



Quarterly Report | **2016**
March 31,



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

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Corporate Information

BOARD OF DIRECTORS

Ms. Mehnaz Saleem - Chairperson
Mir Javed Hashmat - CEO
Mr. Ihsan ul Haq Khan
Mr. Ali A. Rahim
Mr. Dilshad Ali Ahmad
Mian Tahir Bashir
Mr. Ateeq Ur Rehman

Chief Executive Officer

Mir Javed Hashmat

AUDIT COMMITTEE

Mr. Ateeq Ur Rehman - Chairman
Mr. Ali A. Rahim - Member
Mian Tahir Bashir - Member

HUMAN RESOURCE COMMITTEE

Mr. Ali A. Rahim - Chairman
Mr. Dilshad Ali Ahmad - Member
Mir Javed Hashmat - Member

COMPANY SECRETARY & CFO

Mr. Osama Iqbal

ACTING INTERNAL AUDITOR

Mr. Naeem-ul-Hasan

Corporate Information

EXTERNAL AUDITORS

Grant Thornton Anjum Rahman
Chartered Accountants

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 **Corptec Associates (Pvt.) Limited**

503-E, Johar Town, Lahore.

Tel: 042-35170336-7, Fax: 042-35170338

E-mail: info@corptec.com.pk

BANKS AND LENDING INSTITUTIONS

Allied Bank Limited

MCB Bank Limited

SME Bank Limited

Meezan Bank Limited



Directors' Review Report

The Board of Directors of **SME Leasing Limited** takes pleasure in presenting the un-audited condensed Financial Statements of the Company for the three months period ended March 31, 2016.

We take immense pleasure in announcing that during the three months period the company has gained after tax profit of Rs. 0.58 million as compared to a loss of Rs. 2.95 million made during the corresponding period. This has been possible due to our main focus on recoveries from non-performing loans and addition of new quality business created from the recoveries and utilization of running finance facility provided by the parent bank besides gain on sale of immovable property. During the period the company transacted new business of Rs. 45.7 million as compared to Rs. 2.2 million in the corresponding period.

The current liabilities have increased from Rs. 335.33 million to Rs. 338.40 million whereas the total assets of the company have increased to Rs. 575.00 million from Rs. 568.31 million as of December 2015. During the three months period recovery made from Non-Performing Loans stood at Rs. 16.23 million as compared to Rs. 2.5 million of the corresponding period. The gross revenue of the company as on 31st March 2016 has increased to Rs. 13.11 million as compared to Rs. 10.37 million in the corresponding period.

As a result of above mentioned facts the equity of the company remained intact at Rs.174 million as it was on the year ended December 31, 2015.

In order to maintain the above position during the remaining part of the year, the company is focusing mainly on the recoveries and to utilize these resources towards building a healthy performing portfolio besides working on various other options to generate additional funds needed for a sustainable growth.

We are also focusing on improving quality of appraisal and marketing of quality business which can turn around the company in short span of time. Room for improvement is always there, and your directors being conscious of their responsibilities are determined to ensure that better results are obtained in future.

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

On behalf of Board of Directors

Mr. Ateeq Ur Rehman
Director

Dated: April 26, 2016

1st Quarterly Report

Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2016.

	March 31, 2016 (Un-Audited)	December 31, 2015 (Audited)
	Rupees	
ASSETS		
Current assets		
Cash and bank balances	3 2,238,038	3,115,209
Mark-up accrued	217,592	13,843
Loans and advances	3,074,863	2,484,094
Deposits, prepayments and other receivables	2,493,194	1,630,488
Investments - available for sale	4 3,462,573	4,283,091
Asset Held for Sale	-	3,979,986
Current maturity of non current assets	416,262,960	432,784,153
Total current assets	427,749,220	448,290,864
Non-current assets		
Long term finances and loans	5 22,749,575	17,380,776
Net investment in leases	6 114,070,715	91,803,251
Long-term deposits and prepayments	1,543,322	1,543,322
Property and equipment	7 8,893,434	9,297,595
	<u>147,257,046</u>	<u>120,024,944</u>
Total assets	575,006,266	568,315,808
LIABILITIES		
Current liabilities		
Trade and others payable	5,728,086	6,066,743
Mark-up accrued	1,114,135	1,171,429
Short term borrowings	136,868,182	129,066,524
Current Maturity of non current liabilities	185,429,914	189,774,946
Provision for compensated absences	1,039,200	1,069,901
Taxation payable	8,216,021	8,186,714
Total current liabilities	338,395,538	335,336,257
Non-current liabilities		
Liabilities against assets subject to finance lease	276,983	600,977
Long-term deposits	57,265,706	53,040,880
Deferred liabilities	4,857,371	4,890,705
	<u>62,400,060</u>	<u>58,532,562</u>
Total liabilities	400,795,598	393,868,819
NET ASSETS	174,210,668	174,446,989
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)	(196,538,234)	(197,122,431)
	171,928,095	171,343,898
Unrealized loss on available for sale investments	2,282,573	3,103,091
Total shareholder's equity	174,210,668	174,446,989
Contingencies and commitments	8	

The annexed notes 1 to 16 form an integral part of these financial statements.


Mr. Ali A. Rahim
Director


Mir Javed Hashmat
Chief Executive Officer

Condensed Interim Profit And Loss Account (Un-audited)

For the 1st Quarter ended March 31, 2016

	Note	March 31, 2016 (Un-Audited)	March 31, 2015 (Un-Audited)
..... Rupees			
REVENUE			
Income from operations	9	10,433,288	10,272,210
Other operating income	10	2,680,143	101,121
Total revenue		13,113,431	10,373,331
EXPENSES			
Administrative	11	8,916,965	8,421,866
Finance cost	12	3,477,510	5,496,797
Total expenses		12,394,475	13,918,663
Operating Profit / (loss) before provisions		718,956	(3,545,332)
PROVISIONS			
Provision for potential lease losses		(478,639)	(712,433)
Provision for loans and receivables		508,964	22,537
Total provisions		30,325	(689,896)
Profit / (Loss) before taxation		688,631	(2,855,436)
TAXATION			
Current		104,434	103,733
Deferred		-	-
		104,434	103,733
Profit / (Loss) for the period		584,197	(2,959,169)
Earning (Loss) per share - basic and diluted		0.02	(0.09)

The annexed notes 1 to 16 form an integral part of these financial statements



Mr. Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the 1st Quarter ended March 31, 2016

	March 31, 2016	March 31, 2015
 Rupees	
Profit / (Loss) for the Quarter after tax	584,197	(2,959,169)
Other comprehensive income		
Deficit on revaluation of available-for-Sale Investment - Net	(820,518)	(35,818)
	(820,518)	(35,818)
Total comprehensive Income / (loss) for the period	(236,321)	(2,994,987)

The annexed notes 1 to 16 form an integral part of these financial statements



Mr. Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer



Condensed Interim Cash Flow Statement (Un-audited)

For the 1st Quarter ended March 31, 2016

	Note	March 31, 2016	March 31, 2015
..... Rupees			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	13	(79,690)	(8,159,453)
(Increase)/Decrease in net investment in leases		(8,580,786)	25,733,097
(Increase)/Decrease in loans and receivables		(2,564,609)	183,247
Mark-up paid		(3,485,888)	(5,500,472)
Mark-up received		10,129	19,688
Gratuity paid		(33,334)	(312,000)
Taxes paid		(75,127)	(19,749)
Long term deposits received		(167,659)	(11,649,001)
		(14,897,275)	8,454,810
Net cash used in operating activities		(14,976,965)	295,357
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		26,416	-
Proceeds from disposal of fixed Assets		6,650,000	279,200
(Increase)/Decrease in investments		-	-
(Increase)/Decrease in long-term deposits and prepayments		-	62,494
Net cash from / (used-in) investing activities		6,676,416	341,694
CASH FLOW FROM FINANCING ACTIVITIES			
Increase (Decrease) in long-term financing		-	-
Lease rentals paid		(378,281)	(415,089)
Net cash from financing activities		(378,281)	(415,089)
Net increase / (decrease) in cash and cash equivalents		(8,678,829)	221,962
Cash and cash equivalents at beginning of the year		(125,951,315)	(149,799,907)
Cash and cash equivalents at end of the period	14	(134,630,144)	(149,577,945)

The annexed notes 1 to 16 form an integral part of these financial statements


Mr. Ali A. Rahim
Director


Mir Javed Hashmat
Chief Executive Officer

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

For the 1st Quarter ended March 31, 2016

	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, 2015	320,000,000	10,000,000	28,019,277	10,447,052	(180,021,245)	2,029,123	190,474,207
(Loss) after Taxation	-	-	-	-	(17,311,745)		(17,311,745)
Surplus on revaluation of available -for-sale investments - Net	-	-	-	-	-	1,073,968	1,073,968
Actuarial loss on obligation					210,559		210,559
Balance as at December 31, 2015	320,000,000	10,000,000	28,019,277	10,447,052	(197,122,431)	3,103,091	174,446,989
Balance as at January 01, 2016	320,000,000	10,000,000	28,019,277	10,447,052	(197,122,431)	3,103,091	174,446,989
Profit after Taxation					584,197		584,197
Deficit on revaluation of available -for-sale investments - Net						(820,518)	(820,518)
Balance as at March 31, 2016	320,000,000	10,000,000	28,019,277	10,447,052	(196,538,234)	2,282,573	174,210,668

The annexed notes 1 to 16 form an integral part of these financial statements



Mr. Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer



Selected Notes To The Condensed Interim Financial Statements(Un-audited)

For the 1st Quarter ended March 31, 2016

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% (2015: 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 Pakistan Stock Exchange formerly Lahore Stock Exchange and its registered office is situated at 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.

- 1.2** The Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations 2008) have been amended by SECP and the minimum equity requirement for existing NBFCs with valid deposit taking permission having leasing license' has been revised at Rs.500 millions whereas minimum equity requirement for 'non-deposit taking NBFCs for leasing or Discounting or Housing Finance Services licenses' has been set at Rs.50 million for each form of business. The equity of the Company as at 31, March 2016 is Rs.174.21 million . The Company has been incurring losses since the year ended 31 December, 2009 which has resulted in erosion of equity. During the period ended 31, March 2016, the Company has after tax Profit of Rs.0.584 million and accumulated losses as at 31 March 2016, amounting to Rs.196.54 million. Further, the net assets of the Company amounting to Rs.174.21 million including 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. The Company is in process of filing for renewal of 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, 2015.

Selected Notes To The Condensed Interim Financial Statements(Un-audited)

For the 1st Quarter ended March 31, 2016

Note	March 31, 2016 (Un-audited)	December 31, 2015 (Audited)
..... Rupees		
3. CASH AND BANK BALANCES		
With State Bank of Pakistan in current account	23,431	23,431
With banks:		
in current accounts	1,341,580	2,729,541
in saving accounts	806,615	295,825
Cash in hand	66,412	66,412
3.1	2,238,038	3,115,209

3.1. These carry profit rate of 5% per annum (2015: 4.5% to 6% per annum)

Note	March 31, 2016 (Un-audited)	December 31, 2015 (Audited)
..... Rupees		
4 INVESTMENTS - Available for Sale		
Mutual Funds : Namco Close end	2,500,000	2,500,000
	2,500,000	2,500,000
Less: Provision for impairment in investment	(1,320,000)	(1,320,000)
Add: Deficit / Surplus on revaluation of investment	2,282,573	3,103,091
	962,573	1,783,091
Fair value at the end of the period	3,462,573	4,283,091
5. LONG TERM FINANCES AND LOANS - Secured		
Related Parties - Considered good		
Employees	587,676	613,458
Others than Related parties	24,082,352	20,795,532
Customers: Considered good	82,059,945	82,756,374
Considered doubtful	106,142,297	103,551,906
Less: Provision	(5,948,765)	(5,439,801)
	100,193,532	98,112,105
	100,781,208	98,725,563
Less: Current maturity		
Related parties - Employees	70,907	(70,907)
Other than Related parties - Customers	77,960,726	(81,273,880)
Employees	(78,031,633)	(81,344,787)
	22,749,575	17,380,776

Selected Notes To The Condensed Interim Financial Statements(Un-audited)

For the 1st Quarter ended March 31, 2016

	Note	March 31, 2016 (Un-audited)	December 31, 2015 (Audited)
..... Rupees			
6. NET INVESTMENT IN LEASES			
Minimum lease payments receivable		446,202,471	435,381,223
Add: Residual value of leased assets		240,900,701	241,068,360
Lease contract receivable	6.1	687,103,172	676,449,583
Less: Unearned lease income		82,350,384	(80,277,581)
Less: Provision for potential lease losses		152,450,746	(152,929,385)
		234,801,130	(233,206,966)
Net investment in leases		452,302,042	443,242,617
Less: Current maturity of net investment in leases		338,231,327	351,439,366
Net investment in leases		114,070,715	91,803,251

6.1. The Internal Rate of Return (IRR) on lease contract receivable ranges from 8.00 % to 29 % (2015: 8.00% to 29%) per annum.

6-A Net investment in leases

Particulars	March 31, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Total	Later than one year & less than Five years	Not later than One year	Total	Later than one year & less than Five years	Not later than One year
..... Rupees						
Minimum Lease payments	446,202,471	63,484,202	382,718,269	435,381,223	42,852,505	392,528,718
Add : Residual Value of Leased Assets	240,900,701	57,265,706	183,634,995	241,068,360	53,040,880	188,027,480
Gross Investment in Leases	687,103,172	120,749,908	566,353,264	676,449,583	95,893,385	580,556,198
Unearned lease income	(24,830,481)	(6,679,193)	(18,151,288)	(20,887,333)	(4,090,134)	(16,797,199)
Markup held in Suspense Account	(57,519,903)	-	(57,519,903)	(59,390,248)	-	(59,390,248)
	(82,350,384)	(6,679,193)	(75,671,191)	(80,277,581)	(4,090,134)	(76,187,447)
	604,752,788	114,070,715	490,682,073	596,172,002	91,803,251	504,368,751
Provision for potential lease losses	(152,450,746)	-	(152,450,746)	(152,929,385)	-	(152,929,385)
Net Investment in Finance leases	452,302,042	114,070,715	338,231,327	443,242,617	91,803,251	351,439,366

Selected Notes To The Condensed Interim Financial Statements(Un-audited)

For the 1st Quarter ended March 31, 2016

Note	March 31, 2016 (Un-audited)	December 31, 2015 (Audited)
..... Rupees		
7. Property and equipments		
Fixed Assets	8,877,934	9,282,095
Intangible Assets	15,500	15,500
	8,893,434	9,297,595

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

	March 31, 2016 Unaudited		December 31, 2015 Audited	
	Additions	Deletions	Additions	Deletions
..... Rupees				
Owned				
Office Premises / Building improvements	-	5,550,000	-	-
Furniture and fixtures	26,416	-	131,798	39,893
Computers	-	-	251,190	-
Intangible	-	-	-	-
Office equipment & others	-	-	345,198	125,384
Vehicles	-	-	950,000*	698,000
	26,416	5,550,000	1,678,186	863,277
Leased Assets				
Vehicles	-	-	-	950,000
	26,416	5,550,000	1,678,186	1,813,277

* Represents assets transferred from leased asset to owned assets for Rs. 950,000/= .

Note	March 31, 2016 (Un-audited)	December 31, 2015 (Audited)
..... Rupees		
8. CONTINGENCIES AND COMMITMENTS		
Lease disbursements	5,450,000	14,466,500

Selected Notes To The Condensed Interim Financial Statements(Un-audited)

For the 1st Quarter ended March 31, 2016

	March 31, 2016 (Un-audited)	March 31, 2015 (Un-audited)
 Rupees	
9. INCOME FROM OPERATIONS		
Income from finance lease operations	9,051,397	7,363,755
Gain/(Loss) on termination of leases	-	31,689
	9,051,397	7,395,444
Income on finances and loans to Customers	1,381,891	2,876,766
	10,433,288	10,272,210
10 OTHER OPERATING INCOME		
Income from Investments	4,976	4,662
Income from financial assets	5,153	15,026
Gain from non-financial assets	2,670,014	81,433
	2,680,143	101,121
11 ADMINISTRATIVE & SELLING EXPENSES		
Salaries, allowances and other benefits	5,517,259	4,715,980
Directors' fee	120,000	120,000
Rent	584,532	518,904
Electricity, gas and water	114,614	155,206
Telephone and postage	246,068	201,793
Repairs and maintenance	115,363	101,855
Books and periodicals	7,565	8,480
Vehicle running	32,534	22,195
Advertising	45,588	-
Training and development	-	127,000
Travelling, conveyance and entertainment	203,112	660,814
Printing and stationery	113,011	41,138
Auditors' remuneration	110,325	5,125
Depreciation and amortization	430,569	422,223
Legal and professional	968,701	960,102
Insurance	189,105	228,116
Miscellaneous	118,619	132,935
	8,916,965	8,421,866

Selected Notes To The Condensed Interim Financial Statements(Un-audited)

For the 1st Quarter ended March 31, 2016

	March 31, 2016 (Un-audited)	March 31, 2015 (Un-audited)
 Rupees	
12. FINANCE COST		
Mark-up on:		
Long term finance from banking companies and financial institutions	-	96,702
Short term borrowings	3,428,594	5,308,442
	3,428,594	5,405,144
Lease finance charges	41,159	82,964
Bank charges	7,757	8,689
	3,477,510	5,496,797
Finance cost includes mark up expense related to SME Bank Limited, related party:		
Short term borrowings	3,428,594	5,308,442
	3,428,594	5,308,442
13. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES		
Profit / (Loss) before Tax	688,631	(2,855,436)
Adjustment for non-cash charges and other items		
Depreciation	430,569	422,223
Gratuity expense	-	150,000
Mark-up expense	3,436,351	5,413,833
Mark-up income	(10,129)	(19,688)
Financial charges on leased assets	41,159	82,964
(Gain) on disposal of property and equipment	(2,670,014)	(81,433)
Provision for potential lease losses	(478,639)	(712,433)
Provision for loans and receivables	508,964	22,537
Total adjustments for non-cash charges and other items	1,258,261	5,278,003
Cash generated from operations before working capital changes	1,946,892	2,422,567
Working capital changes (Increase) / decrease in current assets		
Other receivable / Interest accrued	(203,749)	(259,666)
Deposits, prepayments & Other receivables	(862,706)	(623,185)
Loans and advances	(590,769)	(182,483)
	(1,657,224)	(1,065,334)
Increase / (Decrease) in current liabilities		
Provision for compensated absences	(30,701)	87,783
Trade and other payables	(338,657)	(9,604,469)
	(369,358)	(9,516,686)
Total working capital changes	(2,026,582)	(10,582,020)
Cash generated from operations after working capital changes	(79,690)	(8,159,453)

Branch Network

KARACHI

Main Branch:

Office # 304, 3rd Floor, Business Arcade,
Shahra-e-Faisal, Karachi.
Phone No. 92-21-34322128-9 Fax: 92-21-34322082

HYDERABAD

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

LAHORE

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

Chowk Shahah Pura, City Bazar, Street No. 3, Shop No. 195,
Opposite Sahab Marriage Hall, Sialkot.
Phone: 052-3572136
Fax: 052-3572137

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.)

Office No. 304, 3rd Floor, Business Arcade, Shakra-e-Faisal, Karachi
Phone No. +92-21-34322128-9 Fax No. +92-21-34322082

www.smelease.com