



Quarterly Report

2011

(Un-audited) March 31



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

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Corporate Information

BOARD OF DIRECTORS

Mr. Ali A. Rahim	Chairman
Mrs. Arjumand A. Qazi	Director/CEO
Mr. Ihsan ul Haq Khan	Director*
Mr. Nasser Durrani	Director
Mr. Mehboob Hussain	Director
Mr. Zubair F. Tufail	Director
Mr. Masood Naqi	Director

* Subject to approval of the SECP.

AUDIT COMMITTEE

Mr. Ali A. Rahim Chairman	(Non-Executive Director)
Mr. Mehboob Hussain Member	(Non-Executive Director)
Mr. Zubair F. Tufail Member	(Non-Executive Director)
Ms. Shafque Akhtar	Committee Secretary

MANAGEMENT COMMITTEE

Mrs. Arjumand A. Qazi
Mr. Tanveer Ul Bari
Mr. Shaheen Akhtar

HUMAN RESOURCE COMMITTEE

Mr. Zubair F. Tufail
Chairman
Mrs. Arjumand A. Qazi
Member
Mr. Nasser Durrani
Member

COMPANY SECRETARY & CFO

Mr. Tanveer Ul Bari

EXTERNAL AUDITORS

KPMG Taseer Hadi & Co.,
Chartered Accountants

INTERNAL AUDITOR

Ms. Shafque Akhtar

TAX CONSULTANT

A.F. Ferguson & Co.,
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company,
Advocate & Legal Consultant

CREDIT RATING

Long-term: BBB+ Short-term: A-3

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: 021-99204751-53 Fax: 021-99204754

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: 021-34526983-84 Fax: 021-34526985

BANKS AND LENDING INSTITUTIONS

Allied Bank Limited
Emirates Global Islamic Bank Limited
MCB Bank Limited
National Bank of Pakistan
SME Bank Limited
United Bank Limited

Directors' Report

For the quarter ended March 31, 2011

The Board of Directors of SME Leasing Limited presents their report and review of financial statements for the quarter ended March 31, 2011.

The overall performance of the Company remained below par during the period under review due to the ongoing liquidity crunch for the NBFC sector and high cost of funds. Although, the Company has started fresh business by utilizing the funding arrangement with its main sponsor SME Bank Limited and has also obtained a long term credit line from a commercial bank. However, political instability, law and order situation, energy crises, unfavorable business conditions and overall economic situation of the country causing increase in non-performing loans etc. have constrained the Company to adopt a very cautious and proactive disbursement approach whereby the Company is only catering to the funding requirements of its existing good client base and is focusing on reduction in non-performing loans through improved recovery efforts.

Disbursements amounting to Rs. 47 million were made by the Company during the quarter ended March 31, 2011 whereas no disbursement was made in corresponding period last year. The gross revenue of the company has decreased to Rs. 14.02 million as compared to Rs. 25.67 million in the corresponding period of the previous year. Operating expenses have substantially gone down to Rs. 19.17 million as against Rs. 25.37 million in the prior period mainly due to decrease in financial charges resulting from reduction in borrowing level. The operating loss for the period is Rs. 5.15 million as compared to operating profit of Rs. 0.30 million in the corresponding period of the previous year. Loss before taxation for the period amounts to Rs. 6.59 million (2010: Rs. 8.84 million) owing to the provision against non-performing portfolio.

Despite difficult economic scenario of the country and in the absence of any considerable support from commercial banks your Company is making its best efforts with the help of its main sponsor to improve its operational results and is confident in passing through this depressed phase.

Mr. R.A.Chughtai, Chairman Board of Directors has resigned on March 25, 2011 from the Chairmanship and Directorship of the Company and the casual vacancy in the Board has been filled by Mr. Ihsan Ul Haq Khan.

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

For and on behalf of the Board of Directors



Ali A. Rahim
Chairman

Karachi-April 26, 2011

Condensed Interim Balance Sheet

As at March 31, 2011 (Un-Audited)

	Note	(Un-Audited) March 31, 2011 Rupees	(Audited) December 31, 2010 Rupees
ASSETS			
Current assets			
Cash and bank balances		10,412,350	11,902,663
Mark-up accrued		228,897	227,214
Loans and advances		2,193,664	2,173,860
Deposits, prepayments and other receivables		1,834,441	2,330,820
Investments - available-for-sale	3	26,807,737	28,659,977
Current maturity of non-current assets		478,130,110	473,856,737
Total current assets		519,607,199	519,151,271
Non-current assets			
Long-term finances and loans	4	22,307,922	13,288,628
Net investment in leases	5	380,827,772	432,543,063
Long-term deposits and prepayments		1,175,310	1,205,535
Property and equipment	6	22,499,761	23,447,350
Total assets		946,417,964	989,635,847
LIABILITIES			
Current liabilities			
Trade and others payable		8,108,978	8,369,622
Mark-up accrued		5,606,400	5,012,634
Short-term borrowings		78,445,087	108,032,762
Certificates of Investment		7,544,795	7,244,795
Current maturity of long-term finances	7	81,516,365	92,422,362
Current maturity of liabilities against assets subject to finance lease		536,219	667,142
Current maturity of long-term deposits		147,193,144	152,820,173
Provision for compensated absences		1,142,034	922,034
Taxation payable		13,972,687	13,406,665
Total current liabilities		344,065,709	388,898,189
Non-current liabilities			
Long-term finances	7	36,908,495	6,658,539
Long-term Certificates of Investment		6,000,000	6,000,000
Liabilities against assets subject to finance lease		475,997	698,943
Long-term deposits		258,933,999	280,353,023
Deferred liabilities		3,399,676	3,363,619
Total liabilities		649,783,876	685,972,313
NET ASSETS		296,634,088	303,663,534
FINANCED BY			
Authorised share capital 100,000,000 (2010: 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)		(75,814,428)	(68,637,222)
		292,651,901	299,829,107
Unrealized loss on available-for-sale investments		3,982,187	3,834,427
Total shareholders' equity		296,634,088	303,663,534
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes 1 to 12 form an integral part of these financial statements.


Arjumand A. Qazi
Chief Executive Officer


Ali A. Rahim
Director

Condensed Interim Profit and Loss Account

For the quarter ended March 31, 2011

REVENUE

Income from operations
Other operating income
Total revenue

EXPENSES

Administrative
Finance cost
Total expenses

Operating (loss)/profit before provisions

PROVISIONS

Provision for potential lease losses
Provision for loans and receivables
Total provisions

(Loss) before taxation

TAXATION

Current
Deferred

(Loss) for the period

(Loss) per share - basic and diluted

(Un-Audited)
March 31, 2011
Rupees

(Un-Audited)
March 31, 2010
Rupees

13,292,543
723,003
14,015,546

25,232,356
437,139
25,669,495

10,793,783
8,372,286
19,166,069

10,542,434
14,828,784
25,371,218

(5,150,523)

298,277

1,035,961
400,666
1,436,627

8,941,761
200,122
9,141,883

(6,587,150)

(8,843,606)

590,056
-
590,056

529,033
-
529,033

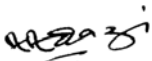
(7,177,206)

(9,372,639)

(0.22)

(0.29)

The annexed notes 1 to 12 form an integral part of these financial statements.



Arjumand A. Qazi
Chief Executive Officer



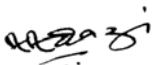
Ali A. Rahim
Director

Condensed Interim Statement of Comprehensive Income

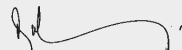
For the quarter ended March 31, 2011 (Un-Audited)

	(Un-Audited) March 31, 2011 Rupees	(Un-Audited) March 31, 2010 Rupees
Loss for the period after tax	(7,177,206)	(9,372,639)
Other comprehensive income		
Unrealized gain/(loss) on revaluation of available-for-sale investment	147,760	(464,727)
	147,760	(464,727)
Total comprehensive loss for the period	(7,029,446)	(9,837,366)

The annexed notes 1 to 12 form an integral part of these financial statements.



Arjumand A. Qazi
Chief Executive Officer



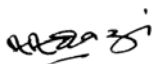
Ali A. Rahim
Director

Condensed Interim Cash Flow Statement

For the quarter ended March 31, 2011

	Note	(Un-Audited) March 31, 2011 Rupees	(Un-Audited) March 31, 2010 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	9	3,732,022	13,557,872
(Increase)/Decrease in net investment in leases		43,310,259	253,910,990
(Increase)/Decrease in loans and receivables		(6,324,262)	8,148,250
Mark-up paid		(7,718,071)	(16,796,287)
Mark-up received		750,860	117,531
Gratuity paid		(38,824)	(75,768)
Taxes paid		(24,034)	(33,757)
Long-term deposits received		(27,046,053)	(197,528,878)
		2,909,875	47,742,081
Net cash used in operating activities		6,641,897	61,299,953
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		-	(14,490)
Proceeds from disposal of fixed assets		195,600	-
(Increase)/Decrease in investments		2,000,000	11,000,000
(Increase)/Decrease in long-term deposits and prepayments		30,226	67,840
Net cash from / (used-in) investing activities		2,225,826	11,053,350
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in long-term finance		19,343,959	(82,310,259)
Increase in Certificates of Investment		300,000	(198,468)
Lease rentals paid		(414,319)	(308,261)
Net cash from financing activities		19,229,640	(82,816,988)
Net increase/(decrease) in cash and cash equivalents		28,097,363	(10,463,685)
Cash and cash equivalents at beginning of the year		(96,130,099)	(94,292,891)
Cash and cash equivalents at end of the period	10	(68,032,737)	(104,756,576)

The annexed notes 1 to 12 form an integral part of these financial statements.



Arjumand A. Qazi
Chief Executive Officer



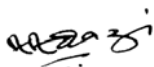
Ali A. Rahim
Director

Condensed Interim Statement of Changes in Equity

For the quarter ended March 31, 2011 (Un-Audited)

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves		Deficit on revaluation of available-for-sale investments	Total shareholders' equity
		Share premium	Statutory reserve	Reserve against future losses	Un-appropriated profit		
Rupees							
Balance as at January 1, 2010	320,000,000	10,000,000	28,019,277	10,447,052	(18,851,129)	1,648,164	351,263,364
Impairment loss on available-for-sale investments	-	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	(49,786,093)	2,186,263	(47,599,830)
Transferred to statutory reserve	-	-	-	-	-	-	-
Transferred to reserve against future losses	-	-	-	-	-	-	-
Balance as at December 31, 2010	320,000,000	10,000,000	28,019,277	10,447,052	(68,637,222)	3,834,427	303,663,534
Balance as at January 1, 2011	320,000,000	10,000,000	28,019,277	10,447,052	(68,637,222)	3,834,427	303,663,534
Total Comprehensive income for the period	-	-	-	-	(7,177,206)	147,760	(7,029,446)
Transferred to statutory reserve	-	-	-	-	-	-	-
Transferred to reserve against future losses	-	-	-	-	-	-	-
Balance as at March 31, 2011	320,000,000	10,000,000	28,019,277	10,447,052	(75,814,428)	3,982,187	296,634,088

The annexed notes 1 to 12 form an integral part of these financial statements.


Arjumand A. Qazi
 Chief Executive Officer


Ali A. Rahim
 Director

Selected Notes to the Condensed Interim Financial Statements

For the quarter ended March 31, 2011

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, who holds 73.14% (2010: 73.14%) of the shareholding of the company. At the time of incorporation, the company was a wholly owned subsidiary of SME Bank Limited, whereby under an arrangement the assets and liabilities of the leasing division of SME Bank Limited were transferred to the company on January 28, 2003. The company is listed on 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.

The company is registered with the Securities and Exchange Commission of Pakistan as a leasing company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. These rules were amended vide SRO No. 1131 (1)/2007 on November 21, 2007 whereby Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) were issued. Subsequently NBFC Regulations were amended vide SRO No. 1203(1)/2008 on November 21, 2008, whereby Non-Banking Finance Companies and Notified Regulations, 2008 were issued.

2. STATEMENT OF COMPLIANCE

These un-audited financial statements are being presented and submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and has been presented in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" as applicable in Pakistan, the Companies Ordinance, 1984, the Non-Banking Companies (NBFCs) Rules, 2003 (the Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) and directives issued by the SECP.

2.1 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, 2010.

3. INVESTMENTS - Available-for-Sale

	Note	March 31, 2011 Rupees	December 31, 2010 Rupees
Government Securities	3.1	2,500,000	2,500,000
Mutual Funds			
- Open end		19,145,550	21,145,550
- Close end		1,180,000	1,180,000
		20,325,550	22,325,550
Less: Unrealized gain on revaluation		3,982,187	3,834,427
		24,307,737	26,159,977
Fair value at the end of the period		26,807,737	28,659,977

3.1 Represents investments made as required under rule 12(3)(f) of the Non-Banking Finance Companies & Notified Entities, Regulations, 2008 to maintain liquidity against certificates of investment. These are redeemable between April 2011 to December 2013 and carries profit rate ranging from 11.60% to 14.20% (2010: 11.60% to 14.20%).

Selected Notes to the Condensed Interim Financial Statements

For the quarter ended March 31, 2011

	March 31, 2011 Rupees	December 31, 2010 Rupees
4. LONG-TERM FINANCES AND LOANS - Secured		
Considered good		
Related Parties		
Executives	436,853	436,853
Employees	1,942,900	2,085,274
	<u>2,379,753</u>	<u>2,522,127</u>
Others than related parties		
Customers		
Considered good	32,884,942	26,418,306
Considered doubtful	49,543,098	49,543,098
	<u>82,428,040</u>	<u>75,961,404</u>
Less: Provision	(2,207,949)	(1,807,283)
	<u>80,220,091</u>	<u>74,154,121</u>
	<u>82,599,844</u>	<u>76,676,248</u>
Less: Current maturity		
Related parties		
Executives	314,419	309,970
Employees	253,150	272,655
	<u>567,569</u>	<u>582,625</u>
Customers	59,724,353	62,804,995
	<u>(60,291,922)</u>	<u>(63,387,620)</u>
	<u>22,307,922</u>	<u>13,288,628</u>
5. NET INVESTMENT IN LEASES		
Minimum lease payments receivable	618,843,669	631,945,013
Add: Residual value of leased assets	406,127,143	433,173,196
Lease contract receivable	1,024,970,812	1,065,118,209
Less: Unearned lease income	121,109,221	117,946,359
Less: Provision for potential lease losses	105,195,631	104,159,670
	<u>226,304,852</u>	<u>222,106,029</u>
Net investment in leases	798,665,960	843,012,180
Less: Current maturity of net investment in leases	417,838,188	410,469,117
Net investment in leases	<u>380,827,772</u>	<u>432,543,063</u>

5.1 The Internal Rate of Return (IRR) on lease contract receivable ranges from 8.42 percent to 25.11 percent (2010: 8.42 percent to 25.11 percent) per annum.

Selected Notes to the Condensed Interim Financial Statements

For the quarter ended March 31, 2011

6. PROPERTY AND EQUIPMENTS

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

	March 31, 2011		December 31, 2010	
	Additions	Deletions	Additions	Deletions
----- Rupees -----				
Owned				
Office premises	-	-	11,560,000	-
Furniture and fixtures	-	-	14,490	-
Office equipment & others	-	-	24,663	-
Vehicles	662,750	662,750	-	-
	662,750	662,750	11,599,153	-
Leased Assets				
Vehicles		662,750	554,555	479,190
	662,750	1,325,500	12,153,708	479,190

7. LONG TERM FINANCES

	Note	March 31, 2011 Rupees	December 31, 2010 Rupees
Long-term Loans			
SME Bank Limited (holding company) - related party	7.1	9,473,063	10,343,953
Other financial institutions		50,832,207	1,664,442
		60,305,270	12,008,395
Privately Placed Term Finance Certificates	7.2	58,119,590	87,072,506
		118,424,860	99,080,901
Less: Current maturity-Long term loans		23,396,775	5,349,856
Current maturity-Privately placed term finance certificates		58,119,590	87,072,506
		81,516,365	92,422,362
		36,908,495	6,658,539

7.1 These facilities includes long-term loans from SME Bank Limited and other financial institutions for financing lease operations of the company. These finances are secured by way of charge on specific leased assets and associated lease rentals receivable.

7.2 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. The facility is secured by way of hypothecation of the company specific leased assets and associate

8. CONTINGENCIES AND COMMITMENTS

Contingencies

None

Commitments

Lease disbursements

Selected Notes to the Condensed Interim Financial Statements

For the quarter ended March 31, 2011

	March 31, 2011 Rupees	March 31, 2010 Rupees
9. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES		
(Loss) before income tax expense	(6,587,150)	(8,843,606)
Adjustment for non-cash charges and other items		
Depreciation	682,490	627,672
Gratuity expense	74,881	115,037
Mark-up expense	8,311,837	14,386,047
Mark-up income	(750,860)	(117,530)
Financial charges on leased assets	60,449	62,194
Loss/(Gain) on disposal of property and equipment	69,500	-
Provision for potential lease losses	1,035,961	8,941,761
Provision for loans and receivables	400,666	200,122
Total adjustments for non-cash charges and other items	9,884,924	24,215,303
Cash generated from operations before working capital changes	3,297,774	15,371,697
Working capital changes		
(Increase)/Decrease in current assets		
Other receivable / Interest accrued	(1,683)	(268,326)
Trade Deposits and short-term prepayments	496,379	838,172
Loans and advances	(19,804)	44,381
	474,892	614,227
Increase / (Decrease) in current liabilities		
Provision for compensated absences	220,000	186,729
Trade and other payables	(260,644)	(2,614,781)
	(40,644)	(2,428,052)
Total working capital changes	434,248	(1,813,825)
Cash generated from operations after working capital changes	3,732,022	13,557,872
10. CASH AND CASH EQUIVALENTS		
Cash and bank balances	10,412,350	21,485,133
Short-term borrowings	(78,445,087)	(126,241,709)
	(68,032,737)	(104,756,576)

Selected Notes to the Condensed Interim Financial Statements

For the quarter ended March 31, 2011

11. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises SME Bank Limited and key management personnel. The aggregate transactions with related parties during the period under review are as follows:

	March 31, 2011		December 31, 2011	
	Key management personnel	SME Bank Limited (Holding Company)	Key management personnel	SME Bank Limited (Holding Company)
Borrowings				
Balance as at January 1	-	143,376,713	-	101,894,472
Add: Borrowings during the period	-	-	-	175,032,756
Less: Repayments during the period	-	(38,791,896)	-	(133,550,515)
Balance as at March 31, 2011	-	104,584,817	-	143,376,713
Loans and advances				
Balance as at January 1	182,832	-	129,749	-
Add: Advances given during the period	-	-	335,000	-
Less: Repayments during the period	(83,751)	-	(281,917)	-
Balance as at March 31, 2011	99,081	-	182,832	-
Mark-up expense for the period	-	4,358,696	-	18,225,540
Other transactions				
Total rentals received during the period	-	468,974	-	1,830,868
Rent expense	-	115,116	-	460,464
Remuneration and salaries paid	1,780,548	-	6,138,000	-
Post retirement benefits	1,173,989	-	852,400	-
Provident fund - company's contribution	31,407	-	122,876	-

- All transactions with the holding company are carried out on commercial terms and conditions.
- Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The company considers all departmental heads, chief executives and directors to be key management personnel.

12. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on April 26, 2011 by the Board of Directors of the company.


Arjumand A. Qazi
 Chief Executive Officer


Ali A. Rahim
 Director

Branch Network

KARACHI

Main Branch: 2nd Floor, Tower "B", Finance & Trade Center (FTC), Shakra-e-Faisal.
Phone: 021-99204751-53 Fax: 021-99204754

F.B. Area Branch: Office No. 9, Rahimabad, Block-14, F.B. Area, Shakra-e-Pakistan.
Phone: 021-99246458, 36807584 Fax: 021-36806940

HYDERABAD

M-06, Mezzanine Floor, Rabi Shopping Center, Cantonment Area, Saddar.
Phone: 022-9200747 Fax: 022-9201060

MIRPURKHAS

Office No. 1572/11 Khad Plot, Umer Kot Road.
Phone: 0233-874168 Fax: 0233-9290411

LAHORE

Gulberg Branch: 13-L, Mini Market, Gulberg-II.
Phone: 042-35714499 Fax: 042-35714499

Iqbal Town Branch: Office No. 17, 2nd Floor, Sky Centre, Karim Block, Allama Iqbal Town Road.
Phone: 042-35295423 Fax: 042-35295424

SIALKOT

Small Industrial Estate Uggoki Road, Shahabpura.
Phone: 052-3257138 Fax: 052-3257138

ISLAMABAD

Office No. 2, 1st Floor, Rehmat Centre, I-8 Markaz.
Phone: 051-9257524 Fax: 051-9257520

PESHAWAR

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

ABBOTTABAD

Office No. 12/13, 2nd Floor, Silk Plaza, Mansehra Road.
Phone: 0992-341596

MARDAN

Office No. L-21, 1st Floor, New PRC Plaza, Malakand Chowk.
Phone: 0937-9230800 Fax: 0937-867102



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

Main Office: 2nd Floor, Tower "B", Finance & Trade Centre, Shakra-e-Faisal, Karachi.
Tel: (021) 99204751-53 Fax: (021) 99204754 Website: www.smelease.com