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Corporate Information

BOARD OF DIRECTORS

Mr. Nasser Durrani Chairman
Mr. Naveed Amin Chief Executive Officer
Mr. Ali A. Rahim
Ms. Mehnaz Kaludi
Mr. Junaid Mohmand
Mian Tahir Bashir
Mr. Ateeq Ur Rehman

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. Nasser Durrani Member
Mr. Junaid Mohmand Member
Mr. Naveed Amin Member / Committee Secretary

Corporate Information

ACTING COMPANY SECRETARY & CFO

Mr. Naeem-ul-Hasan

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-ul-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

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 first quarter ended March 31, 2014.

The economic situation of the country remained unchanged for business, particularly with regard to the leasing sector. However the morale of your company management is high and is handling diligently the current economic situation; the company is concentrating on new business which is less risky and will render better profit margins. Further, management is uncompromisingly pursuing recoveries against non-performing portfolio and is hopeful that these efforts will have positive impact on results in the near future.

The board is pleased to inform you that your company has written new disbursements of Rs 68.1 million in first quarter of 2014 (Rs 78.9 million in the corresponding quarter ended December 2013). The company, during the period under review, enhanced its total assets to Rs 570 million from Rs 542 million. The gross revenue of the company decreased to Rs 6.39 Million as compared to Rs 7.94 million in the corresponding period mainly due to reduction in the old portfolio. Operating expense increased to Rs 8.99 million as against Rs 7.45 million in the corresponding period mainly due to hiring of new staff and increase in business activities.

The company has an after tax net loss of Rs 3.44 Million for the first quarter ended March 31, 2014. Resultantly the equity of the company reduced to Rs 197 million as against Rs 200 million at year-end December 31, 2013. The company is working on various funding option in consultation with the main sponsor, SME Bank Limited, in order to build new healthy assets during the year. With the prevailing growth rate, future expansion plan and disbursement strategy, the company expects positive results in the near future.

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

On behalf of Board of Directors

Nasser Durrani
Chairman

Dated: April 30, 2014

Condensed Interim Balance Sheet

As at March 31, 2014.

	Note	March 31, 2014 (Un-Audited)	December 31, 2013 (Audited)
..... Rupees			
ASSETS			
Current assets			
Cash and bank balances	3	9,067,062	6,033,050
Mark-up accrued		147,595	132,771
Loans and advances		2,060,894	1,282,930
Deposits, prepayments and other receivables		2,184,047	2,128,180
Investments - available for sale	4	1,995,509	3,987,699
Current maturity of non current assets		408,426,403	407,463,578
Total current assets		423,881,510	421,028,208
Non-current assets			
Long term finances and loans	5	18,612,355	6,510,409
Net investment in leases	6	112,251,693	98,779,822
Long-term deposits and prepayments		1,497,555	1,560,055
Property and equipment	7	14,005,923	14,206,138
		146,367,526	121,056,424
Total assets		570,249,036	542,084,632
LIABILITIES			
Current liabilities			
Trade and others payable		5,471,273	6,840,078
Mark-up accrued		1,192,896	644,874
Short term borrowings		71,894,236	37,534,120
Certificates of Investment		200,000	200,000
Current maturity of long-term finances	8	2,797,778	3,057,258
Current maturity of liabilities against assets subject to finance lease		1,107,810	1,030,501
Current maturity of long term deposits		218,739,602	216,900,049
Provision for compensated absences		812,271	676,871
Taxation payable		12,164,280	12,415,094
Total current liabilities		314,380,146	279,298,845
Non-current liabilities			
Long-term finances	8	373,235	723,580
Liabilities against assets subject to finance lease		1,104,451	1,404,491
Long-term deposits		53,840,344	56,649,944
Deferred liabilities		3,647,006	3,674,069
		58,965,036	62,452,084
Total liabilities		373,345,182	341,750,929
NET ASSETS		196,903,854	200,333,703
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)		(172,377,984)	(168,940,325)
		196,088,345	199,526,004
Unrealized loss on available for sale investments		815,509	807,699
Total shareholder's equity		196,903,854	200,333,703
Contingencies and commitments	9		

The annexed notes 1 to 15 form an integral part of these financial statements.


Naveed Amin
Chief Executive Officer


Ali A. Rahim
Director

Condensed Interim Profit And Loss Account (Un-audited)

For the 1st Quarter ended March 31, 2014

	Note	March 31,2014 (Un-Audited)	March 31, 2013 (Un-Audited)
..... Rupees			
REVENUE			
Income from operations	10	6,319,625	7,832,243
Other operating income		73,458	110,916
Total revenue		6,393,083	7,943,159
EXPENSES			
Administrative		8,988,466	7,446,317
Finance cost	11	1,868,713	2,745,232
Total expenses		10,857,179	10,191,549
Operating (loss) before provisions		(4,464,096)	(2,248,390)
PROVISIONS			
Provision for potential lease losses		(1,108,493)	(2,432,204)
Provision for loans and receivables		18,125	3,890
Total provisions		(1,090,368)	(2,428,314)
Net (loss) / profit for the period		(3,373,728)	179,924
TAXATION			
Current		63,931	39,416
Net (loss) / profit for the period		(3,437,659)	140,508
(Loss) / Earnings per share - basic and diluted		(0.11)	0.00

The annexed notes 1 to 15 form an integral part of these financial statements


Naveed Amin
Chief Executive Officer


Ali A. Rahim
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the 1st Quarter ended March 31, 2014

	March 31, 2014	March 31, 2013
 Rupees	
(Loss) / profit for the period after tax	(3,437,659)	140,508
Other comprehensive income		
Unrealized Gain/(loss) on revaluation of available for sale investment	7,810	283,940
Total comprehensive (loss) / profit for the period	<u>(3,429,849)</u>	<u>424,448</u>

The annexed notes 1 to 15 form an integral part of these financial statements



Naveed Amin
Chief Executive Officer



Ali A. Rahim
Director

Condensed Interim Cash Flow Statement (Un-audited)

For the 1st Quarter ended March 31, 2014

	Note	March 31,2014	March 31,2013
..... Rupees			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	9	(4,281,458)	(688,589)
(Increase)/Decrease in net investment in leases		(9,973,555)	26,208,970
(Increase)/Decrease in loans and receivables		(15,372,286)	4,290,390
Mark-up paid		(1,247,898)	(2,961,628)
Mark-up received		62,458	-
Gratuity paid		(107,063)	110,916
Taxes paid		(314,745)	(36,773)
Long term deposits received		(970,047)	(7,338,000)
		(27,923,136)	20,273,875
Net cash used in operating activities		(32,204,594)	19,585,286
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(189,224)	-
(Increase)/Decrease in investments		2,000,000	500,000
(Increase)/Decrease in long-term deposits and prepayments		62,500	95,000
Net cash from / (used-in) investing activities		1,873,276	595,000
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in long-term finance		(609,825)	(7,791,562)
Increase in Certificates of Investment		-	(100,000)
Lease rentals paid		(384,961)	(267,902)
Net cash from financing activities		(994,786)	(8,159,464)
Net increase / (decrease) in cash and cash equivalents		(31,326,104)	12,020,822
Cash and cash equivalents at beginning of the year		(31,501,070)	(48,567,198)
Cash and cash equivalents at end of the period	10	(62,827,174)	(36,546,376)

The annexed notes 1 to 15 form an integral part of these financial statements



Naveed Amin
Chief Executive Officer



Ali A. Rahim
Director

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

For the 1st Quarter ended March 31, 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		Deficit on revaluation of available for sale investments
----- Rupees -----							
Balance as at January 1, 2013 - Restated	320,000,000	10,000,000	28,019,277	10,447,052	(160,709,956)	129,433	207,885,806
Profit after Taxation	-	-	-	-	140,508	-	140,508
Surplus on revaluation of available for-sale investments - Net	-	-	-	-	-	283,940	283,940
Balance as at March 31, 2013 - Restated	320,000,000	10,000,000	28,019,277	10,447,052	(160,569,448)	413,393	208,310,254
Balance as at January 01, 2014	320,000,000	10,000,000	28,019,277	10,447,052	(168,940,325)	807,699	200,333,703
(Loss) after Taxation					(3,437,659)		(3,437,659)
Surplus on revaluation of available for-sale investments - Net						7,810	7,810
Balance as at March 31, 2014	320,000,000	10,000,000	28,019,277	10,447,052	(172,377,984)	815,509	196,903,854

The annexed notes 1 to 15 form an integral part of these financial statements.


Naveed Amin
Chief Executive Officer


Ali A. Rahim
Director



SME Leasing Limited
A subsidiary of SME Bank Ltd.

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

For the 1st Quarter ended March 31, 2014

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, 56-F, Nazim-ul-Din Road F-6/1, Blue Area, Islamabad. The core objective of the company is to extend lease and working capital financing facilities to small and medium enterprises of the country.

The company 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.

- 1.2** Regulation 4 of Non-Banking finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations 2008) require a leasing company to maintain, at all times, minimum equity of Rs. 700 millions by 30, June 2013. The equity of the company as at 31, March 2014 is Rs.196.90 million which is Rs.503.10 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 quarter ended 31 March 2014, the Company has incurred a loss of Rs.3.44 million and the accumulated losses, as at 31 March 2014, amount to Rs.172.38 million. Further, the net assets of thr company amounting to Rs. 196.95 million includes non performing loans, net of provision.

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.

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 31,2013.

3. CASH AND BANK BALANCES

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

Note	March 31, 2014 (Un-Audited)	December 31, 2013 (Audited)
 Rupees	
	23,095	3,095
	2,272,383	3,397,573
3.1	6,712,072	2,578,803
	59,512	53,579
	9,067,062	6,033,050

- 3.1. Return on saving accounts is earned at rates ranging from 6 percent. (2013: 6 percent) per annum.

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

For the 1st Quarter ended March 31, 2014

	March 31, 2014 (Un-Audited)	December 31, 2013 (Audited)
4 INVESTMENTS - Available for Sale	Rupees	
Special saving certificates	-	2,000,000
Mutual Funds		
- Close end	2,500,000	2,500,000
	2,500,000	4,500,000
Less: Provision for impairment in investment	(1,320,000)	(1,320,000)
Add: Surplus on revaluation of investment	815,509	807,699
	(504,491)	(512,301)
Fair value at the end of the period	1,995,509	3,987,699
5. LONG TERM FINANCES AND LOANS - Secured		
Related Parties - Considered good		
Employees	1,483,361	1,506,965
Others than Related parties		
Customers		
Considered good	33,729,566	17,591,931
Considered doubtful	37,874,440	38,515,752
	71,604,006	56,107,683
Less: Provision	(4,755,488)	(4,737,363)
	66,848,518	51,370,320
	68,331,879	52,877,285
Less: Current maturity		
Related parties - Employees	93,038	93,038
Other than Related parties - Customers	49,626,486	46,273,838
	(49,719,524)	(46,366,876)
	18,612,355	6,510,409
6. NET INVESTMENT IN LEASES		
Minimum lease payments receivable	443,291,776	423,466,036
Add: Residual value of leased assets	272,579,946	273,549,993
Lease contract receivable	715,871,722	697,016,029
Less: Unearned lease income	88,737,276	79,855,137
Less: Provision for potential lease losses	156,175,874	157,284,367
	244,913,150	237,139,504
Net investment in leases	470,958,572	459,876,525
Less: Current maturity of net investment in leases	358,706,879	361,096,703
Net investment in leases	112,251,693	98,779,822

6.1. The Internal Rate of Return (IRR) on lease contract receivable ranges from 9.5 percent to 25.11 percent (2013: 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, 2014

7. PROPERTY AND EQUIPMENTS

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

	March 31, 2014		December 31, 2013	
	Additions	Deletions	Additions	Deletions
	Rupees			
Owned				
Office Premises / Building improvements	122,124	-	-	7,000,000
Furniture and fixtures	-	-	-	-
Computers	67,100	-	61,659	-
Intangible	-	-	24,200	-
Office equipment & others	-	-	8,825	-
Vehicles	-	37,200	1,724,255	994,000
	189,224	37,200	1,818,939	7,994,000
Leased Assets				
Vehicles	-	-	1,732,500	2,378,755
	189,224	37,200	3,551,439	10,372,755

* Represents assets transferred from leased asset to owned assets for Rs. 1,680,755/=

8. LONG TERM FINANCES

Long Term Loans

	Note	March 31, 2014 (Un-Audited)	December 31, 2013 (Audited)
Other financial institutions	8.1	3,171,013	3,780,838
		3,171,013	3,780,838
Less: Current maturity-Long term loans		2,797,778	3,057,258
		373,235	723,580

8.1. The facility from ENERCON for financing lease operations of the company. This finance are secured by way of hypothecation of the company's leased assets and related receivables.

9. CONTINGENCIES AND COMMITMENTS

Commitments

	March 31, 2014 (Un-Audited)	December 31, 2013 (Audited)
Lease disbursements	9,200,000	13,000,000

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

For the 1st Quarter ended March 31, 2014

	March 31, 2014 (Un-Audited)	March 31, 2013 (Un-Audited)
 Rupees	
10. INCOME FROM OPERATIONS		
Income from finance lease operations	5,035,883	6,010,483
	5,035,883	6,010,483
Finances and loans		
Customers	1,283,742	1,821,760
OTHER OPERATING INCOME		
Income from Investments	34,022	91,068
Income from financial assets	28,436	19,848
Gain from non-financial assets	11,000	-
	73,458	110,916
11. FINANCE COST		
Mark-up on:		
Long term finance from banking companies and financial institutions	33,027	126,897
Certificates of Investment	9,660	247,608
Short term borrowings	1,703,454	2,239,776
	1,746,141	2,614,281
Lease finance charges	72,793	76,729
Bank charges	49,779	54,222
	1,868,713	2,745,232
Finance cost includes mark up expense related to SME Bank Limited, related party:		
Long term finance	-	17,494
Short term borrowings	1,703,454	2,239,776
	1,703,454	2,257,270



SME Leasing Limited
A subsidiary of SME Bank Ltd.

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

For the 1st Quarter ended March 31, 2014

March 31, 2014 (Un-Audited)	December 31, 2013 (Audited)
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..... Rupees

12. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

(Loss) before income tax expense	(3,373,728)	179,924
Adjustment for non-cash charges and other items		
Depreciation	389,443	507,234
Gratuity expense	80,000	210,000
Mark-up expense	1,795,920	2,668,503
Mark-up income	(62,458)	(110,916)
Financial charges on leased assets	72,793	76,729
(Gain) on disposal of property and equipment	(11,000)	-
Provision for potential lease losses	(1,108,493)	(2,432,204)
Provision for loans and receivables	18,125	3,890
Total adjustments for non-cash charges and other items	1,174,330	923,236
Cash generated from operations before working capital changes	(2,199,398)	1,103,160
Working capital changes		
(Increase) / decrease in current assets		
Other receivable / Interest accrued	(14,824)	(99,863)
Deposits, prepayments & Other receivables	(55,867)	(466,727)
Loans and advances	(777,964)	(249,444)
	(848,655)	(816,034)
Increase / (Decrease) in current liabilities		
Provision for compensated absences	135,400	140,000
Trade and other payables	(1,368,805)	(1,115,715)
	(1,233,405)	(975,715)
Total working capital changes	(2,082,060)	(1,791,749)
Cash generated from operations after working capital changes	(4,281,458)	(688,589)

13. CASH AND CASH EQUIVALENTS

Cash and bank balances	9,067,062	6,736,699
Short term borrowings	(71,894,236)	(43,283,075)
	(62,827,174)	(36,546,376)

14. TRANSACTIONS WITH RELATED PARTIES

The related parties of the company include SME Bank Limited (holding company), Staff Provident fund, directors, key management personnel and companies in which directors are common or a hold office. Transactions with SME Bank Limited, directors and key management personnel are disclosed in their relevant notes. Transactions with other related parties and the balances outstanding at the period end are given below:

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

For the 1st Quarter ended March 31, 2014

	March 31, 2014		December 31, 2013	
	Key Management Personnel	SME Bank Limited (Holding Company)	Key Management Personnel	SME Bank Limited (Holding Company)
Rupees				
Borrowings				
Balance as at January 1		37,534,120		58,138,470
Add: Borrowings during the period		34,360,116		-
Less: Repayments during the period		-		(20,604,350)
Balance as at March 31, 2014.	-	<u>71,894,236</u>	-	<u>37,534,120</u>

	March 31, 2014	December 31, 2013
(Payable) / Receivable from staff		
Provident fund	(37,698)	(3,488)
Markup expense for the period	1,703,454	6,055,149
Other Transactions		
Rent expenses	81,402	-
Key Management Remuneration	900,000	1,848,000
Post Retirement Benefits	-	76,000
P. F. - Company's Contribution	-	36,480

- 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.

15. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on April 30th 2014 by the Board of Directors of the company.


Naveed Amin
Chief Executive Officer


Ali A. Rahim
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