversal) for loans and receivables	(119,461)	2,445	(68,606)	(318,613)
Total provisions	2,880,539	1,399,983	1,676,313	700,001
Profit before income tax	15,931,781	21,419,955	3,937,890	8,985,608
Income tax expense				
Current	-	1,381,265	(787,108)	725,558
Deferred	500,000	3,736,970	(1,080,462)	428,623
	500,000	5,118,234	(1,867,570)	1,154,181
Profit for the half year	15,431,781	16,301,721	5,805,460	7,831,427
Earnings per share - basic and diluted	0.48	0.51	0.18	0.24

The annexed notes 1 to 16 form an integral part of these condensed interim financial information.

  
Chief Executive Officer

  
Director

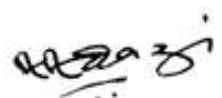


# Cash Flow Statement (Unaudited)

for the half year ended June 30, 2008

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations after working capital changes	12	47,996,185	61,245,807
(Increase)/Decrease in net investment in leases		74,091,260	(194,078,086)
(Increase) in loans and receivables		(15,397,786)	(3,433,234)
Mark-up paid		(43,380,874)	(38,064,758)
Mark-up received on loans to employees		196,056	304,172
Mark-up received		54,689	45,830
Financial charges paid		(204,879)	(256,757)
Gratuity paid		(794,842)	-
Taxes paid		(37,926)	164,948
Long-term deposits received		25,357,645	99,894,635
		39,883,343	(135,423,250)
<b>Net cash from (used in) operating activities</b>		<b>87,879,528</b>	<b>(74,177,443)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment including intangibles		(431,592)	(681,480)
(Increase)/Decrease in long-term loans and advances		3,457,083	(1,747,807)
(Increase)/Decrease in long-term deposits and prepayments		170,898	(244,034)
Investment made		(46,987,270)	-
Proceeds from redemption of units		12,730	-
<b>Net cash (used-in) investing activities</b>		<b>(43,778,151)</b>	<b>(2,673,321)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase/(Decrease) in long-term finance		(175,838,003)	112,040,418
Increase in term finance certificates		100,000,000	-
Dividend paid		(23,391,156)	-
Lease rentals paid		(1,214,628)	(988,485)
<b>Net cash from/(used in) financing activities</b>		<b>(100,443,787)</b>	<b>111,051,933</b>
		(56,342,410)	34,201,169
Cash and cash equivalents at beginning of the half year		15,148,588	(89,832,326)
Cash and cash equivalents at end of the half year	13	(41,193,822)	(55,631,157)

The annexed notes 1 to 16 form an integral part of these condensed interim financial information.

  
Chief Executive Officer

  
Director

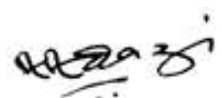


# Statement of Changes in Equity (Unaudited)

for the half year ended June 30, 2008

Issued, subscribed and paid-up capital	Capital Reserves			Revenue Reserves		Total shareholders' equity	
	Share premium	Statutory reserve	Reserve against future losses	Un-appropriated profit	Deficit on revaluation of available-for-sale investments		
..... Rupees .....							
Balance as at January 1, 2007	320,000,000	10,000,000	20,343,720	7,206,049	47,435,918	-	404,985,687
Profit for the half year	-	-	-	-	16,301,721	-	16,301,721
Transferred to statutory reserve	-	-	3,260,344	-	(3,260,344)	-	-
Transferred to reserve against future losses	-	-	-	763,405	(763,405)	-	-
Unrealised loss on re-measurement of available-for-sale investment	-	-	-	-	-	(62,500)	(62,500)
<b>Balance as at June 30, 2007-carried forward</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>23,604,064</b>	<b>7,969,454</b>	<b>59,713,890</b>	<b>(62,500)</b>	<b>421,224,908</b>
Balance as at January 1, 2008	320,000,000	10,000,000	26,477,094	8,354,766	70,820,696	(412,500)	435,240,056
Unrealised gain/loss on re-measurement of available-for-sale investment	-	-	-	-	-	(892,964)	(892,964)
Profit for the half year	-	-	-	-	15,431,781	-	15,431,781
Transferred to statutory reserve	-	-	3,086,356	-	(3,086,356)	-	-
Final dividend for the year ended December 31, 2007 declared and issued subsequently to year end	-	-	-	-	(24,000,000)	-	(24,000,000)
Transferred to reserve against future losses	-	-	-	100,000	(100,000)	-	-
<b>Balance as at June 30, 2008</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>29,563,450</b>	<b>8,454,766</b>	<b>59,066,121</b>	<b>(1,305,464)</b>	<b>425,778,873</b>

The annexed notes 1 to 16 form an integral part of these condensed interim financial information.

  
**Chief Executive Officer**

  
**Director**



# Notes to the Financial Statements (Unaudited)

for the half year ended June 30, 2008

## 1. THE COMPANY AND ITS OPERATIONS

SME Leasing Limited 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, which holds 73.14% (2006: 73.14%) of the shareholding of the company. The company is listed on Lahore Stock Exchange and its registered office is situated at 40 Jang Building, A.K. Fazal-ul-Haq 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.

## 2. STATEMENT OF COMPLIANCE

These interim financial statements i.e 'interim information' have been prepared in accordance with approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (Ordinance), the Non-Banking Finance Companies (Establishment & Regulation) Rules 2003 (the Rules), and the Non-Banking Finance Companies and Notified Entities Regulation 2007 (the Regulations). Approved accounting standards comprise such International Financial Reporting Standards (IFRS) as are notified under the Ordinance. In case requirements differ, the ordinance, the Rules, or the Regulations shall prevail.

## 3. ACCOUNTING POLICIES

The accounting policies and methods of computations followed for the preparation of this condensed interim financial information is same as those applied in preparing the annual accounts for the year ended December 31, 2007

	June 30, 2008 Rupees	Dec. 31, 2007 Rupees
<b>4. INVESTMENTS</b>		
<b>Available for sale - Mutual Funds</b>		
- Open end	46,987,270	-
- Close end	2,500,000	2,500,000
	<u>49,487,270</u>	<u>2,500,000</u>
Unrealised gain/loss	(1,305,464)	(412,500)
Fair value at the end of the half year	<u>48,181,806</u>	<u>2,087,500</u>
<b>5. LOANS AND RECEIVABLES - Secured</b>		
Loans to customers - considered good	84,941,055	76,001,227
Loans to customers - considered doubtful	15,319,865	8,861,907
Less: Provision for doubtful loans and receivables	147,882	267,343
	<u>15,171,983</u>	<u>8,594,564</u>
	<u>100,113,038</u>	<u>84,595,791</u>
Less: Current maturity of loans and receivables	56,945,924	51,085,311
	<u>43,167,114</u>	<u>33,510,480</u>
<b>6. NET INVESTMENT IN LEASES</b>		
Minimum lease payments receivable	1,201,343,573	1,335,665,852
Add: Residual value of leased assets	717,936,282	692,578,637
Gross investment in lease	<u>1,919,279,855</u>	<u>2,028,244,489</u>
Less: Unearned lease income	210,899,266	245,772,640
Less: Provision for potential lease losses	8,681,432	5,681,432
	<u>219,580,698</u>	<u>251,454,072</u>
Net investment in leases	<u>1,699,699,157</u>	<u>1,776,790,417</u>
Less: Current maturity of net investment in leases	565,615,897	569,842,136
Net investment in leases	<u>1,134,083,260</u>	<u>1,206,948,281</u>





# Notes to the Financial Statements (Unaudited)

for the half year ended June 30, 2008

## 7. INTANGIBLES

The company's intangible assets comprise acquired software licenses and software. The carrying amount for the half year ended June 30, 2008 can be analyzed as follows;

	Note	June 30, 2008 Rupees	Dec. 31, 2007 Rupees
Gross carrying amount		664,430	350,500
Accumulated amortization and impairment		328,812	306,958
	7.1	<u>335,618</u>	<u>43,542</u>
7.1 Carrying amount at the beginning of the year/period		43,542	1,872
Additions		313,930	47,500
Amortization		21,854	5,830
Carrying amount at the end of the year/period		<u>335,618</u>	<u>43,542</u>
Rate of amortization		33.33%	33.33%



# Notes to the Financial Statements (Unaudited)

for the half year ended June 30, 2008

## 8. PROPERTY AND EQUIPMENT

Following is the schedule of property and equipment of the company:

	Owned assets						Leased assets		
	Office premises	Building improvements	Furniture and fixture	Tangible office equipment & others	Computers	Vehicles	Total tangible assets	Motor vehicles	Total
As at January 1, 2007									
Cost	4,954,190	1,676,441	1,738,645	849,900	1,698,375	1,161,169	12,078,720	5,990,940	18,069,660
Accumulated depreciation	(582,683)	(1,515,274)	(1,091,218)	(312,039)	(1,331,116)	(379,640)	(5,211,970)	(1,661,723)	(6,873,693)
<b>Net book value</b>	<b>4,371,507</b>	<b>161,167</b>	<b>647,427</b>	<b>537,861</b>	<b>367,259</b>	<b>781,529</b>	<b>6,866,750</b>	<b>4,329,217</b>	<b>11,195,967</b>
Half year ended June 30, 2008									
Opening net book value	4,371,507	161,167	647,427	537,861	367,259	781,529	6,866,750	4,329,217	11,195,967
Additions	-	9,030	-	20,400	26,150	1,237,007	1,292,587	1,681,875	2,974,462
Disposals - net	(123,858)	(72,245)	(159,003)	(65,058)	-	-	(713,413)	(2,060,280)	(2,060,280)
Depreciation charge	-	-	-	-	(110,402)	(182,847)	-	(528,344)	(1,241,757)
<b>Closing net book value</b>	<b>4,247,649</b>	<b>97,952</b>	<b>488,424</b>	<b>493,203</b>	<b>283,007</b>	<b>1,835,689</b>	<b>7,445,924</b>	<b>3,422,468</b>	<b>10,868,392</b>
As at June 30, 2008									
Cost	4,954,190	1,685,471	1,738,645	870,300	1,724,525	2,398,176	13,371,307	5,232,015	18,603,322
Accumulated depreciation	(706,541)	(1,587,519)	(1,250,221)	(377,097)	(1,441,518)	(562,487)	(5,925,383)	(1,809,547)	(7,734,930)
<b>Net book value</b>	<b>4,247,649</b>	<b>97,952</b>	<b>488,424</b>	<b>493,203</b>	<b>283,007</b>	<b>1,835,689</b>	<b>7,445,924</b>	<b>3,422,468</b>	<b>10,868,392</b>
<b>Rate of depreciation (%)</b>	5	33.33	20	15	33.33	20	33.33	20	20





# Notes to the Financial Statements (Unaudited)

for the half year ended June 30, 2008

	Note	June 30, 2008 Rupees	Dec. 31, 2007 Rupees
<b>9. LONG-TERM FINANCE - secured</b>			
SME Bank Limited (holding company) - related party		29,760,733	52,654,781
Other financial institutions		<u>518,582,738</u>	<u>671,526,693</u>
		548,343,471	724,181,474
Less: Current maturity shown under current liabilities		<u>296,965,296</u>	<u>300,588,787</u>
Long-term loans - due after one year		<u>251,378,175</u>	<u>423,592,687</u>
<b>10. TERM FINANCE CERTIFICATE - Secured</b>			
Privately Placed Term Finance Certificates	10.1	100,000,000	-
Less: Current maturity shown under current liabilities		<u>33,333,332</u>	-
Term finance certificate - due after one year		<u>66,666,668</u>	<u>-</u>

**10.1** The principal and profit of Privately Placed Term Finance Certificates is payable quarterly at a base rate plus 150 bps. Base rate is three month ASK KIBOR.

**10.2** These are secured by way of a hypotication of the company's leased assets and related receivables.

	June 30, 2008 Rupees	Dec. 31, 2007 Rupees
<b>11. CONTINGENCIES AND COMMITMENTS</b>		
<b>Commitments</b>		
Lease disbursements	<u>10,510,000</u>	<u>25,570,000</u>



# Notes to the Financial Statements (Unaudited)

for the half year ended June 30, 2008

	June 30, 2008 Rupees	June 30, 2007 Rupees
<b>12. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES</b>		
Profit before income tax	15,931,781	21,419,956
<b>Adjustment for non-cash charges and other items</b>		
Depreciation	8 1,241,759	1,258,921
Amortization	7 21,854	1,870
Gratuity expense	463,131	427,611
Mark-up expense	41,268,818	38,009,939
Mark-up income	(54,656)	(45,830)
Loss on disposal of property and equipment	5,490	-
Financial charges on leased assets	204,879	256,757
Interest income on loans to employees	(189,826)	(306,486)
Provision for potential lease losses	3,000,000	1,397,538
Provision for loans and receivables	(119,461)	2,445
	<u>45,841,988</u>	<u>41,002,765</u>
<b>Cash generated from operations before working capital changes</b>	<u>61,773,769</u>	<u>62,422,721</u>
<b>Working capital changes</b>		
<b>(Increase)/Decrease in current assets</b>		
Mark-up accrued	757,132	344,694
Deposits, prepayments and other receivables	153,577	(542,346)
Loans and advances	(12,541,536)	(640,291)
	<u>(11,630,827)</u>	<u>(837,943)</u>
<b>Increase/(Decrease) in current liabilities</b>		
Trade and other payables	(2,132,197)	(511,699)
Provision for compensated absences	(14,560)	172,728
	<u>(2,146,757)</u>	<u>(338,971)</u>
<b>Total working capital changes</b>	<u>(13,777,584)</u>	<u>(1,176,914)</u>
<b>Cash generated from operations after working capital changes</b>	<u>47,996,185</u>	<u>61,245,807</u>
<b>13. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	29,910,953	18,563,660
Short-term borrowings	(71,104,775)	(74,194,817)
	<u>(41,193,822)</u>	<u>(55,631,157)</u>



# Notes to the Financial Statements (Unaudited)

for the half year ended June 30, 2008

## 14. TRANSACTIONS WITH RELATED PARTIES

SME Leasing Limited is a subsidiary of SME Bank Limited. During the half year ended, the following transactions were undertaken by the company with SME Bank Limited:

	June 30, 2008		June 30, 2007	
	Key management personnel	SME Bank Limited (Holding Company)	Key management personnel	SME Bank Limited (Holding Company)
..... Rupees .....				
<b>Borrowings</b>				
Balance as at January 1	-	52,654,781	-	95,406,175
Add: Borrowings during the period	-	-	-	30,000,000
Less: Repayments during the period	-	(22,894,048)	-	(50,876,250)
Balance as at June 30	-	29,760,733	-	74,529,925
<b>Term finance certificates</b>	-	75,000,000	-	-
<b>Loans and advances</b>				
Balance as at January 1	4,644,391	-	7,860,554	-
Add: Advances given during the period	210,000	-	-	-
Less: Repayments during the period	(2,889,866)	-	(158,973)	-
Balance as at June 30	1,964,525	-	7,701,581	-
Mark-up expense for the period	-	1,700,856	-	4,712,636
Mark-up on term finance certificates	-	551,822	-	-
Mark-up income for the period	189,826	-	154,274	-
<b>Other transactions</b>				
Lease facility provided to holding company	-	26,559,066	-	17,150,200
Deposit margin (50%) by holding company for the lease facility	-	13,561,223	-	8,720,500
Total rentals receivables (for the entire lease period)	-	10,162,913	-	10,768,368
Total rentals received during the period	-	1,814,195	-	1,202,850
Rent expense	-	205,920	-	275,762
Remuneration and salaries paid	2,973,378	-	3,500,838	-
Post retirement benefits	964,239	-	529,956	-
Provident fund - company's contribution	139,924	-	353,729	-

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

## 15. RECLASSIFICATION

For the purpose of better presentation under IAS 1 'Presentation of Financial Statement', computer software has been reclassified from property and equipment to Intangibles as a separate line item on the face of balance sheet. Comparative figure has also been reclassified.

## 16. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial information were authorised for issue on August 18, 2008 by the Board of Directors of the company.

  
Chief Executive Officer

  
Director

## Branch Network

### BRANCHES

#### KARACHI

Main Branch  
2nd Floor, Tower "B",  
Finance & Trade Center (FTC),  
Shahra-e-Faisal.  
Phone: 021-9204751-53  
Fax: 021-9204754

F. B. Area Branch  
Ground Floor,  
Gulshan-e-Amin Plaza, Block-21, F. B. Area.  
Phone: 021-9246458  
Fax: 021-6806940

#### HYDERABAD

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

#### LAHORE

Gulberg Branch  
13-L, Mini Market, Gulberg-III.  
Phone: 042-5714499  
Fax: 042-5714499

Iqbal Town Branch  
Office No. 17, 2nd Floor, Sky Centre,  
Karim Block, Allama Iqbal Town Road.  
Phone: 042-5295423  
Fax: 042-5295424

#### ISLAMABAD

Office No. 2, 1st 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

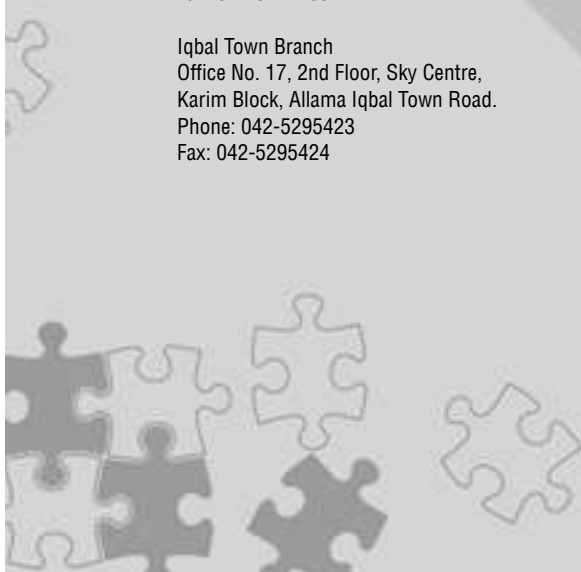
34, Ground Floor,  
State Life Building,  
The Mall, Peshawar Cantt.  
Phone: 091-9211683  
Fax: 091-9211683

#### MARDAN

The Mall Office No. 26,  
Adjacent Allied Bank Limited,  
Mardan Cantt.  
Phone: 0937-9230800  
Fax: 0937-9230800

#### MIRPURKHAS

Office No. 403/2, New Town.  
Phone: 0233-9290411  
Fax: 0233-9290411









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

**Main Office:**

2nd Floor, Tower "B", Finance & Trade Centre,  
Shahra-e-Faisal, Karachi.

Tel: (021) 9204751-53 Fax: (021) 9204754

Website: [www.smelease.com](http://www.smelease.com)