



Quarterly Report 2013
(Un-audited)
March 31

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

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Corporate Information

BOARD OF DIRECTORS

Mr. Naseer Durrani	Chairman
Mr. Ali A. Rahim	Chief Executive Officer
Ms. Mehnaz Kaludi	
Mr. Junaid Mohmand	
Mian Tahir Bashir	
Mr. Ateeq Ur Rehman	
Mr. Sajjad Ahmed Warrich	

AUDIT COMMITTEE

Mr. Ateeq Ur Rehman	Chairman
Mian Tahir Bashir	Member
Ms. Mehnaz Kaludi	Member
Ms. Shafque Akhter	Committee Secretary

HUMAN RESOURCE COMMITTEE

Ms. Mehnaz Kaludi	Chairperson
Mr. Nasser Durrani	Member
Mr. Junaid Mohmand	Member

Corporate Information

03

COMPANY SECRETARY & CFO

Mr. Tanveer Ul Bari

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: BBB – Short-term: A-2

REGISTERED OFFICE

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

Technology Trade (Pvt.) Ltd.

241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi.
Tel: (+92-21) 34391316-7 & 19, 34387960-61
Fax: (+92-21) 34391318

BANKS AND LENDING INSTITUTIONS

Allied Bank Limited
MCB Bank Limited
SME Bank Limited
United Bank Limited

Directors' Review

The Board of Directors of **SME Leasing Limited** (the company) present their report and review of un-audited financial statements for the quarter ended March 31, 2013.

The economic situation of the country remained burdened by the internal and external factors that are causing constant decline in various economic growth factors since last few years. Business sentiments remained negative for the NBFC sector due to the ongoing liquidity crises, impacting business volumes and operating activities.

Recently, the Securities and Exchange Commission of Pakistan (SECP) has rolled out the recommendations of the Non-Banking Financial (NBF) Sector Reform Committee for the feedback of stakeholders. The Committee was formed with the objective to ensure development of the sector recommendations and to suggest recommendation for the same by conducting an in-depth review of the whole sector and prevalent regime for this sector, with a fresh perspective. Implementation of the recommendations may take considerable time as it require detailed discussions at between stakeholders, amendments in the regulatory frame work and laws. But nevertheless it is an encouraging step taken by the SECP for the promotion and growth of a sustainable NBF sector.

Despite challenging and difficult economic environment, the Company has begun new financial year with improved financial performance and shown profit in the first quarter of the year. Though the amount of profit is not significant but in view of the adverse financial results of the last few years it is an encouraging sign and a step forward for operational stability.

Revenue for the period reduced to Rs. 7.94 million as compared to Rs.12.61 million in the corresponding period of the year due to decline in financing portfolio. However, this reduction has been mitigated by exercising better cost control over operating expenses and rigorous recovery efforts causing reversal of the provision against non performing loans. These efforts translates the results for the period into after tax profit of Rs.0.141 million as compared to after tax loss of Rs.4.87 million in the corresponding period of pervious year.

Total assets of the company have reduced to Rs. 559 million from Rs. 587 million as of December 2012 due to decline in disbursements and financing portfolio caused by rental recoveries & recoveries against non performing loans. Efforts are well placed to maintain a diversified financing portfolio by doing new business for bringing further improvement in the results.

The Company is working on various funding options in consultation with the main sponsor SME Bank Limited. Further, Management is also aggressively pursuing recoveries against non-performing portfolio and is hopeful that these efforts will have positive impact on results.

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



Nasser Durrani
Chairman

Dated: April 30, 2013

Condensed Interim Balance Sheet

As at March 31, 2013.

	Note	March 31,2013 (Un-Audited)	December 31, 2012 (Audited)
..... Rupees			
ASSETS			
Current assets			
Cash and bank balances		6,736,699	7,191,492
Mark-up accrued		657,418	557,555
Loans and advances		1,718,723	1,469,279
Deposits, prepayments and other receivables		2,183,697	1,716,970
Investments - available for sale	3	3,593,373	3,809,432
Current maturity of non current assets		457,417,971	457,954,941
Total current assets		472,307,881	472,699,669
Non-current assets			
Long term finances and loans	4	9,033,386	9,669,087
Net investment in leases	5	55,684,103	82,582,479
Long-term deposits and prepayments		1,204,022	1,299,022
Property and equipment	6	20,296,846	20,804,081
		86,218,357	114,354,669
Total assets		558,526,238	587,054,338
LIABILITIES			
Current liabilities			
Trade and others payable		5,723,388	6,839,103
Mark-up accrued		1,411,319	1,704,444
Short term borrowings		43,283,075	55,758,690
Certificates of Investment		8,012,646	8,112,646
Current maturity of long-term finances	7	3,617,775	10,980,525
Current maturity of liabilities against assets subject to finance lease		800,868	946,328
Current maturity of long term deposits		226,563,085	217,626,238
Provision for compensated absences		977,805	837,805
Taxation payable		12,352,340	12,349,697
Total current liabilities		302,742,301	315,155,476
Non-current liabilities			
Long-term finances	7	3,111,719	3,540,531
Long term Certificates of Investment		200,000	200,000
Liabilities against assets subject to finance lease		1,063,311	1,109,025
Long-term deposits		39,523,260	55,798,107
Deferred liabilities		3,130,217	2,920,217
		47,028,507	63,567,880
Total liabilities		349,770,808	378,723,356
NET ASSETS		208,755,430	208,330,982
FINANCED BY			
Authorised share capital		1,000,000,000	1,000,000,000
100,000,000 (2012: 100,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up capital		320,000,000	320,000,000
Reserves		48,466,329	48,466,329
Accumulated (Loss)		(160,124,272)	(160,264,780)
		208,342,057	208,201,549
Unrealized loss on available for sale investments		413,373	129,433
Total shareholder's equity		208,755,430	208,330,982
Contingencies and commitments	8		

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

Chief Executive Officer

Director

Condensed Interim Profit And Loss Account (Un-audited)

For the 1st Quarter ended March 31, 2013

	1st Quarter ended	
	March 31,2013	March 31,2012
 Rupees	
REVENUE		
Income from operations	7,832,243	12,486,442
Other operating income	110,916	127,057
Total revenue	7,943,159	12,613,499
EXPENSES		
Administrative	7,446,317	10,678,722
Finance cost	2,745,232	6,041,139
Total expenses	10,191,549	16,719,861
Operating (loss) before provisions	(2,248,390)	(4,106,362)
PROVISIONS		
Provision for potential lease losses	(2,432,204)	22,470
Provision for loans and receivables	3,890	610,385
Total provisions	(2,428,314)	632,855
Profit / (Loss) before taxation	179,924	(4,739,217)
TAXATION		
Current	39,416	126,001
Deferred	39,416	-
	39,416	126,001
Profit / (Loss) for the period	140,508	(4,865,218)
Earnings per share - basic and diluted	0.00	(0.15)
	-	-

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

Chief Executive Officer

| 1st Quarter 2013 |

Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the 1st Quarter ended March 31, 2013

	1st Quarter ended	
	March 31, 2013	March 31, 2012
 Rupees	
Profit / (Loss) for the period after tax	140,508	(4,865,218)
Other comprehensive income		
Unrealized Gain/(loss) on revaluation of available for sale investment	283,940	(313,200)
Total comprehensive Profit / (loss) for the period	424,448	<u>(5,178,418)</u>

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

Condensed Interim Cash Flow Statement (Un-audited)

For the 1st Quarter ended March 31, 2013

	Note	March 31,2013	March 31,2012
..... Rupees			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	9	(688,589)	3,080,591
(Increase)/Decrease in net investment in leases		26,208,970	48,993,097
(Increase)/Decrease in loans and receivables		4,290,390	(4,192,889)
Mark-up paid		(2,961,628)	(6,271,964)
Mark-up received		110,916	127,057
Gratuity paid		-	(224,000)
Taxes paid		(36,773)	(143,916)
Long term deposits received		(7,338,000)	(23,710,647)
		20,273,875	14,576,738
Net cash used in operating activities		19,585,286	17,657,329
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		-	167,500
(Increase)/Decrease in long-term Advances & deposits			100,053
(Increase)/Decrease in investments		500,000	-
(Increase)/Decrease in long-term deposits and prepayments		95,000	54,337
Net cash from / (used-in) investing activities		595,000	321,890
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in long-term finance		(7,791,562)	(8,834,148)
Increase in Certificates of Investment		(100,000)	-
Lease rentals paid		(267,902)	(460,856)
Net cash from financing activities		(8,159,464)	(9,295,004)
Net increase / (decrease) in cash and cash equivalents		12,020,822	8,684,216
Cash and cash equivalents at beginning of the year		(48,567,198)	(98,440,649)
Cash and cash equivalents at end of the period	10	(36,546,376)	(89,756,433)

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

Chief Executive Officer

| 1st Quarter 2013 |

Director

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

For the 1st Quarter ended March 31, 2013

	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	Deficit on revaluation of available for sale investments	
----- Rupees -----							
Balance as at January 1, 2012	320,000,000	10,000,000	28,019,277	10,447,052	(131,177,123)	183,500	237,472,706
Deficit on revaluation of available -for-sale investments - Net	-	-	-	-	-	(313,200)	(313,200)
Total comprehensive Loss for the year.	-	-	-	-	(4,865,218)	-	(4,865,218)
Transferred to reserve against future losses	-	-	-	-	-	-	-
Balance as at March 31, 2012	320,000,000	10,000,000	28,019,277	10,447,052	(136,042,341)	(129,700)	232,294,288
Balance as at January 1, 2013	320,000,000	10,000,000	28,019,277	10,447,052	(160,264,780)	129,433	208,330,982
Surplus / (Deficit) on revaluation of available -for-sale investments - Net	-	-	-	-	-	283,940	283,940
Total comprehensive Profit for the period.	-	-	-	-	140,508	-	140,508
Balance as at March 31, 2013	320,000,000	10,000,000	28,019,277	10,447,052	(160,124,272)	413,373	208,755,430

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

Chief Executive Officer

| 1st Quarter 2013 |

Director

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

For the 1st Quarter ended March 31, 2013

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 (I)/2007 on 21 November 2007 whereby Non Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) were issued. Subsequently NBFC Regulations were amended vide SRO,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 31,2012.

3. INVESTMENTS - Available for Sale

Note	March 31, 2013 (Un-Audited)	December 31, 2012 (Audited)
 Rupees	
Special saving certificates	2,000,000	2,500,000
Mutual Funds		
- Open end	-	-
- Close end	2,500,000	2,500,000
	4,500,000	5,000,000
Less: Provision for impairment in investment	(1,320,000)	(1,320,000)
Add: Surplus on revaluation of investment	413,373	129,433
	(906,627)	(1,190,568)
Fair value at the end of the period	3,593,373	3,809,432

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 up to December 2013 and carries profit rate ranging from 12.00% to 13.00% (2012: 11.60% to 14.20%)

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

For the 1st Quarter ended March 31, 2013

	March 31, 2013 (Un-Audited)	December 31, 2012 (Audited)
..... Rupees		
4. LONG TERM FINANCES AND LOANS - Secured		
Considered good		
Related Parties		
Executives	-	-
Employees	1,569,062	1,590,776
	1,569,062	1,590,776
Others than Related parties		
Customers		
Considered good	29,956,571	34,773,492
Considered doubtful	37,609,621	37,061,376
	67,566,192	71,834,868
Less: Provision	(4,829,287)	(4,825,397)
	62,736,905	67,009,471
	64,305,967	68,600,247
Less: Current maturity		
Related Parties		
Executives	-	-
Employees	89,620	88,509
	89,620	88,509
Customers	55,182,961	58,842,651
	(55,272,581)	(58,931,160)
	9,033,386	9,669,087
5. NET INVESTMENT IN LEASES		
Minimum lease payments receivable	420,707,459	444,708,822
Add: Residual value of leased assets	266,086,345	273,424,345
Lease contract receivable	686,793,804	718,133,167
Less: Unearned lease income	73,246,605	78,376,998
Less: Provision for potential lease losses	155,717,706	158,149,910
	228,964,311	236,526,908
Net investment in leases	457,829,493	481,606,259
Less: Current maturity of net investment in leases	402,145,390	399,023,780
Net investment in leases	55,684,103	82,582,479

5.1. The Internal Rate of Return (IRR) on lease contract receivable ranges from 9.5 percent to 25.11 percent (2012: 9.50 percent to 25.11 percent) per annum.

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

For the 1st Quarter ended March 31, 2013

6. PROPERTY AND EQUIPMENTS

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

	March 31, 2013		December 31, 2012	
	Additions	Deletions	Additions	Deletions
 Rupees			
Owned				
Office Premises /				
Building improvements	-	-	-	1,169,206
Furniture and fixtures	-	-	98,666	330,420
Computers	-	-	36,270	371,554
Office equipment & others	-	-	65,900	35,932
Vehicles	-	-	-	1,080,210
	-	-	200,836	2,987,322
Leased Assets				
Vehicles	-	-	950,000	1,205,000
	-	-	1,150,836	4,192,322

7. LONG TERM FINANCES

	Note	March 31, 2013 (Un-Audited)	December 31, 2012 (Audited)
	 Rupees	
Long Term Loans	7.1		
SME Bank Limited (holding company) - related party		1,207,734	2,379,780
Other financial institutions		5,521,760	12,141,276
		6,729,494	14,521,056
Less: Current maturity-Long term loans		(3,617,775)	(10,980,525)
		3,111,719	3,540,531

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

8. CONTINGENCIES AND COMMITMENTS

	March 31, 2013 (Un-Audited)	December 31, 2012 (Audited)
 Rupees	
	-	-

**Selected Notes to the Condensed Interim
Financial Statements (Un-audited)**
For the 1st Quarter ended March 31, 2013

	March 31, 2013 (Un-Audited)	March 31, 2013 (Un-Audited)
 Rupees	
9. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES		
Profit/(Loss) before income tax expense	179,924	(4,739,217)
Adjustment for non-cash charges and other items		
Depreciation	507,234	691,485
Gratuity expense	210,000	87,117
Mark-up expense	2,668,503	5,927,826
Mark-up income	(110,916)	(52,757)
Financial charges on leased assets	76,729	113,313
Provision for potential lease losses	(2,432,204)	22,470
Provision for loans and receivables	3,890	610,385
Total adjustments for non-cash charges and other items	923,236	7,399,839
Cash generated from operations before working capital changes	1,103,160	2,660,622
Working capital changes		
(Increase) / decrease in current assets		
Other receivable / Interest accrued	(99,863)	77,514
Deposits, prepayments & Other receivables	(466,727)	391,501
Loans and advances	(249,444)	100,053
	(816,034)	569,068
Increase / (Decrease) in current liabilities		
Provision for compensated absences	140,000	215,000
Trade and other payables	(1,115,715)	(364,099)
	(975,715)	(149,099)
Total working capital changes	(1,791,749)	419,969
Cash generated from operations after working capital changes	(688,589)	3,080,591
10. CASH AND CASH EQUIVALENTS		
Cash and bank balances	6,736,699	16,189,725
Short term borrowings	(43,283,075)	(105,946,158)
	(36,546,376)	(89,756,433)



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

For the 1st Quarter ended March 31, 2013

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, 2013		December 31, 2012	
	Key Management Personnel	SME Bank Ltd. (Holding Company)	Key Management Personnel	SME Bank Ltd. (Holding Company)
..... Rupees				
Borrowings				
Balance as at January 1	-	58,138,470	-	115,524,439
Add: Borrowings during the period		-		-
Less: Repayments during the period	-	(13,647,661)	-	(57,385,969)
Balance as at March 31,	-	44,490,809	-	58,138,470
Loans and advances				
Balance as at January 1	190,000	-	242,499	-
Add: Advances during the period	228,000	-	568,287	-
Less: Repayments during the period	(228,000)	-	(620,786)	-
Balance as at March 31,	190,000	-	190,000	-

	March 31, 2013	December 31, 2012
Mark-up expense for the period	- 2,257,270	- 4,930,916
Other transactions		
Rent expense	- 130,670	- 115,116
Provident fund - company's contribution	18,240 -	103,720 -

- 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. There are no transactions with key management personnel other than under their terms of employment.

12. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on April 30, 2013 by the Board of Directors of the company.

Chief Executive Officer

Director

Branch Network

KARACHI

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

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

HYDERABAD

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

LAHORE

Gulberg Branch: 13-L, Mini Market, Gulberg-II.
Phone: 042-35714499
Fax: 042-35295424

Allama Iqbal Town Branch: Office No. 03, 2nd Floor, Sky Centre,
Karim Block, Allama Iqbal Town Road.
Phone: 042-35295423
Fax: 042-35295424

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



SME Leasing Limited

(A subsidiary of SME Bank Ltd.)

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CORPORATE

www.smelease.com