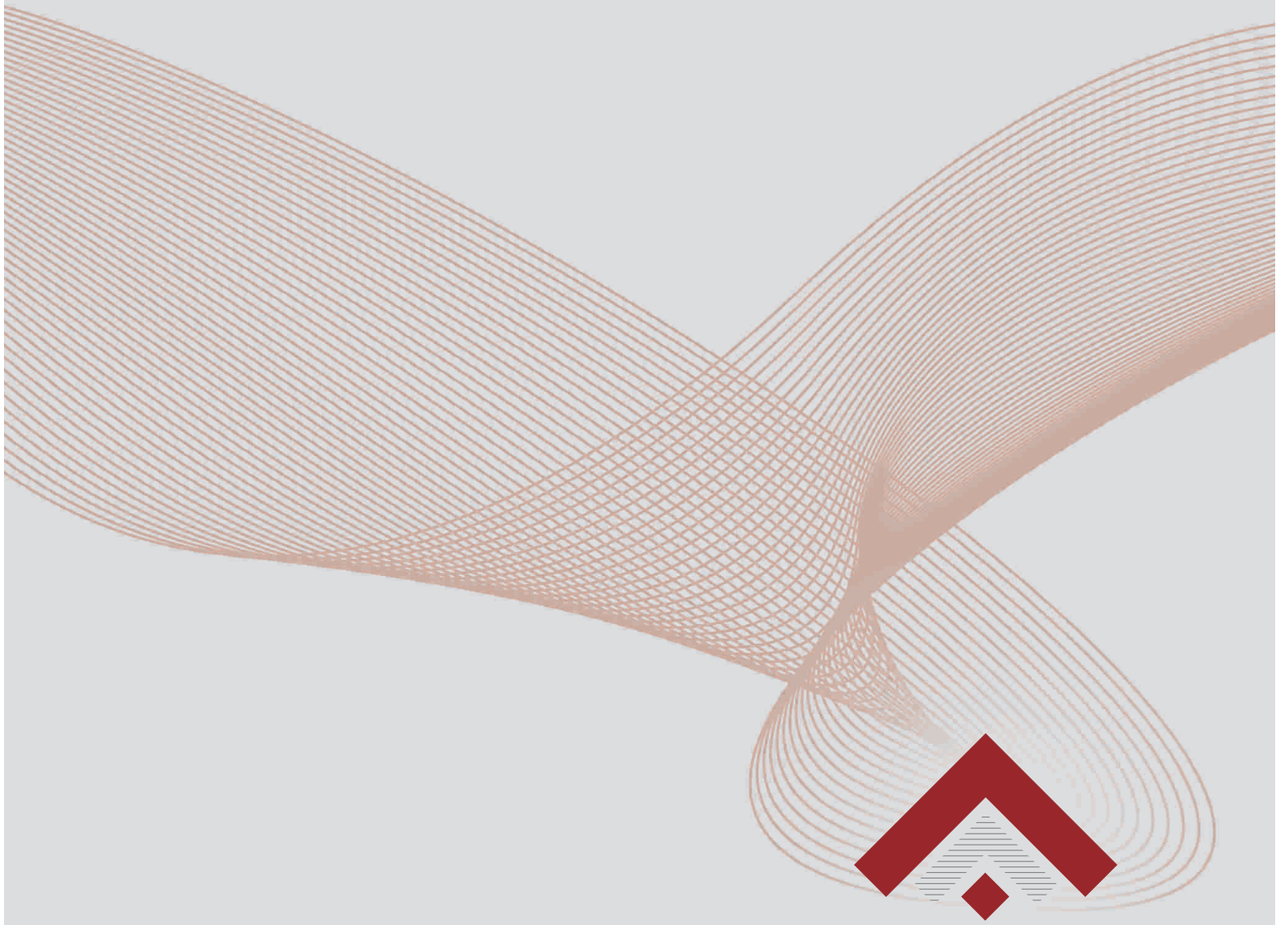


ANNUAL REPORT  
**2009**



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



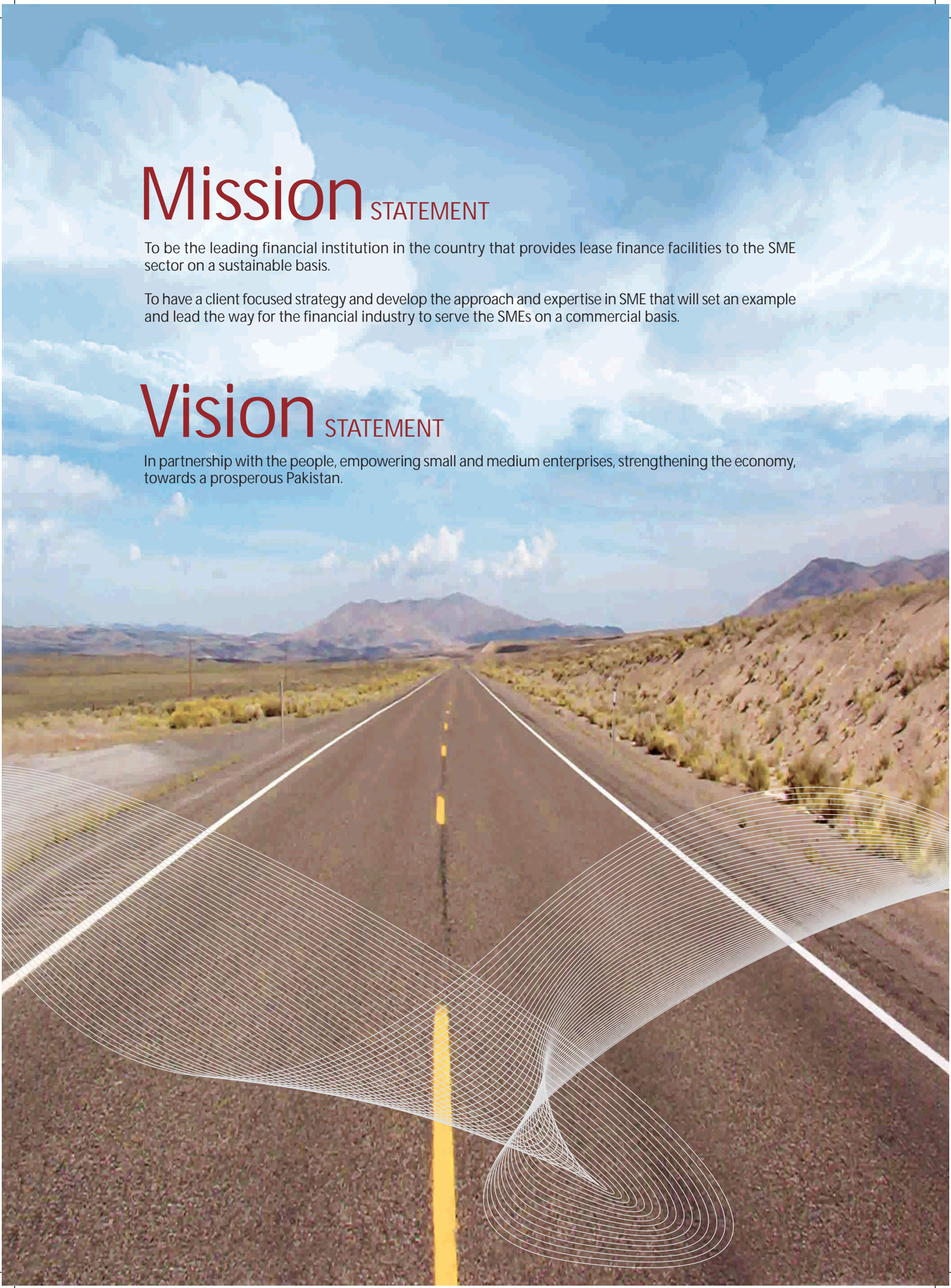
# Mission STATEMENT

To be the leading financial institution in the country that provides lease finance facilities to the SME sector on a sustainable basis.

To have a client focused strategy and develop the approach and expertise in SME that will set an example and lead the way for the financial industry to serve the SMEs on a commercial basis.

# Vision STATEMENT

In partnership with the people, empowering small and medium enterprises, strengthening the economy, towards a prosperous Pakistan.



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# Board of Directors



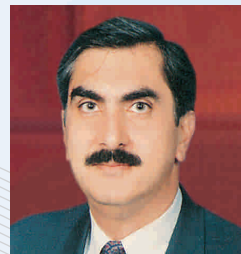
Mr. R.A. Chughtai  
*Chairman*



Mrs. Arjumand A. Qazi  
*Director/Chief Executive Officer*



Mr. Zubair F. Tufail  
*Director*



Mr. Nasser Durrani  
*Director*



Mr. Masood Naqi  
*Director*



Mr. Mehboob Hussain  
*Director*



Mr. Ali A. Rahim  
*Director*

# Corporate Information

## BOARD OF DIRECTORS

Mr. R.A. Chughtai  
Mrs. Arjumand A. Qazi  
Mr. Nasser Durrani  
Mr. Mehboob Hussain\*  
Mr. Zubair F. Tufail  
Mr. Masood Naqi  
Mr. Ali A. Rahim

Chairman  
Director/CEO  
Director  
Director  
Director  
Director  
Director

\*Subject to approval of SECP

## AUDIT COMMITTEE

Mr. Ali A. Rahim  
*Chairman*  
Mr. Mehboob Hussain  
*Member*  
Mr. Zubair F. Tufail  
*Member*  
Ms. Shafque Akhtar

(Non-Executive Director)  
(Non-Executive Director)  
(Non-Executive Director)  
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*

# Corporate Information

## 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: 021-99204751-53 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  
Faysal Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Pak Oman Investment Co. Limited  
United Bank Limited

# Corporate Information

## BRANCH NETWORK

### KARACHI

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

F.B. Area Branch  
Shop No. 9, Rahimabad, Block-14,  
F.B. Area, Shahra-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

### 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

### 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

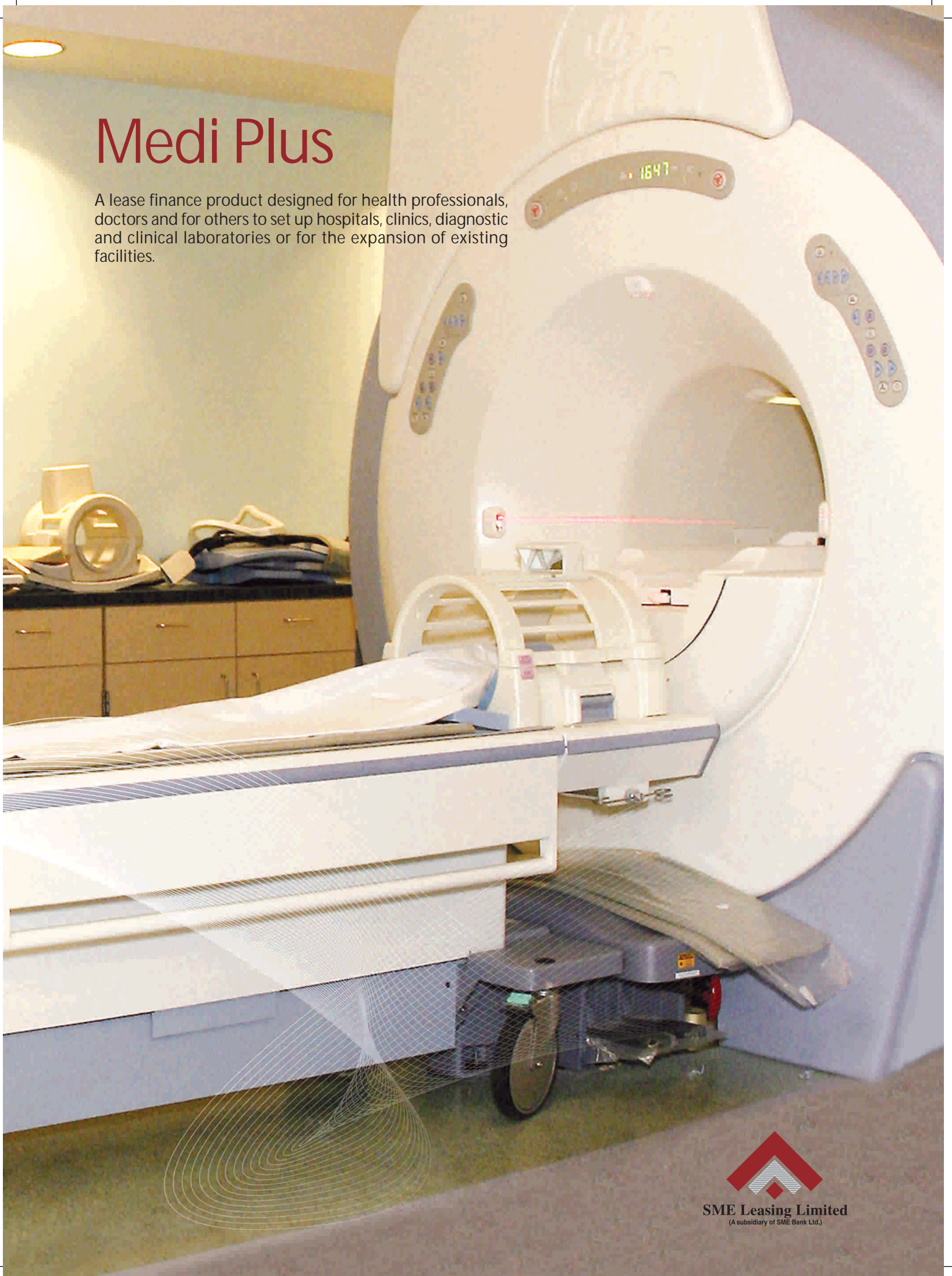
### MIRPURKHAS

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



# Medi Plus

A lease finance product designed for health professionals, doctors and for others to set up hospitals, clinics, diagnostic and clinical laboratories or for the expansion of existing facilities.



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



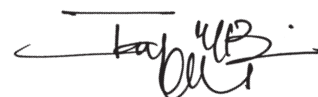
# Notice of the 8th Annual General Meeting

Notice is hereby given that the Eighth Annual General Meeting of the shareholders of SME Leasing Limited (the Company) will be held at Hotel Crown Plaza, Islamabad on April 28, 2010 at 3:30 pm to transact the following business:

## ORDINARY BUSINESS

1. To confirm the minutes of the 4th Extra Ordinary General Meeting of the Company held on July 22, 2009.
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended December 31, 2009 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2010 and fix their remuneration. The Board of Directors has recommended the name of retiring auditors M/s. Anjum Asim Shahid Rahman, Chartered Accountants for consideration and re-appointment as auditors of the Company for the year ending December 31, 2010.
4. To transact any other business with the permission of the Chair.

By Order of the Board



Tanveer UI Bari  
Company Secretary

Karachi: April 05, 2010

## Notes:

1. The Register of the members of the Company will remain closed from April 17, 2010 to April 28, 2010 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint another member as proxy to attend, speak and vote in the meeting. Proxies in order to be effective must be received by the company at the main office at 2nd Floor, Tower-B, Finance & Trade Centre, Shakra-e-Faisal, Karachi not less than 48 hours before the time of holding the meeting.
3. An instrument appointing proxy and the Power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, in order to be valid must be deposited at the main office of the company not less than 48 hours before the time of the meeting.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

## For attending the meeting

- In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their participants ID numbers and account numbers in CDS.
- In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

# Notice of the 8th Annual General Meeting

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## For appointing proxies

- In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
  - The proxy shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.
  - Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
  - In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with the proxy form for the meeting.
5. Shareholders are requested to notify the change of their address, if any, at our main office at 2nd Floor, Tower-B, Finance & Trade Centre, Shahra-e-Faisal, Karachi.

# Directors' Report

The Board of Directors of SME Leasing Limited (the Company) is pleased to present before you, the annual report and audited financial statements for the year ended December 31, 2009.

## Financial Highlights

An analysis of the key operating results for 2009 and their comparison with the results of the previous year is given below:

	2009 Rupees	2008 Rupees
Gross revenue	123,871,756	155,855,229
Profit/(Loss) before provisions	(20,884,609)	11,170,932
Provision	49,675,696	8,895,664
Profit/(Loss) before taxation	(70,560,305)	2,275,268
Taxation:		
Current	2,587,144	-
Deferred	(3,399,176)	5,435,649
	(812,032)	5,435,649
Profit/(Loss) after taxation	(69,748,273)	7,710,917
Earnings per share - basic and diluted	(2.18)	0.24

## Dividend

In view of loss during the year, the Board has not recommended any dividend for the year under review.

## Review of Operations

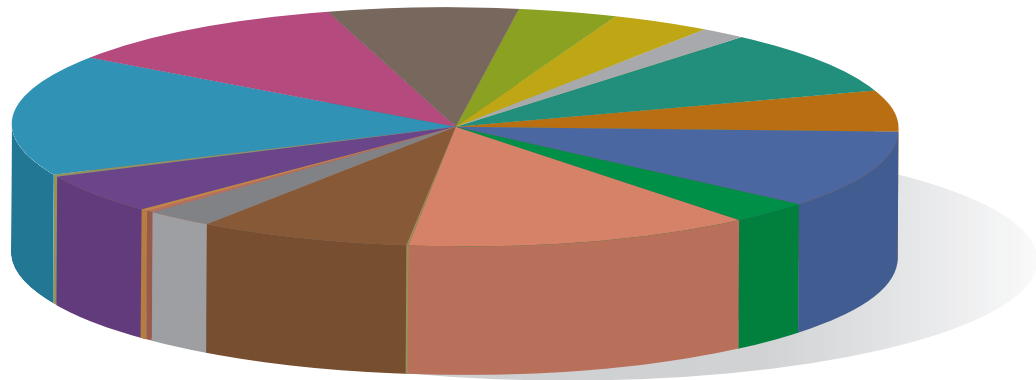
The year 2009 has been one of the most difficult and challenging years for the financial sector. The Global financial crisis which emerged in the last quarter of 2008 continued to radiate their effects on our economy as well. The economic condition of the country remained volatile due to uncertain political conditions as well. Financial markets experienced unprecedented and unpredicted pressure due to liquidity crunch, heavy capital outflow, inflation and depleting foreign exchange reserves. All these factors have narrowed down the economic activity and growth.

The growth of NBFC sector has also been impacted by the severe liquidity crunch as banks and other lending institutions froze existing credit lines and stopped further financing. The non-availability of fresh funding reduced the lending capacity of the sector and caused substantial decline in results. Our company also experienced the same liquidity problem which caused decrease in disbursements while rentals recovery was largely applied to debt servicing though a small part of recoveries was applied towards fresh disbursements also. As a result, gross revenue declined to Rs. 124 million from Rs. 156 million of the corresponding year. The abnormal hike in interest rates also increased the borrowing cost of the company and despite decline in long-term borrowings, the financial charges remained on a higher side. All these factors constrained the company from continuing its growth momentum resulting in operating loss during the year under review. This loss has further increased by substantial loan loss provisioning that mainly arose due to change in classification and reassessment of the additional collaterals held by the company. However, going forward this will enable the company to absorb any adverse effects which may arise due to the ongoing economic downturn besides maintaining quality of the portfolio.



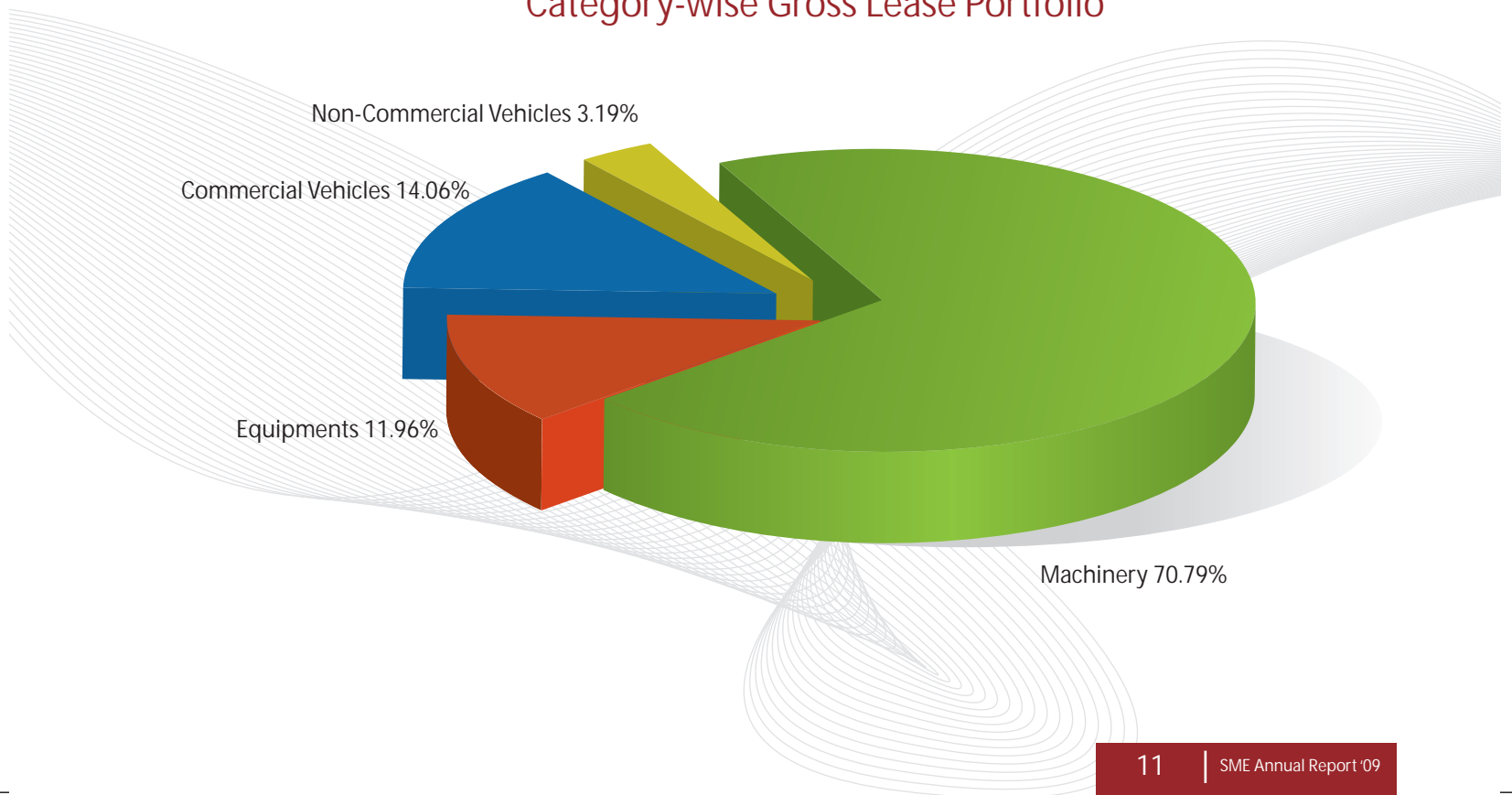
# Directors' Report

Portfolio as at December 31, 2009



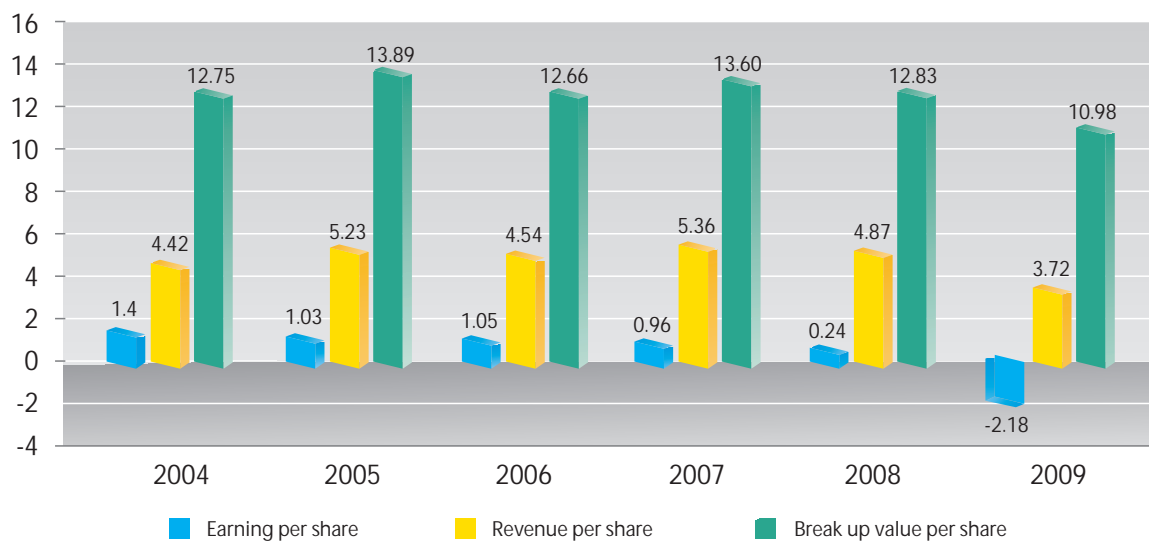
■ CARGO CARRIERS 5.46%	■ MISCELLANEOUS 8.06%	■ GEMS & JEWELLERY 0.07%
■ CHEMICALS & PHARMA 2.74%	■ ENGINEERING 2.44%	■ HEALTHCARE 0.12%
■ COMMUNICATION 2.84%	■ ENTERTAINMENT 9.80%	■ LEATHER & TANNERY 4.28%
■ FOOD & BEVERAGES 1.36%	■ FISHERIES 0.11%	■ FILM PROCESSING 0.26%
■ CONSTRUCTION AND BUILDING PRODUCTS 6.60%	■ FURNITURE 5.92%	■ OIL & GAS 12.58%
■ EDUCATION 4.37%	■ TEXTILE 1.95%	■ RUBBER & PLASTIC 8.32%

Category-wise Gross Lease Portfolio



# Directors' Report

## Key Ratios



The company intends to continue and maintain a diversified quality portfolio in different sectors with a reasonable and secure return. This diversity and quality of portfolio has led the company to maintain its prompt repayment track despite loss during the year under review and the Board feels pleased to state that the company has met its loan obligations on due dates.

## Economy and Future Prospects

As mentioned earlier growth of NBFC sector has been depressingly impacted by the liquidity crunch and economic downturn. Although, positive vibes are being felt for interest rate, inflation and exchange rates but unsettling political and economic conditions and competition with the commercial banks will remain the major challenges for the NBFC sector in the coming year. The NBFC sector needs understanding and recognition of its role in the development of small and medium sectors of the economy by the Government and regulating authorities, without this the survival or the revival of the sector will remain under threat. In this difficult and challenging phase, our company is committed to carry on with its efforts to consolidate its position and to overcome the current economic situation.

## Human Resources

The management fully understands the need and role of skilled human resources in achieving improved business results. Training and development of human resources through in-house orientations and external training programs is being implemented for capacity building of human resources.

## Board of Directors

On April 17, 2009 Mr. M.A. Ghazali resigned from the Board and Mr. Raheel Anjum was appointed as Director of the company to fill the vacancy.

In July 2009 the previous Board completed its term and elections were held to reconstitute the Board. Mr. Ali A. Rahim, Mr. Nasser Durrani, Mr. Zubair Farid Tufail and, Mr. Masood Naqi were elected on the Board replacing Mr. S.M. Naseem, Sardar Usman Rashid, Mr. Bashir A. Nadeem and Mr. Hussain Ahmed Ozgen. Mr. R.A. Chughtai was elected as the new Chairman of the Board.

The Board wishes to place on record its appreciation for the valuable contributions made by the outgoing/retiring Directors and welcomes the new Directors.

# Directors' Report

## Corporate Governance

The Board of Directors are committed to uphold the highest standards of Corporate Governance. The company has also implemented the provisions of the Code of Corporate Governance and a review report on compliance with best practices of the Code of Corporate Governance by the statutory auditors is annexed with the report.

## Directors Declaration

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the Code of Corporate Governance for the following:

i)	The financial statements prepared by the management of SME Leasing Limited present fairly its statement of affairs, the results of its operations, cash flows and changes in its equity;
ii)	Proper books of accounts of the company have been maintained;
iii)	Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
iv)	International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements;
v)	The system of internal control is sound in design and has been effectively implemented and monitored;
vi)	There are no significant doubts upon the company's ability to continue as a going concern;
vii)	There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations;
viii)	Details of significant improvements in the company's operations during the year ended December 31, 2009 are stated in the Director's Report;
ix)	Key operating and financial data for last six years in summarized form is included in the Annual Report.
x)	The value of investments of recognized provident fund as at December 31, 2009 was Rs. 3.36 million (Un-audited) and as at December 31, 2008 was Rs. 1.98 million (Audited).
xi)	No trading in shares of the company was carried out by the Directors, Chief Executive, Chief Financial Officer/Company Secretary and their spouses and minor children during the year.

During the year five meetings of the Board of Directors were held that were attended as follows:

S.No.	Name of Directors	Meetings Attended
1.	Mr. S. M. Naseem	1
2.	Mr. R.A. Chughtai	5
3.	Mrs. Arjumand A. Qazi	5
4.	Mr. M. A. Ghazali Marghoob	1
5.	Mr. Raheel Anjum	4
6.	Mr. Nasser Durrani	3
7.	Mr. Bashir A. Nadeem	1
8.	Mr. Ali A. Rahim	3
9.	Mr. Zubair Farid Tufail	3
10.	Mr. Masood Naqi	1

Leave of absence was granted to Directors who could not attend the Board meeting.



# Directors' Report

## Credit Rating

Based on the results for the year ended December 31, 2008 the rating agency, JCR-VIS, has maintained the long-term entity rating of A- (Single A minus) and short-term of A-2 (A -Two) with stable outlook.

## Parent Company

SME Bank Limited and its nominees hold 73.14% of the shareholding in the company.

## Auditors

The present auditors M/s. Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year ending December 31, 2010. On the proposal of the Board Audit Committee, the Board recommends the appointment of M/s. Anjum Asim Shahid Rahman, Chartered Accountants, as statutory auditors of the company for the year 2010.

## Pattern of Shareholding

The pattern of shareholding of the company as on December 31, 2009 is annexed with this report.

## Acknowledgement

We take this opportunity to place on record our appreciation to the Securities and Exchange Commission of Pakistan, Lahore Stock Exchange, other regulatory authorities and lending financial institutions for their continued support and professional guidance, and the shareholders for the trust and confidence reposed in us.

We would also like to place on record, our thanks and appreciation to the staff for their commitment and dedication in this challenging and difficult time.

On behalf of Board of Directors,

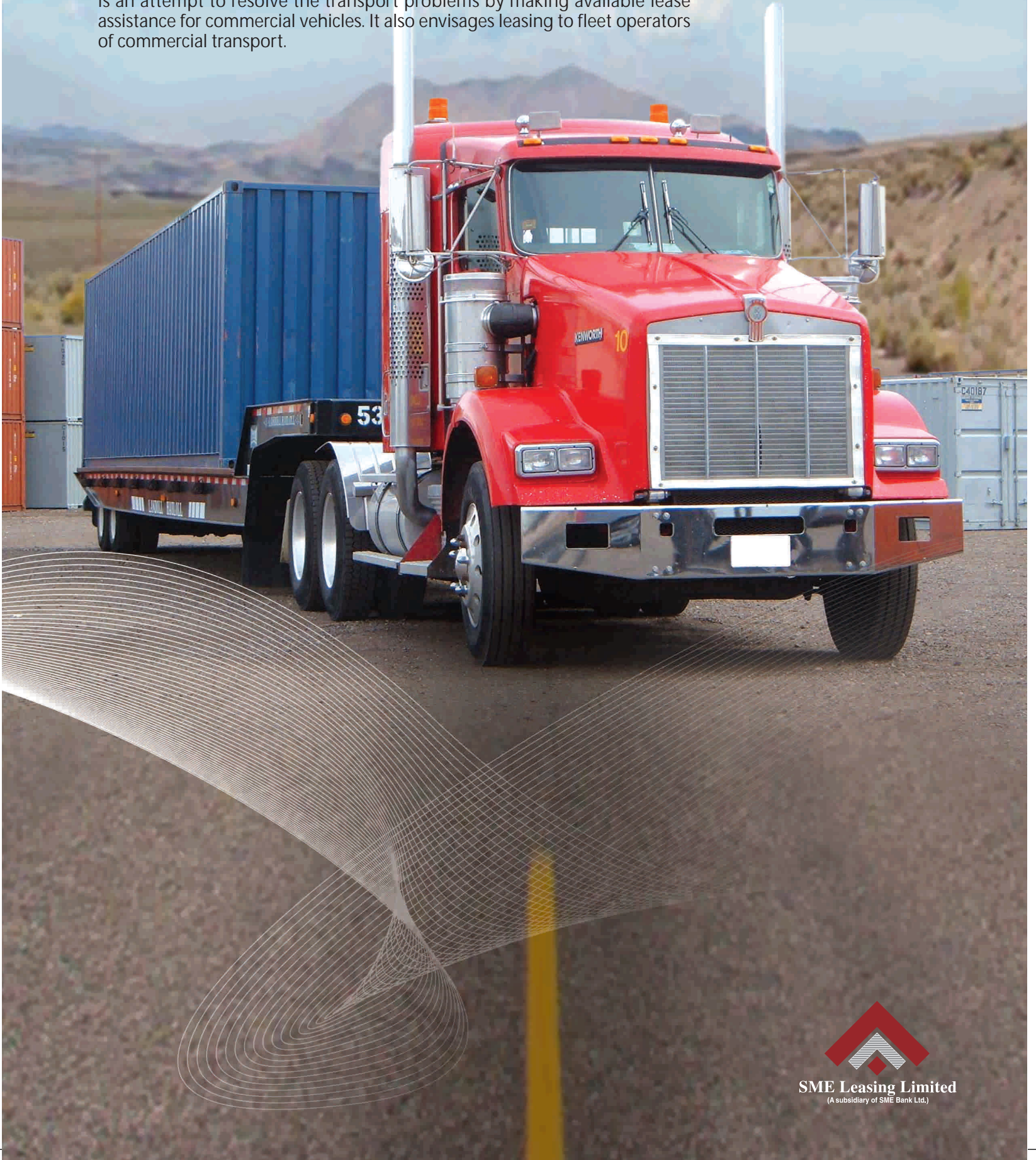


**R.A. Chughtai**  
Chairman

*Karachi-February 23, 2010*

# Auto Plus

Lack of transport facilities can slow down the business progress. SME Auto Plus is an attempt to resolve the transport problems by making available lease assistance for commercial vehicles. It also envisages leasing to fleet operators of commercial transport.



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



# Financial Highlights and Charts

(Rupees in 000)

Balance Sheet	2009	2008	2007	2006	2005	2004
Paid-up Capital	320,000	320,000	320,000	320,000	200,000	200,000
Total Equity	351,263	410,580	435,240	404,986	277,833	255,097
Gross Lease Receivable	1,649,953	1,981,260	2,028,244	1,700,313	1,370,727	1,027,253
Net Investment in Lease	1,402,780	1,740,093	1,776,790	1,488,228	1,196,199	889,288
Long-Term Liabilities	529,821	893,769	921,757	688,594	561,879	430,850
Current Liabilities	709,693	673,422	560,362	521,202	453,588	274,548
Current Assets	633,000	755,817	656,419	524,256	409,561	347,301
Total Assets	1,590,777	1,977,771	1,917,359	1,614,782	1,293,300	960,495
Income Statement	2009	2008	2007	2006	2005	2004
Lease Income	122,427	149,359	170,083	144,168	103,325	88,118
Total Revenue	119,197	155,855	171,486	145,375	104,599	88,370
Financial Charges	92,451	101,053	86,333	73,875	50,018	25,693
Administrative Expenses	47,631	43,630	47,081	40,243	32,579	27,008
Provisions	49,676	8,896	2,963	1,385	603	120
Total Expenses	189,758	153,579	136,376	115,503	83,200	52,821
(Loss)/Profit Before Taxation	(70,560)	2,275	35,109	29,872	21,400	35,549
(Loss)/Profit After Taxation	(69,748)	7,710	30,667	24,100	22,735	30,866
Financial Indicators	2009	2008	2007	2006	2005	2004
Breakup Value (Rs. per share)	10.98	12.83	13.60	12.66	13.89	12.75
Current Ratio (X)	0.89	1.12	1.17	1.01	0.90	1.26
Debt-Equity Ratio (Times)	1.30	1.78	1.69	1.54	2.15	1.68
Earning Per Share (Rs.)	2.18	0.24	0.96	1.05	1.03	1.40
Financial Charges to Total Exps (%)	48.72	65.80	63.30	63.96	60.12	48.64
Financial Charges to Total Revenue (%)	77.56	64.84	50.34	50.82	47.82	29.07
Income Expense Ratio (Times)	0.65	0.97	1.25	1.25	1.24	1.67
Net Profit Margin (%)	(58.51)	4.95	17.88	16.58	21.74	34.93
Return on Average Assets/Fix Assets Turnover (%)	(3.91)	0.40	1.74	1.66	2.02	3.78
Return on Average Equity (%)	(18.31)	1.82	7.30	7.06	8.53	12.88
Return to Shareholders (%)	-	7.50	-	-	10.00*	-
Revenue Per Share (Rs.)	3.72	4.87	5.36	4.54		4.42

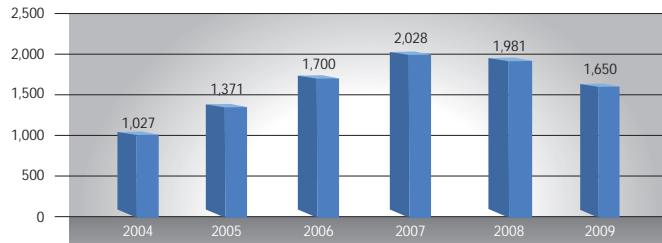
\*bonus issue



# Financial Highlights and Charts

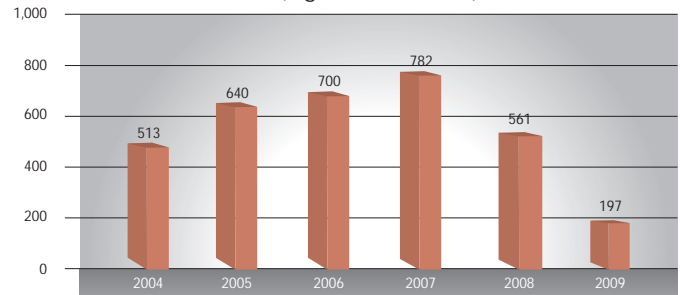
## Gross Lease Receivables

(Figures in PKR mn)



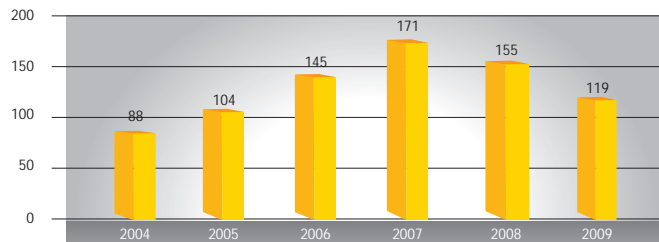
## Disbursements

(Figures in PKR mn)



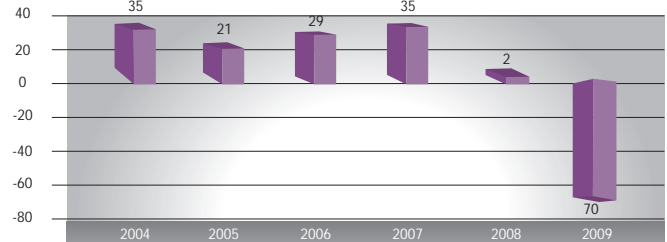
## Revenues

(Figures in PKR mn)



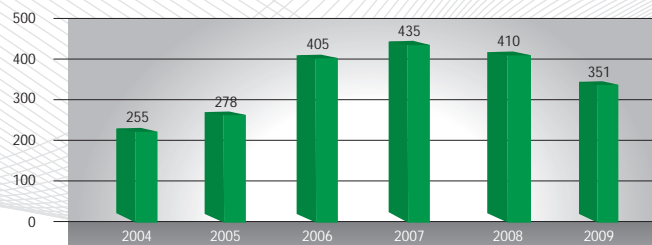
## Loss/Profit Before Taxation

(Figures in PKR mn)



## Shareholders' Equity

(Figures in PKR mn)



## Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

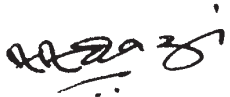
The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors and one executive Director who is also the Chief Executive Officer. All the directors have been nominated by SME Bank Limited.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.
3. The directors of the Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year casual vacancies were occurred on the Board which were properly filed in.
5. The Company has adopted a "Statement of Ethics and Business Practices", which has been signed by all the Directors and the employees of the Company.
6. The Board has developed vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, CFO and Company Secretary were approved by the Board.
8. Five meetings of the Board were held during the year, at least once in every quarter. The meetings of the Board were presided over by the Chairman and written notices of the meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The Directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The Board has approved the appointment of the Company Secretary who is also the CFO. Future appointment, if any, on statutory positions including the remuneration, terms and conditions of employment, as determined by the Chief Executive Officer, will be referred to the Board for approval.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, who all are non-executive Directors including the Chairman of the Committee.
16. Meetings of the Audit Committee were held at least once in every quarter, prior to approval of interim and final results of the Company, as required by the Code. The terms of reference of the Committee have been framed and approved by the Board and have been advised to the Committee for compliance.

## Statement of Compliance with the Code of Corporate Governance

17. The Board has outsourced the internal audit function of the Company to M/s. Ford Rhodes Sidat Hyder & Company, Chartered Accountants, who are considered suitably qualified for the purpose and are conversant with the policies and procedures of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations, and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The Company confirms that all other material principles contained in the Code have been complied with.

For SME Leasing Limited



Arjumand A. Qazi  
Chief Executive Officer



Zubair Farid Tufail  
Director

Karachi  
Dated: February 23, 2010





# Cash Plus

Scarcity of finance can adversely influence the efforts and skills that are being applied for the expansion and growth of the business. SME Cash Plus presents an easy and reliable financial support by making available working capital for the smooth running of the business without facing cash-flow problems.



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

# Review Report to the Members

on Statement of Compliance with the Best Practices of Code of Corporate Governance



Anjum Asim Shahid Rahman

1<sup>st</sup> & 3<sup>rd</sup> Floor, Modern Motors House  
Beaumont Road, Karachi 75530  
T 9221 35672952-56  
F 9221 35688834

W: [www.gtpak.com](http://www.gtpak.com)  
Other offices: Islamabad and Lahore

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of SME Leasing Limited (the company) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange where the company is listed.


The responsibility for compliance with the Code is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the company's personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub-Regulation (XIII-A) of The Listing Regulation 35 of The Lahore Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval the related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code as applicable to the company, for the year ended December 31, 2009.

Karachi  
Dated: February 23, 2010

  
Anjum Asim Shahid Rahman  
Chartered Accountants



# Independent Auditors' Report to the Members



Anjum Asim Shahid Rahman

1<sup>st</sup> & 3<sup>rd</sup> Floor, Modern Motors House  
Beaumont Road, Karachi 75530  
T 9221 35672952-56  
F 9221 35688834

W: [www.gtpak.com](http://www.gtpak.com)  
Other offices: Islamabad and Lahore


We have audited the annexed balance sheet of SME Leasing Limited as at December 31, 2009, and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion-
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes resulted on initial application of standards, amendments or an interpretation to existing standards, as stated in note 3.1 (a), with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2009 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi  
Dated: February 23, 2010

  
Anjum Asim Shahid Rahman  
Chartered Accountants





# Women Owned Enterprises

Women entrepreneurship in Pakistan is a relatively new phenomenon, and with every passing day the role of women in the economic development is increasing. SME has introduced this product for women entrepreneurs who are either considering expanding their businesses or for those women who want to start their businesses.



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

# Balance Sheet As at December 31, 2009

	Note	2009 Rupees	2008 Rupees
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	22,447,059	33,963,839
Placements with financial institutions	6	-	31,307,857
Loans and advances	7	1,926,959	1,582,429
Trade deposits and short-term prepayments	8	1,914,483	1,764,526
Interest accrued	9	404,440	905,519
Other receivables	10	-	1,365,778
Investments - available-for-sale	11	36,473,714	20,216,663
Current maturity of non-current assets	12	569,833,453	664,710,416
<b>Total current assets</b>		<b>633,000,108</b>	<b>755,817,027</b>
<b>Non-current assets</b>			
Long-term finances and loans	13	35,344,359	64,037,390
Net investment in leases	14	907,450,890	1,146,981,289
Long-term deposits and prepayments	15	939,250	907,195
Property and equipment	16	13,860,748	9,710,645
Intangibles	17	181,312	317,607
<b>Total non-current assets</b>		<b>957,776,559</b>	<b>1,221,954,126</b>
<b>Total assets</b>		<b>1,590,776,667</b>	<b>1,977,771,153</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued and other liabilities	18	11,559,297	19,417,771
Interest accrued	19	12,529,336	18,081,719
Short-term borrowings	20	116,739,950	67,041,428
Certificates of investment	21	3,220,781	-
Current maturity of non-current liabilities	22	553,736,927	559,581,894
Provision for compensated absences		785,231	630,708
Provision for income tax		11,121,234	8,668,494
<b>Total current liabilities</b>		<b>709,692,756</b>	<b>673,422,014</b>
<b>Non-current liabilities</b>			
Long-term finances	23	12,017,806	126,601,688
Privately placed Term Finance Certificates	24	86,217,504	179,112,500
Liabilities against assets subject to finance lease	25	860,305	1,229,814
Long-term deposits	26	428,317,666	580,906,614
Deferred liabilities	27	2,407,266	5,918,387
<b>Total non-current liabilities</b>		<b>529,820,547</b>	<b>893,769,003</b>
<b>Total liabilities</b>		<b>1,239,513,303</b>	<b>1,567,191,017</b>
<b>NET ASSETS</b>		<b>351,263,364</b>	<b>410,580,136</b>
<b>REPRESENTED BY SHAREHOLDERS' EQUITY</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up share capital	28	320,000,000	320,000,000
Reserves	29	29,615,200	99,363,473
		349,615,200	419,363,473
Unrealised gain/(loss) on remeasurement of available-for-sale investments		1,648,164	(8,783,337)
<b>Total shareholders' equity</b>		<b>351,263,364</b>	<b>410,580,136</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	30		

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
Arjumand A. Qazi  
Chief Executive Officer

  
Zubair F. Tufail  
Director



# Profit and Loss Account For the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
<b>REVENUE</b>			
Income from operations	31	122,426,863	149,359,298
Other operating income	32	1,444,893	6,495,931
		<u>123,871,756</u>	<u>155,855,229</u>
Impairment on investments	11	(4,674,450)	-
		<u>119,197,306</u>	<u>155,855,229</u>
<b>EXPENSES</b>			
Administrative and selling	33	47,631,161	43,630,909
Finance cost	34	92,450,754	101,053,388
Total expenses		<u>140,081,915</u>	<u>144,684,297</u>
Operating (loss)/profit before provisions		(20,884,609)	11,170,932
<b>PROVISIONS</b>			
(Reversal of provision)/Provision for finance and loans	13.5	(2,711)	43,751
Provision for potential lease losses	14.5	49,678,407	8,851,913
Total provisions		<u>49,675,696</u>	<u>8,895,664</u>
(Loss)/Profit before taxation		(70,560,305)	2,275,268
Income tax expense			
- Current	35	2,587,144	-
- Deferred	27	(3,399,176)	(5,435,649)
		<u>(812,032)</u>	<u>(5,435,649)</u>
(Loss)/Profit for the year		<u>(69,748,273)</u>	<u>7,710,917</u>
(Loss)/Earnings per share - basic and diluted	36	(2.18)	0.24

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
Arjumand A. Qazi  
Chief Executive Officer

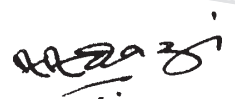
  
Zubair F. Tufail  
Director



# Statement of Comprehensive Income For the year ended December 31, 2009

	2009 Rupees	2008 Rupees
(Loss)/Profit after tax	(69,748,273)	7,710,917
Other comprehensive income for the year		
Unrealised gain/(loss) on revaluation of available-for-sale investment	5,757,051	(8,370,837)
Total comprehensive loss for the year	<u>(63,991,222)</u>	<u>(659,920)</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.



Arjumand A. Qazi  
Chief Executive Officer



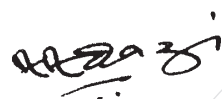
Zubair F. Tufail  
Director

# Statement of Cash Flows

For the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations after working capital changes	37	70,716,924	111,640,864
Decrease in net investment in leases	14	282,085,588	27,844,595
Long-term deposits (paid)/received	26	(45,653,878)	93,096,470
Decrease/(Increase) in finances and loans	13	25,783,687	(47,130,950)
Financial charges paid		(98,003,138)	(95,231,543)
Interest received		1,625,942	3,225,392
Gratuity paid		(192,942)	(720,158)
Taxes paid		(134,403)	(100,657)
		165,510,856	(19,016,851)
<b>Net cash from operating activities</b>		<b>236,227,780</b>	<b>92,624,013</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure	16	(250,941)	(762,601)
Proceed from disposal of fixed assets	16.1	168,000	1,679,331
Decrease/(Increase) in short-term placements	6	31,307,857	(31,307,857)
Decrease in long-term loans and advances		-	5,051,287
(Increase) in investments	11	(10,500,000)	(26,500,000)
Dividend received		112,500	32,328
(Increase) in long-term deposits and prepayments	15	(32,055)	(55,520)
<b>Net cash from/(used-in) investing activities</b>		<b>20,805,361</b>	<b>(51,863,032)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease) in long-term finances	23	(320,076,037)	(62,862,147)
Increase in certificates of investments	21	3,220,781	-
Dividend paid		-	(23,432,866)
Lease rentals paid		(1,393,187)	(2,692,145)
<b>Net cash used in financing activities</b>		<b>(318,248,443)</b>	<b>(88,987,158)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(61,215,302)</b>	<b>(48,226,177)</b>
Cash and cash equivalents at beginning of the year		(33,077,589)	15,148,588
<b>Cash and cash equivalents at end of the year</b>	38	<b>(94,292,891)</b>	<b>(33,077,589)</b>

The annexed notes from 1 to 47 form an integral part of these financial statements.

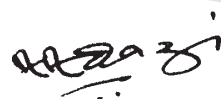
  
Arjumand A. Qazi  
Chief Executive Officer

  
Zubair F. Tufail  
Director

# Statement of Changes in Equity For the year ended December 31, 2009

	Capital reserves			Revenue reserves		Deficit on revaluation of available-for-sale investments	Total
	Issued, subscribed and paid-up capital	Share premium	Statutory reserve	Reserve against future losses Rupees	Un-appropriated profit		
<b>Balance as at January 1, 2008 brought forward</b>	320,000,000	10,000,000	26,477,094	8,354,766	70,820,696	(412,500)	435,240,056
<b>Change in equity for the year ended December 31, 2008</b>							
Total comprehensive income for the year	-	-	-	-	7,710,917	(8,370,837)	(659,920)
Transferred to statutory reserve	-	-	1,542,183	-	(1,542,183)	-	-
Transferred to reserve against future losses	-	-	-	2,092,286	(2,092,286)	-	-
Final dividend for the year December 31, 2007 declared on March 26, 2008 and issued subsequent to year end	-	-	-	-	(24,000,000)	-	(24,000,000)
<b>Balance as at December 31, 2008</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>28,019,277</b>	<b>10,447,052</b>	<b>50,897,144</b>	<b>(8,783,337)</b>	<b>410,580,136</b>
<b>Balance as at January 1, 2009 brought forward</b>	320,000,000	10,000,000	28,019,277	10,447,052	50,897,144	(8,783,337)	410,580,136
<b>Change in equity for the year ended December 31, 2009</b>							
Impairment loss on available-for-sale investments	-	-	-	-	-	4,674,450	4,674,450
Total comprehensive income for the year	-	-	-	-	(69,748,273)	5,757,051	(63,991,222)
Transferred to statutory reserve	-	-	-	-	-	-	-
Transferred to reserve against future losses	-	-	-	-	-	-	-
<b>Balance as at December 31, 2009</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>28,019,277</b>	<b>10,447,052</b>	<b>(18,851,129)</b>	<b>1,648,164</b>	<b>351,263,364</b>

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
Arjumand A. Qazi  
Chief Executive Officer

  
Zubair F. Tufail  
Director



# Notes to the Financial Statements

For the year ended December 31, 2009

## 1 THE COMPANY AND ITS OPERATIONS

SME Leasing Limited (the company) 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% (2008: 73.14%) of the company's shares. 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.

## 2 BASIS OF MEASUREMENT

These financial statements have been prepared under historical cost convention except for certain financial assets and financial liabilities which have been stated at their fair values, cost or amortized cost.

The financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

## 3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and prudential Regulation for NBFCs undertaking the leasing business. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB) as are notified under the provisions of the Companies Ordinance, 1984, provisions and directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Ordinance, the Rules and the Regulations differ with the requirements of IFRS, the requirements of the Ordinance, the Rules or the Regulations shall prevail.

### 3.1 Adoption of new and revised standards, amendments or interpretations

- a The following standards, amendments and interpretations become effective during the current year and are relevant to the company's financial statements:

IAS-1 (Revised) 'Presentation of financial statements' (effective from January 01, 2009), was issued in September 2007. According to new standard, the items of income and expenses that are not recognized in the profit and loss and non-owners changes in equity should be recognized through statements of comprehensive income. The revised standard requires an entity to opt for presenting such items of income and expenses either in (a) single statement (a statement of comprehensive income) or (b) two statements (a separate income statement and a statement of comprehensive income). The company has adopted IAS 1 (Revised) with effect from January 01, 2009 and presents two separate statements.

IAS 23 (Revised) 'Borrowing Costs' (effective for annual periods beginning on or after January 01, 2009). The principal change to the standard was to eliminate the option to expense all borrowing cost when incurred. The amendment requires company to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The company's current accounting policy is in compliance with this amendment and has no impact on the financial statements.

IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The application of amendment has no impact on the company's financial statements.

IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment requires that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The amendment does not have a significant effect on the company's financial statements.

IFRS 7 - During the year the company has adopted IFRS7-Financial Instruments. Adoption of this standard only impacts the format and extent of disclosures as presented in note 41 and 43 to the financial statements.

IFRS 8 - Operating Segments (effective for annual periods beginning on or after January 01, 2009) requires that operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess their performance. Previously, IAS 14 'Segment Reporting' required company to identify two sets of segments (business and geographical), using a risk and returns approach with the company's system of internal financial reporting to the key management personnel serving only as the starting point for the identification of such segments. Since the company is engaged in leasing, working capital loans and investments only, therefore, the application of the standard did not had a significant impact on the company's financial statements other than additional disclosures.

# Notes to the Financial Statements For the year ended December 31, 2009

- b The following standards, amendments and interpretations become effective during the current year and are not relevant to the company's financial statements:

Amendments to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance (effective for annual periods beginning on or after January 01, 2009).

IAS 28 (as revised – 2008) – Investments in Associates (effective for annual periods beginning on or after January 01, 2009). The company does not have investment in associates therefore the application of the standard did not have an effect on the company's financial statements.

IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after July 01, 2008). The company does not have any operations in hyperinflationary economies and therefore the application of the standard did not have an effect on the company's financial statements.

IFRS 2 - Amendment to Share-based Payments (effective for annual periods beginning on or after January 01, 2009). The application of the standard has no impact on the company's financial statements.

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after January 01, 2009). The application of the standard has no impact on the company's financial statements.

IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after July 01, 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not had an effect on the company's financial statements.

IFRIC 15 - Agreements for the Construction of Real Estate (effective for annual periods beginning on or after January 01, 2009). The application of the standard has no impact on the company's financial statements.

In addition to the above, the other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 are considered not to be relevant or to have any significant effect on the company's financial reporting and operations.

### 3.2 "Standards, interpretations and amendments to published approved accounting standards not yet effective"

The following standards, amendments and interpretations of approved accounting standards, are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than certain increased disclosures:

		"Effective for annual periods beginning on or after"
Amendments to IAS 27 Consolidated and separate financial statements	IAS 27	July 1, 2009
Impairment of Assets	IAS 36	July 1, 2009
Intangible Assets	IAS 38	July 1, 2009
Financial Instruments: Recognition and Measurement	IAS 39	January 1, 2010
Business Combinations	IFRS 3	July 1, 2009
Amendment to Non-current Assets Held-For-Sale and Discontinued Operation	IFRS 5	January 1, 2010
Reassessment of Embedded Derivatives	IFRIC 9	July 1, 2009
Hedges of a Net Investment in a Foreign Operation	IFRIC 16	July 1, 2009
Distribution of Non-cash Assets to Owners	IFRIC 17	July 1, 2009
Customer Contributions	IFRIC 18	July 1, 2009

# Notes to the Financial Statements For the year ended December 31, 2009

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, the Regulations and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

In the process of applying the company's accounting policies, management has made the following estimates and judgment which are significant to the financial statements:

- a) accounting for post employment benefits (note 4.2);
- b) allowance for potential lease and loan losses (note 4.5);
- c) provisions (note 4.7);
- d) income tax and deferred tax (note 4.9);
- e) determining the residual values and useful lives of depreciable assets (note 4.11);
- f) impairment (note 4.11); and
- g) classification of investments (note 4.12).

### 4.2 Staff retirement benefits

#### Defined contribution plan

The company operates a recognized contributory provident fund for all its permanent employees. The company and employees make equal monthly contributions to the fund at the rate of 8 percent of basic salary.

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

#### Defined benefit plan

The company operates an unapproved gratuity scheme for all its permanent employees who complete the eligible period of service. Provision has been made in accordance with actuarial recommendations using the projected unit credit method. The results of current valuation are summarized in (refer note 39).

#### Recognition of actuarial gains or losses

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded 10 percent of the higher of defined benefit obligation and fair value of the planned assets at that date. The excess amount of gains or losses are recognized over the expected remaining working lives of the employees participating in the plans.

#### Employees' compensated absences

The company provides for vested and non-vested compensated absences accumulated by its employees on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method.



# Notes to the Financial Statements For the year ended December 31, 2009

## 4.3 Net investment in finance lease

Leases where the company transfers substantially all the risks and rewards incidental to the ownership of the asset to the lessees are classified as finance leases. Net investment in lease finance is recognized at an amount equal to the aggregate of minimum lease payments including guaranteed residual value and excluding unearned finance income, if any.

## 4.4 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than (a) those that the company intends to sell immediately or in the near term, which shall be classified as held-for-trading, and those that the company upon initial recognition designates as at fair value through profit or loss account; (b) those that the company upon initial recognition designates as available-for-sale; or (c) those for which the company may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

Subsequent to initial measurement loans and receivables are measured at amortized cost using the effective interest method. Gains/Losses arising on remeasurement of loans and receivables are taken to the profit and loss account.

Gain or loss is also recognized in profit and loss account when loans and receivables are derecognized or impaired, and through the amortization process.

## 4.5 Provision for potential lease losses and provision for doubtful loans and receivables

The provision for potential leases and provision for other doubtful loans and receivables are made based on the appraisal of each lease or loan that takes into account the Regulations issued by SECP from time to time.

## 4.6 Reserve against future losses

Reserve against future losses represents amounts set aside in view of the risks associated with the economic cyclical nature of the business and is recognized as an appropriation of retained earnings. Any credits resulting from reduction of such amounts result in an increase in unappropriated profit and are not included in the determination of profit and loss for the period. The amount to be set aside against future losses is determined at the rate of 0.5 percent of the outstanding balance of the regular portfolio of leases and loans and receivables as at each period end.

## 4.7 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past event and its is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

## 4.8 Long-term finances

Long-term finances are initially recognized at cost being the fair value of consideration received together with the associated transaction cost. Subsequently, these are carried at amortized cost using effective interest rate method. Transaction cost relating to the long-term finance is being amortized over the period of agreement using the effective interest rate method.

## 4.9 Taxation

### Current

The charge of current tax is based on taxable income at the applicable rate of taxation after taking into account available tax credits and rebates or minimum tax under section 113 of the Income Tax Ordinance, 2001, whichever is higher. Income for the purpose of computing current taxation is determined under the provisions of tax laws.

### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary timing differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

# Notes to the Financial Statements For the year ended December 31, 2009

## 4.10 Revenue recognition

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term.

Income from finance leases is suspended if rent is past due by the minimum criteria prescribed by the Regulations.

Income on loans and finances is accounted for on accrual basis using the effective interest method.

Unrealised lease income and unrealised income on loans and finances is held in suspense account, where necessary, in accordance with the requirements of the Regulations for Non-Banking Finance Companies.

Profit on bank deposits and short-term placements is accrued on a time proportion basis.

Front-end fee and documentation fee are taken to income when realized.

Dividend income is recognized when the company's right to receive the dividend has been established.

Capital gain or loss arising on sale of investments are taken to income in the period in which they arise.

## 4.11 Property and equipment

### Tangible

Property and equipment (including assets acquired under finance lease arrangements) are stated at cost less accumulated depreciation and accumulated impairment, if any. Depreciation is charged on property and equipment using the straight-line method in accordance with the rates specified in (note 16) to the financial statements after taking into account residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on all items of property and equipment is charged from the month in which the asset is acquired. No depreciation is charged for the month in which the asset is disposed off.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property and equipment have different useful lives, they are recognized as separate items of property and equipment.

Gains and losses on disposal of property, plant and equipment, if any, are included in income currently.

### Intangible

Expenditure incurred on intangible asset is capitalised and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight-line method over a period of 3 years.

Amortization on addition to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortization is charged for the month in which that asset is disposed off.

### Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the reversal of an impairment loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

# Notes to the Financial Statements For the year ended December 31, 2009

## 4.12 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the company commits to purchase or sell the asset.

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement (IAS-39)" at the time of purchase and re-evaluates this classification on a regular basis. The investments of the company have been categorized as per the requirements of IAS-39 as follows:

At fair value through profit or loss

- a) These are classified as 'held-for-trading' if (a) acquired or incurred principally for the purpose of selling or re-purchasing it in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).
- b) Upon initial recognition these are designated by the company as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value can not be reliably measured.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available-for-sale and loans and receivables.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

All quoted investments except "at fair value through profit or loss" and "held-for-trading" are initially recognized at cost inclusive of transaction costs. Investments at fair value through profit or loss and held for trading are initially recognized at cost. All quoted investments are subsequently marked to market using the year end bid prices obtained from stock exchange quotations or quotes from brokers. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Investments in delisted/unquoted investments are carried at cost less impairment in value, if any. Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.

Unrealised gains/losses on investments classified as at fair value through profit or loss are taken to profit and loss account while unrealised gains/losses on investments classified as available-for-sale are taken to other comprehensive income until these are derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is taken to profit and loss account.

Gain or loss is also recognized in profit and loss account when held-to-maturity investments are derecognized or impaired, and through the amortization process.

Impairment of investments is recognized in profit and loss account when there is a permanent diminution in their value. On impairment of available-for-sale investments, cumulative loss that had been recognized directly in other comprehensive income is removed from other comprehensive income and recognized in profit and loss account even though the investments have not been derecognized. Impairment losses recognized in profit and loss account for an investment in equity instrument classified as available-for-sale are not reversed through profit and loss account. Impairment loss related to investments carried at cost is not reversed.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.



# Notes to the Financial Statements

For the year ended December 31, 2009

## 4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value, and short-term running finance under mark-up arrangements.

## 4.14 Borrowing cost

Borrowing costs specific to a significant addition of a project during its construction/erection period are capitalized. Other borrowing costs are charged to the profit and loss account as and when incurred.

## 4.15 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are not recognized in the financial statements.

## 4.16 Financial instruments

Financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument and de-recognized when the company loses control of contractual rights that comprise of the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value for the consideration given or received for it. Transaction costs are included in the initial measurement of all financial assets and liabilities except for transaction costs incurred on financial assets and liabilities classified as 'at fair value through profit or loss' and held-for-trading and that may be incurred on disposal. The particular recognition methods adopted for the measurement of financial assets and liabilities subsequent to initial measurement are disclosed in the policy statements associated with each item.

Financial assets carried on the balance sheet include cash and bank balances, loans, advances and deposits. Finance leases, loans and receivables, and investments have been stated as per the policies mentioned in note 4.3, 4.4 and 4.12 respectively.

Financial liabilities carried on the balance sheet include certificates of investment, deposits, accrued and other payables. Loans and finances have been stated as per the policies mentioned in note 4.8.

## 4.17 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

## 4.18 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, which is the company's functional and presentation currency.

## 4.19 General

Amounts in these financial statements have been rounded off to the nearest rupee.

# Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
<b>5 CASH AND BANK BALANCES</b>			
Balance with State Bank of Pakistan in current account		36,072	596
Balances with other banks in:			
- Current accounts		16,215,337	26,381,965
- Saving accounts	5.1	6,149,121	7,527,266
Cash in hand		46,529	54,012
		<u>22,447,059</u>	<u>33,963,839</u>

5.1 Return on saving accounts is earned at rates ranging from 0.6 percent to 11 percent (2008: 0.1 percent to 8.5 percent) per annum.

		2009 Rupees	2008 Rupees
<b>6 PLACEMENTS WITH FINANCIAL INSTITUTIONS - unsecured</b>			
Placements with NBFCs		-	31,307,857
<b>7 LOANS AND ADVANCES</b>			
Advances-considered good			
- To executives - related parties		129,749	120,834
- To employees		344,879	274,733
- Others		1,452,331	1,186,862
		<u>1,926,959</u>	<u>1,582,429</u>
		<u>1,926,959</u>	<u>1,582,429</u>
<b>8 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Security deposits		85,900	151,000
Prepayments		1,828,583	1,613,526
		<u>1,914,483</u>	<u>1,764,526</u>
<b>9 INTEREST ACCRUED</b>			
Interest accrued on :			
- Loans to employees		-	5,552
- Loans and finances	9.1	404,440	899,967
		<u>404,440</u>	<u>905,519</u>

9.1 This includes an amount of Rs. Nil (2008: Rs. 2,235) that was receivable from key management personnel (related parties).

	Note	2009 Rupees	2008 Rupees
<b>10 OTHER RECEIVABLES</b>			
Insurance receivable		-	712,449
Others		-	653,329
		<u>-</u>	<u>1,365,778</u>

# Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
<b>11 INVESTMENTS - available-for-sale</b>			
<b>Other than related party</b>			
Government securities			
- Special saving certificates	11.1	500,000	-
Mutual funds			
- Open end		36,500,000	26,500,000
- Close end		2,500,000	2,500,000
		<u>39,000,000</u>	<u>29,000,000</u>
Less: Impairment loss	11.2	(4,674,450)	-
		<u>34,325,550</u>	<u>29,000,000</u>
Less: Unrealized gain/(loss) on revaluation		1,648,164	(8,783,337)
		<u>35,973,714</u>	<u>20,216,663</u>
Fair value at the end of the year		<u>36,473,714</u>	<u>20,216,663</u>

11.1 Fifteen percent of the resources raised through certificates of investment other than those held by financial institutions have been invested in government securities to comply with the requirement of Regulation 14(4)(1) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The rate of return on this investment is 11.6 percent to 14.2 percent per annum.

11.2 During the year, the management has recognized impairment loss after taking into account adjustment effect of price movement during each quarter on available-for-sale investments as required by SRO 150(1)/2009 dated February 13, 2009 issued by Securities and Exchange Commission of Pakistan.

	Note	2009 Rupees	2008 Rupees
<b>12 CURRENT MATURITY OF NON-CURRENT ASSETS</b>			
Current portion of:			
- Long-term finance and loan	13	74,504,429	71,597,796
- Net investment in lease	14	495,329,024	593,112,620
		<u>569,833,453</u>	<u>664,710,416</u>
<b>13 LONG-TERM FINANCES AND LOANS - secured</b>			
Related parties-considered good			
- Executives	13.1 & 13.2	729,664	1,006,293
- Employees	13.1	2,341,017	2,945,903
		<u>3,070,681</u>	<u>3,952,196</u>
Other than related parties			
- Customers			
considered good	13.4	66,839,999	97,137,442
considered doubtful		40,246,491	34,856,642
		<u>107,086,490</u>	<u>131,994,084</u>
Less: Provision	13.5	(308,383)	(311,094)
		<u>106,778,107</u>	<u>131,682,990</u>
		<u>109,848,788</u>	<u>135,635,186</u>
Less: Current maturity			
Related parties			
- Executives		260,525	276,629
- Employees		255,743	336,135
		<u>516,268</u>	<u>612,764</u>
Other than related parties			
- Customers	12	73,988,161	70,985,032
		<u>(74,504,429)</u>	<u>(71,597,796)</u>
		<u>35,344,359</u>	<u>64,037,390</u>



# Notes to the Financial Statements For the year ended December 31, 2009

13.1 These represent loans given to executives and employees for purchase of motor vehicles and housing loans. These loans are recovered through deduction from their salaries over varying periods up to a maximum period of 20 years. These are granted to the employees in accordance with their terms of employment. The motor vehicle loans are secured by way of title of the motor vehicles being held in the name of the company, whereas the housing loans are secured by registered mortgage in favour of the company. Motor vehicle loans carry mark-up at the rate of 7 percent per annum while the housing loans carry mark-up at the rate of 5 percent per annum.

13.2 Reconciliation of carrying amount of long-term loans to chief executive and executives is as follows:

	Chief Executive		Executives	
	2009	2008	2009	2008
	Rupees			
Opening balance	-	2,004,315	1,006,293	1,267,656
Disbursements	-	-	-	-
	-	2,004,315	1,006,293	1,267,656
Repayments	-	(2,004,315)	(276,629)	(261,363)
Closing balance	-	-	729,664	1,006,293

13.3 The maximum aggregate amount of loans due at the end of any month during the year was:

	2009 Rupees	2008 Rupees
Chief Executive	-	2,004,315
Executives	1,006,293	1,267,656

13.4 These represent loans to customers for a period of three to five years on mark-up basis and are secured by way of hypothecation of stock and immovable property. The rate of mark-up ranges from 11.5 percent to 24.50 percent (2008: 11.5 percent to 24.50 percent) per annum.

	Note	2009 Rupees	2008 Rupees
<b>13.5 Provision for doubtful finances and loans</b>			
Balance at beginning of the year		311,094	267,343
Provision for the year		234,227	163,212
Reversed for the year		(236,938)	(119,461)
Net charge		(2,711)	43,751
Balance at end of the year		308,383	311,094

## 14 NET INVESTMENT IN LEASES

	Note	2009 Rupees	2008 Rupees
Lease rentals receivable	14.2	909,931,436	1,195,584,398
Add: Residual value of leased assets		740,021,229	785,675,107
Gross investment in finance leases	14.3	1,649,952,665	1,981,259,505
Less: Unearned lease income		182,960,999	226,632,251
Provision for potential lease losses	14.5	64,211,752	14,533,345
		247,172,751	241,165,596
Net investment in leases	14.4	1,402,779,914	1,740,093,909
Less: Current maturity of net investment in leases	12	495,329,024	593,112,620
		907,450,890	1,146,981,289

# Notes to the Financial Statements For the year ended December 31, 2009

14.1 The internal rate of return on leases contract receivable ranges from 8.42 percent to 25.11 percent (2008: 8.25 percent to 25.106 percent) per annum.

	2009 Rupees	2008 Rupees
<b>14.2 Lease rentals receivable</b>		
Less than one year	643,451,737	760,107,426
More than one year and less than five years	266,479,699	435,476,972
	<u>909,931,436</u>	<u>1,195,584,398</u>
<b>14.3 Gross investment in finance leases</b>		
Less than one year	955,155,300	797,881,113
More than one year and less than five years	694,797,365	1,183,378,392
	<u>1,649,952,665</u>	<u>1,981,259,505</u>
<b>14.4 Net investment in leases</b>		
Less than one year	495,329,024	593,112,620
More than one year and less than five years	907,450,890	1,146,981,289
	<u>1,402,779,914</u>	<u>1,740,093,909</u>
<b>14.5 Provision for potential lease losses</b>		
Opening balance	14,533,345	5,681,432
Provision for the year	53,646,522	10,365,208
Reversed for the year	(3,968,115)	(1,513,295)
Net charge	49,678,407	8,851,913
Balance at the end of the year	<u>64,211,752</u>	<u>14,533,345</u>

## 15 LONG-TERM DEPOSITS AND PREPAYMENTS

Security deposits against assets acquired under lease arrangements	309,900	317,600
Other deposits	604,422	546,422
Prepayments	24,928	43,173
	<u>939,250</u>	<u>907,195</u>

# Notes to the Financial Statements For the year ended December 31, 2009

## 16. PROPERTY AND EQUIPMENT

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

	Rupees									
	Owned assets					Leased assets				
	Tangible					Sub Total				
	Office premises	Building improvements	Furniture and fixtures	Office equipment & others	Computers	Vehicles	Total	Vehicles	Total	Total
<b>As at January 1, 2008</b>										
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)	
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	
<b>Year ended December 31, 2008</b>										
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	-	46,290	106,885	78,950	41,750	37,207	311,082	2,238,089	2,549,171	
Transfers	-	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	1,199,800	1,199,800	(1,199,800)	-	
Accumulated depreciation	-	-	-	-	-	(567,064)	(567,064)	567,064	-	
Disposals-net	-	-	-	-	-	632,736	632,736	(632,736)	-	
Cost	-	-	-	-	-	(599,900)	(599,900)	(2,104,250)	(2,704,150)	
Accumulated depreciation	-	-	-	-	-	360,348	360,348	622,066	982,414	
Depreciation charge	(247,709)	(124,192)	(269,270)	(134,726)	(186,152)	(369,148)	(1,331,197)	(1,482,184)	(1,721,737)	
Closing net book value	4,123,798	83,265	485,042	482,085	222,857	842,771	6,239,818	3,470,827	9,710,645	
<b>As at January 1, 2009</b>										
Cost	4,954,190	1,722,731	1,845,530	928,850	1,645,625	1,798,275	12,895,201	4,891,979	17,787,180	
Accumulated depreciation	(830,392)	(1,639,466)	(1,360,488)	(446,765)	(1,422,768)	(955,504)	(6,655,383)	(1,421,152)	(8,076,535)	
Net book value	4,123,798	83,265	485,042	482,085	222,857	842,771	6,239,818	3,470,827	9,710,645	
<b>Year ended December 31, 2009</b>										
Opening net book value	4,123,798	83,265	485,042	482,085	222,857	842,771	6,239,818	3,470,827	9,710,645	
Additions	5,550,000	139,709	54,150	43,900	13,182	-	5,800,941	898,800	6,699,741	
Transfers	-	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	1,155,000	1,155,000	(1,155,000)	-	
Accumulated depreciation	-	-	-	-	-	(583,098)	(583,098)	583,098	-	
Disposals-net	-	-	-	-	-	571,902	571,902	(571,902)	-	
Cost	-	-	-	-	-	-	-	(560,000)	(560,000)	
Accumulated depreciation	-	-	-	-	-	-	-	336,000	336,000	
Adjustment cost	-	-	-	-	-	-	-	(224,000)	(224,000)	
Depreciation charge	(455,835)	(52,510)	(196,522)	(137,547)	(124,886)	(469,976)	(1,437,276)	(830,362)	(2,267,638)	
Closing net book value	9,217,964	170,464	342,670	388,438	111,153	944,698	11,175,386	2,685,362	13,860,748	
<b>As at December 31, 2009</b>										
Cost	10,504,190	1,862,440	1,899,680	972,750	1,658,807	2,953,275	19,851,142	4,017,779	23,868,921	
Accumulated depreciation	(1,286,227)	(1,691,976)	(1,557,010)	(584,312)	(1,547,654)	(2,008,577)	(8,675,756)	(1,332,417)	(10,008,173)	
Net book value	9,217,964	170,464	342,670	388,438	111,153	944,698	11,175,386	2,685,362	13,860,748	
Rate of depreciation (%)	5	33.33	20	15	33.33	20	33.33	20	20	



# Notes to the Financial Statements For the year ended December 31, 2009

## 16.1 The following assets were disposed of during the year

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal	Particulars of buyers
Rupees							
Vehicle							
Cultus	560,000	336,000	224,000	168,000	(56,000)	"As per company's policy"	Tanveer UI Bari, Employee, SME Leasing Limited, 2nd Floor, FTC Building, Shara-e-Faisal, Karachi.

## 17 INTANGIBLES

The company's intangible assets comprise acquired software licenses and software. The carrying amount for the year ended December 31, 2009 is as follows:

	Note	2009 Rupees	2008 Rupees
Gross carrying amount		711,930	711,930
Less: Accumulated amortization and impairment	17.1	530,618	394,323
		<u>181,312</u>	<u>317,607</u>
17.1 Carrying amount at beginning of the year		317,607	43,542
Additions		-	361,430
Amortization		(136,295)	(87,365)
Carrying amount at end of the year		<u>181,312</u>	<u>317,607</u>
Rate of amortization		<u>33.33%</u>	<u>33.33%</u>

## 18 ACCRUED AND OTHER PAYABLES

	Note	2009 Rupees	2008 Rupees
Accrued liabilities	18.1	1,267,395	674,850
Rentals received in advance		2,713,849	2,349,406
Payable on termination/maturity of leases		1,612,439	2,008,352
Payable in respect of undisbursed leases		144,124	8,475,296
Insurance payable		4,777,044	5,099,183
Payable to SME Bank Limited - holding company		32,080	32,080
Unclaimed dividend		20,629	21,690
Others		991,737	756,914
		<u>11,559,297</u>	<u>19,417,771</u>

18.1 This includes an amount of Rs. 24,124 (2008: Rs. Nil) payable to provident fund of the company.

## 19 INTEREST ACCRUED

	Note	2009 Rupees	2008 Rupees
Interest accrued on:		2,390,748	6,276,172
Long term finance		6,081,594	11,025,503
Privately placed Term Finance Certificates		4,024,565	780,044
Short-term borrowings		32,429	-
Certificates of investment		12,529,336	18,081,719
19.1 Accrued interest payable to SME Bank Limited (holding company), related party			
Long-term finance		494,980	235,938
Privately placed Term Finance Certificates		1,737,598	3,150,146
Short term borrowings		912,500	-
		<u>3,145,078</u>	<u>3,386,084</u>

# Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
<b>20 SHORT-TERM BORROWINGS</b>			
From banking companies			
Other than related parties			
Running finance-secured	20.1	86,739,950	67,041,428
Related party			
Borrowing from SME Bank Limited (holding company) - unsecured	20.2	30,000,000	-
		<u>116,739,950</u>	<u>67,041,428</u>

20.1 The company has obtained running finance facility from a commercial bank with aggregate limit of Rs. 100 (2008: Rs. 100) million. Mark-up is payable at the rate of 14.56 percent (2008: 16.41 percent) per annum. The finance is secured by way of hypothecation of company's specific leased assets and related receivables.

20.2 This represents clean borrowing from SME Bank Limited repayable on January 17, 2010. Mark-up is payable at the rate of 15% per annum.

	2009 Rupees	2008 Rupees
<b>21 CERTIFICATES OF INVESTMENT - Unsecured</b>		
Certificates of investment	<u>3,220,781</u>	<u>-</u>

The company has issued certificates of investments under permission granted by the Securities and Exchange Commission of Pakistan through its letter no. SC/NBFC-1/JD/SME/2006/386. These certificates of investment are repayable between January 05, 2010 to December 07, 2010 and carries return at the rate ranging from 9% to 12.5% per annum (2008: Nil).

	Note	2009 Rupees	2008 Rupees
<b>22 CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>			
Current maturity of:			
Long-term finance	23	124,203,814	213,884,305
Private placed Term Finance Certificate	24	116,666,666	139,583,334
Liabilities against assets subject to finance lease	25	1,162,884	1,345,762
Long-term deposits	26	311,703,563	204,768,493
		<u>553,736,927</u>	<u>559,581,894</u>

<b>23 LONG-TERM FINANCES - Secured</b>			
Long-term loans from:			
SME Bank Limited (holding company) - related party	23.1	13,561,137	5,847,251
Banking companies and other financial institutions	23.1	122,660,483	334,638,742
		<u>136,221,620</u>	<u>340,485,993</u>
Less: Current maturity	22	124,203,814	213,884,305
		<u>12,017,806</u>	<u>126,601,688</u>

# Notes to the Financial Statements For the year ended December 31, 2009

## 23.1 Long-term Finances - Secured

	Facility amount Rupees	Repayment period		Price	Note	2009 Rupees	2008 Rupees
		From	To				
From related party							
SME Bank Limited	15,000,000	Apr-09	Apr-13	3 months KIBOR+2.00% (payable quarterly)	23.2	13,561,137	-
SME Bank Limited (Facility No. 2)	60,000,000	Nov-05	Dec-08	6 months KIBOR+1.5% (floor 11 % and no cap) (payable quarterly)	23.2	-	5,847,251
Total financing from related party						13,561,137	5,847,251
From financial institutions							
Pak Oman Investment Company Limited (Facility No. III - Tranche I)	25,000,000	Sep-06	Sep-09	6 months KIBOR+2.00% (payable quarterly)	23.2	-	6,250,000
Pak Oman Investment Company Limited (Facility No. III - Tranche II)	25,000,000	Sep-06	Sep-09	6 months KIBOR+2.00% (payable quarterly)	23.2	-	6,250,000
Pak Oman Investment Company Limited (Facility No. IV - Tranche I)	25,000,000	Aug-07	Aug-10	6 months KIBOR+2.00% (payable quarterly)	23.2	6,250,000	14,583,335
Pak Oman Investment Company Limited (Facility No. IV - Tranche II)	25,000,000	Aug-07	Aug-10	6 months KIBOR+2.00% (payable quarterly)	23.2	6,250,000	14,583,335
Pak Libya Holding Company (Private) Limited (Facility No. III)	30,000,000	May-06	May-09	6 months KIBOR+2.5% (payable quarterly)	23.2	-	5,000,000
						12,500,000	46,666,670
From banking companies							
National Bank of Pakistan	150,000,000	Mar-06	Mar-10	6 months KIBOR+1.85% (payable semi-annually)	23.2	18,750,000	56,250,000
United Bank Limited (Loan III)	50,000,000	Feb-07	Feb-10	3 months KIBOR+2.6% (payable quarterly)	23.2	4,166,666	20,833,331
United Bank Limited (Loan IV)	50,000,000	Dec-07	Dec-10	6 months KIBOR+1.65% (payable semi-annually)	23.2	16,666,667	33,333,334
SilkBank Limited	25,000,000	Jun-06	Jun-09	6 month KIBOR+2.5% (payable semi-annually) mark-up payable quarterly)		-	8,333,335
Allied Bank Limited	150,000,000	Sep-07	Sep-10	6 months KIBOR+2.00% (payable quarterly)	23.3	39,204,544	91,477,272
Faysal Bank Limited	100,000,000	May-07	May-10	3 months KIBOR+1.75% (payable quarterly)	23.4	19,604,380	54,650,950
Emirates Global Islamic Bank Limited	100,000,000	Sep-07	Dec-10	6 months KIBOR+2.5% (payable quarterly)	23.5	11,768,226	23,093,850
						110,160,483	287,972,072
Total financing from financial institutions and banking companies						122,660,483	334,638,742
						136,221,620	340,485,993

23.2 These facilities include 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.

23.3 This represents financing arrangements under a sale and repurchase agreement for lease operations of the company. These loans are secured by hypothecation charge on the company's specific leases assets and associated lease rental receivable.

23.4 This represents long-term Murahaba facility obtained from Faysal Bank Limited.

23.5 This represents long-term Diminishing Musharika facility obtained from Emirates Global Islamic Bank Limited.



# Notes to the Financial Statements For the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
<b>24 PRIVATELY PLACED TERM FINANCE CERTIFICATES - SECURED</b>			
Privately placed term finance certificate		202,884,170	318,695,834
Less: Current maturity	22	116,666,666	139,583,334
Due after one year		<u>86,217,504</u>	<u>179,112,500</u>

## 24.1 Principal terms of Term Finance Certificates (TFCs)

Particulars	Period		Profit rate per annum	Principal outstanding (Rupees)	
	From	To		2009	2008
Privately placed Term Finance Certificates	July 15, 2008	July 16, 2011	3 month KIBOR+150 bps (payable quarterly)	202,884,170	318,695,834

\* KIBOR-Karachi Interbank Offer Rate

24.1.1 The facility is secured by way of hypothecation of the company specific leased assets and associated lease rental.

24.2 The above TFCs include Rs. 58,333,335 (2008: Rs. 91,666,667) payable to SME Bank Limited, related party.

## 25. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009			2008		
	Minimum lease payments	Finance charges not yet due	Present value of minimum lease payments	Minimum lease payments	Finance charges not yet due	Present value of minimum lease payments
	Rupees					
Payable not later than one year (refer note 22)	1,353,022	190,138	1,162,884	1,557,486	211,724	1,345,762
Payable later than one year but not later than five years	<u>943,368</u>	<u>83,063</u>	<u>860,305</u>	<u>1,331,956</u>	<u>102,142</u>	<u>1,229,814</u>
	<u>2,296,390</u>	<u>273,201</u>	<u>2,023,189</u>	<u>2,889,442</u>	<u>313,866</u>	<u>2,575,576</u>

The finance lease arrangements have been entered into with Faysal Bank Limited and Bank Al-Falah Limited for motor vehicles at mark-up rates ranging from 14.23 per cent to 16.70 per cent (2008: 7.50 per cent to 14.50 per cent per) per annum with late payment surcharge of Rs. 100 (2008: 100) per day. These finance lease arrangements will mature in the year 2012.

	Note	2009 Rupees	2008 Rupees
<b>26 LONG-TERM DEPOSITS</b>			
Lease key money		740,021,229	785,675,107
Less: Current maturity	22	311,703,563	204,768,493
		<u>428,317,666</u>	<u>580,906,614</u>

These represent interest free security deposits received against lease contracts and are refundable/adjustable at the expiry/termination of the respective leases.

# Notes to the Financial Statements For the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
<b>27 DEFERRED LIABILITIES</b>			
Provision for gratuity	39	2,407,266	2,519,211
Deferred tax liability - net		-	3,399,176
		<u>2,407,266</u>	<u>5,918,387</u>
<b>27.1 Deferred tax liabilities/(assets) - net</b>			
Deductible temporary differences			
Unabsorbed tax depreciation		(26,987,898)	(31,691,919)
Provisions against potential lease losses and long-term finances and loans		(22,582,047)	(5,195,554)
Liabilities against assets subject to finance lease		(708,116)	(901,452)
Minimum tax		(904,009)	-
Liability against gratuity expense		(842,543)	-
		<u>(52,024,613)</u>	<u>(37,788,925)</u>
Taxable temporary differences			
Net investment in leases		12,235,712	40,918,188
Liabilities against assets subject to finance lease		939,877	-
Accelerated tax depreciation on property and equipment - own use		1,166,378	269,913
		<u>14,341,967</u>	<u>41,188,101</u>
		<u>(37,682,646)</u>	<u>3,399,176</u>

The company's deferred tax computation give rise to deferred tax asset amounting to Rs. 37,682,646 which has not been recognized in these financial statements due to policy stated in note 4.9. However, deferred tax liability outstanding as on January 01, 2009 amounting to Rs. 3,399,176 has been reversed.

<b>28 SHARE CAPITAL</b>			2009 Rupees	2008 Rupees
Authorized capital				
100,000,000 (2008: 100,000,000) ordinary shares of Rs. 10 each			<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued Subscribed and Paid-up Capital				
Number of shares				
2009	2008			
10,100,000	10,100,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	101,000,000	101,000,000
19,900,000	19,900,000	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	199,000,000	199,000,000
2,000,000	2,000,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	20,000,000	20,000,000
<u>32,000,000</u>	<u>32,000,000</u>		<u>320,000,000</u>	<u>320,000,000</u>

## 28.1 Movement in number of shares

	Number of shares	
	2009	2008
Number of the shares at beginning of the year	32,000,000	32,000,000
Issued during the year	-	-
Number of the shares at end of the year	<u>32,000,000</u>	<u>32,000,000</u>

SME Bank Limited and its nominees hold 73.14% (2008: 73.14%) ordinary shares of Rs. 10 each of the company.

# Notes to the Financial Statements For the year ended December 31, 2009

## 28.2 Capital management policies and procedures

The company's capital management objectives are:  
to ensure the company's ability to continue as a going concern; and  
to provide an adequate return to shareholders  
by pricing its leasing and loan products commensurately with the level of risk.

Capital requirements applicable to the company are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. The company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis. SECP has introduced following minimum equity requirements through S.R.O. 764 dated September 02, 2009 as against existing requirement of Rs. 200 million, as follow:

To be complied by	Minimum equity Rupees
June 30, 2011	350,000,000
June 30, 2012	500,000,000
June 30, 2013	700,000,000

The company's goal in capital management is to maintain a balance between capital to overall financing.

The company sets the amount of capital in proportion to its overall financing structure i.e. equity and financial liabilities. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

	Note	2009 Rupees	2008 Rupees
The company's capital consist of:			
Issued, subscribed and paid-up share capital		320,000,000	320,000,000
Reserves		29,615,200	99,363,473
		<u>349,615,200</u>	<u>419,363,473</u>
Unrealized loss on available for sale investments		1,648,164	(8,783,337)
		<u>351,263,364</u>	<u>410,580,136</u>

## 29 RESERVES

Capital reserves			
Statutory reserve	29.1	28,019,277	28,019,277
Share premium	29.2	10,000,000	10,000,000
Revenue Reserves			
Reserve against future losses	4.6	10,447,052	10,447,052
Accumulated (loss)/profit		(18,851,129)	50,897,144
		<u>29,615,200</u>	<u>99,363,473</u>

29.1 Statutory reserve represents profits after tax set aside in compliance with the Regulations.

29.2 The share premium arose in the year 2006 due to issue of shares and share premium account was created in accordance with requirements of the Companies Ordinance, 1984. This premium is available for restrictive use as per section 83 of the Companies Ordinance, 1984.



# Notes to the Financial Statements

For the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
<b>30 CONTINGENCIES AND COMMITMENTS</b>			
Contingencies			
None		-	-
Commitments			
Lease disbursements		-	47,600,000
<b>31 INCOME FROM OPERATIONS</b>			
Leases			
Income from finance lease operations		104,603,418	134,241,054
Gain/(Loss) on termination of leases		759,388	338,150
		<u>105,362,806</u>	<u>134,579,204</u>
Finances and loans			
Customers		17,064,057	14,780,094
		<u>122,426,863</u>	<u>149,359,298</u>
<b>32 OTHER OPERATING INCOME</b>			
Income from financial assets	32.1	1,500,893	6,158,185
Other than financial assets	32.2	(56,000)	337,746
		<u>1,444,893</u>	<u>6,495,931</u>
<b>32.1 Income from financial assets</b>			
Loans and receivables			
Profit on bank accounts		515,985	180,608
Mark-up on loans to employees		565,657	314,133
Return on short-term placements		17,161	4,960,090
		<u>1,098,803</u>	<u>5,454,831</u>
Available-for-sale investment			
Mark-up on government securities		26,060	-
Gain on disposal of available-for-sale investments		263,530	671,026
Dividend income		112,500	32,328
		<u>402,090</u>	<u>703,354</u>
		<u>1,500,893</u>	<u>6,158,185</u>
<b>32.2 Other than financial assets</b>			
(Loss)/Gain on disposal of property and equipment		(56,000)	337,746
<b>33 ADMINISTRATIVE AND SELLING EXPENSES</b>			
Salaries, allowances and other benefits	33.1	24,594,670	24,560,682
Directors' fee	33.3	293,000	107,000
Rent		4,696,372	4,468,431
Electricity, gas and water		696,952	772,587
Telephone and postage		1,250,598	1,421,338
Repairs and maintenance		1,377,507	1,361,435
Books and periodicals		43,392	45,536
Fees and subscriptions		41,023	35,546
Vehicle running		198,560	161,988
Advertising		162,600	320,575
Training and development		133,700	144,380
Travelling, conveyance and entertainment		1,564,066	1,845,945
Printing and stationery		993,907	817,383
Auditors' remuneration	33.4	539,883	454,352
Depreciation	16	2,267,638	2,312,756
Amortization	17	136,295	87,365
Legal and professional		6,779,781	2,917,501
Insurance		1,073,397	1,095,371
Miscellaneous		787,820	700,738
		<u>47,631,161</u>	<u>43,630,909</u>

# Notes to the Financial Statements For the year ended December 31, 2009

33.1 Salaries, allowances and other benefits include Rs. 80,997 (2008: Rs. 800,831) in respect of staff gratuity scheme and Rs. 533,539 (2008: Rs. 450,870) in respect of staff provident fund. In addition, the amount charged to the profit and loss account in respect of compensated absences was Rs. 785,231 (2008: Rs. 630,708).

### 33.2 Remuneration of chief executive and executives

	Chief Executive		Executives	
	2009		2008	
	Rupees			
Managerial remuneration	1,764,708	2,619,828	1,764,696	2,161,392
Bonus	-	-	-	397,000
Housing and utilities	970,584	1,440,936	794,112	1,188,780
Provident fund	-	174,589	-	172,896
Medical and other perquisites	264,708	392,964	264,696	324,204
Leave fare assistance	250,000	-	250,000	-
Gratuity	147,059	218,318	180,748	729,684
Leave encashment	125,000	147,890	70,833	184,467
Others	-	90,696	-	90,012
	<u>3,522,059</u>	<u>5,085,221</u>	<u>3,325,085</u>	<u>5,248,435</u>
No. of persons	1	5	1	5

33.2.1 The chief executive and certain executives were also provided with free use of company owned and maintained cars in accordance with their terms of employment.

### 33.3 Directors' fee

This represents remuneration paid to the non-executive directors of the company for attending meetings of the Board and Board's committees.

	2009 Rupees	2008 Rupees
Annual audit	300,000	210,000
Half-yearly review	100,000	100,000
Out-of-pocket expenses	139,883	144,352
	<u>539,883</u>	<u>454,352</u>

### 33.4 Auditors' remuneration

Annual audit	300,000	210,000
Half-yearly review	100,000	100,000
Out-of-pocket expenses	139,883	144,352
	<u>539,883</u>	<u>454,352</u>

## 34 FINANCE COST

Mark-up on:	2009 Rupees	2008 Rupees
Long-term finance	37,710,250	71,087,658
Privately placed Term Finance Certificates	38,435,127	26,135,832
Short-term borrowings	14,606,219	2,542,590
Certificates of investment	201,146	-
Lease finance charges	269,967	393,149
Bank charges	1,228,045	894,159
	<u>92,450,754</u>	<u>101,053,388</u>

### 34.1 Finance cost includes mark up expense related to SME Bank Limited, related party:

Long-term finance	1,566,000	2,498,093
Privately placed Term Finance Certificates	10,736,308	8,031,045
Short-term borrowings	4,582,250	-
	<u>16,884,558</u>	<u>10,529,138</u>

## 35 INCOME TAX EXPENSE

Current	<u>2,587,144</u>	-
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The current charge for the period represents minimum tax at 0.5 percent of turnover in accordance with the requirements of the Income Tax Ordinance, 2001.

# Notes to the Financial Statements For the year ended December 31, 2009

## Relationship between tax expense and accounting profit

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 related to minimum tax. The company's tax computation gives rise to a tax loss due to unabsorbed tax depreciation.

	2009 Rupees	2008 Rupees
<b>36 (LOSS)/EARNINGS PER SHARE - basic and diluted</b>		
(Loss)/Profit for the year-Rupees	<u>(69,748,273)</u>	<u>7,710,917</u>
Number of ordinary shares issued and subscribed	<u>32,000,000</u>	<u>32,000,000</u>
(Loss)/Earnings per share - basic and diluted-Rupees	<u>(2.18)</u>	<u>0.24</u>

(Loss)/Earnings per share has been calculated by dividing (loss)/profit for the year attributable to the ordinary shareholders outstanding at the period end by the weighted average number of shares outstanding during the year.

## Diluted earnings per share

There is no dilution effect on the basic earning per share of the company as the company has no convertible dilutive potential ordinary shares outstanding on December 31, 2009.

	Note	2009 Rupees	2008 Rupees
<b>37 CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES</b>			
(Loss)/Profit before income tax expense		(70,560,305)	2,275,268
Adjustment for non-cash and other items			
Depreciation	16	2,267,638	2,400,121
Amortization	17	136,295	-
Gratuity		80,997	800,831
Finance cost	34	92,180,787	99,657,017
Financial charges on leased assets	34	269,967	393,149
Loss/(Gain) on disposal of property and equipment	32.2	56,000	(337,746)
Interest income	32.1	(1,124,863)	(494,741)
Dividend income		(112,500)	(32,328)
Provision for potential lease losses		49,678,407	8,851,913
(Reversal)/Provision for finance and loans		2,711	43,751
Impairment on investments		4,674,450	-
		<u>148,109,889</u>	<u>111,281,967</u>
Operating profit before working capital changes		<u>77,549,584</u>	<u>113,557,235</u>
Working capital changes			
(Increase)/Decrease in current assets			
Trade deposits and short term prepayments		(149,957)	306,202
Other receivables		1,365,778	2,083,994
Loans and advances		(344,530)	(2,402,587)
		<u>871,291</u>	<u>(12,391)</u>
Increase/(Decrease) in current liabilities			
Accrued and other liabilities		(7,858,474)	(2,059,703)
Provision for compensated absences		154,523	155,723
		<u>(7,703,951)</u>	<u>(1,903,980)</u>
Total working capital changes		<u>(6,832,660)</u>	<u>(1,916,371)</u>
Cash from operations after working capital changes		<u>70,716,924</u>	<u>111,640,864</u>





# Notes to the Financial Statements

For the year ended December 31, 2009

## 40 MATURITIES OF ASSETS AND LIABILITIES

	2009				
	Total	Up to 3 months	Over 3 months	Over 1 year	Over 5 year
Rupees					
<b>Assets</b>					
Cash and bank balances	22,447,059	22,447,059	-	-	-
Placements with financial institutions	-	-	-	-	-
Loans and advances	1,926,959	1,926,959	-	-	-
Trade deposits and short-term prepayments	1,914,483	1,784,734	129,749	-	-
Interest accrued	404,440	404,440	-	-	-
Other receivables	-	-	-	-	-
Investments - available-for-sale	36,473,714	36,473,714	-	-	-
Long-term finances and loans	109,848,788	43,939,515	27,462,197	38,447,076	-
Net investment in leases	1,402,779,914	466,985,569	340,047,018	595,747,327	-
Long-term deposits and prepayments	939,250	-	-	939,250	-
Property and equipment	13,860,748	2,200,119	7,700,416	3,960,214	-
Intangibles	181,312	-	120,875	60,437	-
	1,590,776,667	576,162,109	375,460,254	639,154,304	-
<b>Liabilities</b>					
Accrued and other liabilities	11,559,297	11,559,297	-	-	-
Interest accrued	12,529,336	12,529,336	-	-	-
Short-term borrowings	116,739,950	30,000,000	86,739,950	-	-
Certificates of investment	3,220,781	1,069,298	2,151,483	-	-
Provision for compensated absences	785,231	-	785,231	-	-
Provision for income tax	11,121,234	11,121,234	-	-	-
Long-term finances	136,221,620	54,144,408	70,935,842	11,141,370	-
Privately placed Term Finance Certificates	202,884,170	27,884,167	87,500,001	87,500,002	-
Liabilities against assets subject to finance lease	2,023,189	307,452	855,435	860,302	-
Long-term deposits	740,021,229	149,293,231	162,410,332	428,317,666	-
Deferred liabilities	2,407,266	-	-	-	2,407,266
	1,239,513,303	297,908,423	411,378,274	527,819,340	2,407,266
<b>Net assets</b>	351,263,364	278,253,686	(35,918,020)	111,334,964	(2,407,266)
Represented by:					
Share capital	320,000,000				
Reserves	29,615,200				
Unrealized gain on revaluation of available-for-sale investment	1,648,164				
	351,263,364				
2008					
	Total	Up to 3 months	Over 3 months	Over 1 year	Over 5 year
Rupees					
<b>Assets</b>					
Cash and bank balances	33,963,839	33,963,839	-	-	-
Placements with financial institutions	31,307,857	31,307,857	-	-	-
Loans and advances	1,582,429	1,582,429	-	-	-
Trade deposits and short-term prepayments	1,764,526	1,676,300	88,226	-	-
Interest accrued	905,519	905,519	-	-	-
Other receivables	1,365,778	1,297,489	68,289	-	-
Investments - available-for-sale	20,216,663	20,216,663	-	-	-
Long-term finances and loans	135,635,186	54,254,074	33,908,797	47,472,315	-
Net investment in leases	1,740,093,909	148,278,155	444,834,465	1,146,981,289	-
Long-term deposits and prepayments	907,195	43,173	546,422	317,600	-
Property and equipment	9,710,645	1,650,810	4,952,429	3,107,406	-
Intangibles	317,607	53,993	161,980	101,634	-
	1,977,771,153	295,230,301	484,560,607	1,197,980,245	-
<b>Liabilities</b>					
Accrued and other liabilities	19,417,771	19,417,771	-	-	-
Interest accrued	18,081,719	18,081,719	-	-	-
Short-term borrowings	67,041,428	67,041,428	-	-	-
Provision for compensated absences	630,708	-	-	630,708	-
Provision for income tax	8,668,494	8,668,494	-	-	-
Long-term finances	340,485,993	60,284,903	153,599,402	126,601,688	-
Privately placed Term Finance Certificates	318,695,834	27,029,166	110,416,668	181,250,000	-
Liabilities against assets subject to finance lease	2,575,576	763,380	414,376	1,397,820	-
Long-term deposits	785,675,107	175,745,539	29,022,954	580,906,614	-
Deferred liabilities	5,918,387	-	-	-	5,918,387
	1,567,191,017	377,032,400	293,453,400	890,786,830	5,918,387
<b>Net assets</b>	410,580,136	(81,802,099)	191,107,207	307,193,415	(5,918,387)
Represented by:					
Share capital	320,000,000				
Reserves	99,363,473				
Unrealized gain on revaluation of available-for-sale investment	(8,783,337)				
	410,580,136				

# Notes to the Financial Statements For the year ended December 31, 2009

## 41 FINANCIAL INSTRUMENTS

	Effective yield / Interest rate %	Total	2009				Not exposed to yield / Interest risk
			Exposed to Yield / Interest risk				
			Up to 3 months	Over 3 months	Over 1 year	Over 5 years	
Rupees							
<b>Assets</b>							
Cash and bank balances	0.60-11	22,447,059	6,149,121	-	-	-	16,297,938
Loans and advances		1,926,959	-	-	-	-	1,926,959
Trade deposits		85,901	-	-	-	-	1,914,483
Interest accrued		404,440	-	-	-	-	404,440
Investments - available-for-sale	12.5	36,473,714	500,000	-	-	-	35,973,714
Long-term finances and loans	5-7 & 11.5-24.5	109,848,788	43,939,515	27,462,197	38,447,076	-	-
Net investment in leases	8.42-25.11	1,402,779,914	466,985,569	340,047,018	595,747,327	-	-
Long-term deposits		914,322	-	-	-	-	914,322
<b>Total financial assets as on December 31, 2009</b>		<b>1,574,881,096</b>	<b>517,574,205</b>	<b>367,509,215</b>	<b>634,194,403</b>	<b>-</b>	<b>57,431,856</b>
<b>Liabilities</b>							
Accrued and other liabilities		11,559,297	-	-	-	-	11,559,297
Interest accrued		12,529,336	-	-	-	-	12,529,336
Short-term borrowings	14.56	116,739,950	30,000,000	86,739,950	-	-	-
Certificates of investment	9-12.50	3,220,781	1,069,298	2,151,483	-	-	-
Provision for compensated absences		785,231	-	-	-	-	785,231
Long-term finances		136,221,620	54,144,408	70,059,406	12,017,806	-	-
Privately placed Term Finance Certificates	14.12-16.51	202,884,170	27,884,167	88,782,499	86,217,504	-	-
Liabilities against assets subject to finance lease	14.23-16.70	2,023,189	307,452	855,435	860,302	-	-
Long-term deposits		740,021,229	-	-	-	-	740,021,229
Deferred liabilities - gratuity		2,407,266	-	-	-	-	2,407,266
<b>Total financial liabilities as on December 31, 2009</b>		<b>1,228,392,069</b>	<b>113,405,325</b>	<b>248,588,773</b>	<b>99,095,612</b>	<b>-</b>	<b>767,302,359</b>
<b>On balance sheet gap</b>		<b>346,489,028</b>	<b>404,168,880</b>	<b>118,920,442</b>	<b>535,098,791</b>	<b>-</b>	<b>(709,870,503)</b>
<b>Off balance sheet items</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Commitments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2008</b>							
	Effective yield / Interest rate %	Total	Exposed to Yield / Interest risk				Not exposed to yield / Interest risk
			Exposed to Yield / Interest risk				
			Up to 3 months	Over 3 months	Over 1 year	Over 5 years	
Rupees							
<b>Assets</b>							
Cash and bank balances	0.1-8.0	33,963,839	7,527,266	-	-	-	26,436,573
Placements with financial institutions	19-20	31,307,857	31,307,857	-	-	-	-
Loans and advances		1,582,429	-	-	-	-	1,582,429
Trade deposits		151,000	-	-	-	-	151,000
Interest accrued		905,519	-	-	-	-	905,519
Investments - available-for-sale		20,216,663	-	-	-	-	20,216,663
Other receivables		1,365,778	-	1,365,778	-	-	-
Long-term finances and loans	5-7 & 11.5-24.5	135,635,186	55,416,728	-	-	-	-
Net investment in leases	8.25-25.10	1,740,093,909	148,278,155	444,834,465	1,146,981,289	-	-
Long-term deposits		864,022	-	-	-	-	864,022
<b>Total financial assets as on December 31, 2008</b>		<b>1,966,086,202</b>	<b>242,530,006</b>	<b>446,200,243</b>	<b>1,146,981,289</b>	<b>-</b>	<b>50,156,206</b>
<b>Liabilities</b>							
Accrued and other liabilities		19,417,771	-	-	-	-	19,417,771
Interest accrued		18,081,719	-	-	-	-	18,081,719
Short term borrowings	16.41	67,041,428	67,041,428	-	-	-	-
Provision for compensated absences		630,708	-	-	-	-	630,708
Long-term finances	15.46-18.19	340,485,993	60,284,903	153,599,402	126,601,688	-	-
Privately placed Term Finance Certificates	16.77	318,695,834	27,029,166	110,416,668	181,250,000	-	-
Liabilities against assets subject to finance lease	7.5-14.5	2,575,576	763,380	414,376	1,397,820	-	-
Long-term deposits		785,675,107	-	-	-	-	-
Deferred liabilities - gratuity		5,918,387	-	-	-	-	5,918,387
<b>Total financial liabilities as on December 31, 2008</b>		<b>1,558,522,523</b>	<b>155,118,877</b>	<b>264,430,446</b>	<b>309,249,508</b>	<b>-</b>	<b>44,048,585</b>
<b>On balance sheet gap</b>		<b>407,563,679</b>	<b>87,411,129</b>	<b>181,769,797</b>	<b>837,731,781</b>	<b>-</b>	<b>6,107,621</b>
<b>Off balance sheet items</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Commitments</b>		<b>47,600,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,600,000</b>



# Notes to the Financial Statements For the year ended December 31, 2009

## 42 SEGMENT INFORMATION

A segment is a distinguishable component of the company that is engaged in business activities from which the company earns revenues and incur expenses and its results are regularly reviewed by the company's chief operating decision-maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

The company's reportable segments under IFRS 8 are therefore finance lease, loans and receivables, and investments. Other operations, which are not deemed by the management to be sufficiently significant to disclose as separate items are reported under Others.

All assets and liabilities are allocated to reportable segments other than assets and liabilities not directly related to the particular segment.

	December 31, 2009				Total
	Finance lease	Loans and receivable	Investment	Others	
	Rupees				
Segment revenue	105,362,806	17,646,875	402,090	459,985	123,871,756
Segment profit	55,684,399	17,061,346	(4,272,360)	1,048,225	69,521,610
Segment result					69,521,610
Unallocated cost					
Finance cost					92,450,754
Administrative and selling expenses					47,631,161
					140,081,915
Loss before income tax					(70,560,305)
Income tax expense					(812,032)
Loss for the year					(69,748,273)
Other information					
Segment assets	1,402,779,914	107,704,409	36,473,714	-	1,546,958,037
Unallocated assets	-	-	-	43,818,630	43,818,630
Total assets					1,590,776,667
Segment liabilities	749,268,685	-	-	-	749,268,685
Unallocated liabilities	-	-	-	490,244,618	490,244,618
Total liabilities					1,239,513,303
Net assets					351,263,364
Capital expenditure	-	-	-	6,699,741	6,699,741

42.1 Revenue reported above represents revenue generated from external customers. There are no intersegment sales.

42.2 Revenue from finance lease includes income from finance lease operations and gain/loss on termination of lease. Revenue from loans and receivable includes markup income on loans to customers, employees and short-term placements and revenue from investments include gain on disposal of investments, dividend income and mark-up on government securities.

# Notes to the Financial Statements

For the year ended December 31, 2009

	December 31, 2008				Total
	Finance lease	Loans and receivable	Investment	Others	
	Rupees				
Segment revenue	134,579,204	20,054,317	703,354	518,354	155,855,229
Segment results	125,727,291	14,736,343	703,354	5,792,577	146,959,565
Segment result					146,959,565
Unallocated cost					
Finance cost					101,053,388
Administrative and selling expenses					43,630,909
					144,684,297
Profit before income tax					2,275,268
Income tax expense					(5,435,649)
Profit for the year					7,710,917
Other information					
Segment assets	1,740,093,909	169,430,991	20,216,663	-	1,929,741,563
Unallocated assets	-	-	-	48,029,590	48,029,590
Total assets					1,977,771,153
Segment liabilities	803,607,344	-	-	-	803,607,344
Unallocated liabilities	-	-	-	763,583,673	763,583,673
Total liabilities					1,567,191,017
Net assets					410,580,136
Capital expenditure	-	-	-	2,910,601	2,910,601

## 43 RISK MANAGEMENT

The company is primarily exposed to credit risk, liquidity risk and market risk. The company has designed and implemented a framework of controls to identify, monitor and manage these risks as follows:

### 43.1 Credit risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economics, political and other conditions. Concentration of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

The company manages its credit risk by monitoring credit exposure, limiting transaction with specific counter party and continually assessing the credit worthiness of counter parties. Management considers that all the financial assets that are neither past due nor impaired are of good credit quality. The maximum exposure of the company to credit risk at reporting date without taking account any collateral held or other credit enhancements is as follows:

## Notes to the Financial Statements For the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
Classes of financial assets - carrying value			
Cash and cash equivalent			
Cash and bank balances	5	22,447,059	33,963,839
Placements with financial institutions		-	31,307,857
Loans and receivables			
Loans and advances	7	1,926,959	1,582,429
Trade deposits	8	85,900	151,000
Interest accrued	9	404,440	905,519
Other receivables	10	-	1,365,778
Long-term finances and loans	13	109,848,788	135,635,186
Long-term deposits	15	914,322	864,022
Lease receivables			
Net investment in finance leases	14	1,402,779,914	1,740,093,909
Available-for-sale financial assets			
Investments - available-for-sale	11	36,473,714	20,216,663
		<u>1,574,881,096</u>	<u>1,966,086,202</u>

43.1.1 The credit risk to cash and cash equivalent is negligible, since the counter parties are reputable banks with high quality external credit rating.

43.1.2 Loans and receivables of the company are secured by collaterals that are disclosed in their relevant notes.

43.1.3 The company manages concentration of credit risk exposure through diversification of activities to avoid undue concentrations of risks with individuals, groups of specific industry segment. An analysis by class of business of the company's net investments in finance leases and long term loans and finances is given below:

Sector	2009		2008	
	Rupees	%	Rupees	%
Cargo Carriers	97,474,154	5.46	158,038,578	7.37
Chemicals & Pharma	48,894,640	2.74	68,131,288	3.18
Communication	50,730,489	2.84	51,742,718	2.41
Construction and Building Products	117,716,836	6.60	135,607,660	6.32
Education	24,265,626	1.36	23,337,894	1.09
Engineering	77,996,786	4.37	88,044,236	4.10
Entertainment	43,495,459	2.44	30,644,937	1.43
Film Processing	174,863,814	9.80	231,996,003	10.81
Fisheries	2,017,022	0.11	3,924,437	0.18
Food and Beverages	105,697,412	5.92	115,573,511	5.39
Furniture	1,334,072	0.07	2,345,901	0.11
Gems & Jewelry	2,202,865	0.12	3,972,655	0.19
Healthcare	76,383,785	4.28	81,820,688	3.81
Leather & Tannery	4,587,201	0.26	5,363,762	0.25
Miscellaneous	223,883,497	12.55	227,555,919	10.61
Oil & Gas	260,495,667	14.60	3,617,776,781	16.86
Printing & Packaging	144,867,711	8.12	168,245,508	7.84
Public Transport Services	148,420,115	8.32	168,929,095	7.87
Rubber & Plastic	34,840,072	1.95	44,127,520	2.06
Textile & Garment	143,832,808	8.06	174,322,166	8.13
	<u>1,784,000,031</u>	<u>100.00</u>	<u>2,145,501,257</u>	<u>100.00</u>



# Notes to the Financial Statements For the year ended December 31, 2009

## 43.1.4 Analysis of financial assets that are past due:

	Total	Loans and receivables	Net investment in finance lease
Classes Gross carrying amount			
Not past due	951,245,575	59,598,261	891,647,314
Past due by more than 180 days	101,663,908	5,703,894	95,960,014
Past due by more than 180 days but not more than 360 days	110,634,537	16,530,531	94,104,006
Past due by more than 360	411,337,076	26,056,744	385,280,332
	<u>1,574,881,096</u>	<u>107,889,430</u>	<u>1,466,991,666</u>
Impairment loss on			
Past due by more than 180 days		-	-
Past due by more than 180 days but not more than 360 days		-	-
Past due by more than 360 days	64,520,135	308,383	64,211,752
Total impairment loss	64,520,135	308,383	64,211,752
Net carrying amount	<u>1,510,360,961</u>	<u>107,581,047</u>	<u>1,402,779,914</u>

43.1.5 Financial assets that are past due and impaired are disclosed in notes. Impairment is determined after considering the forced sale value of the collateral held.

43.1.6 Carrying values of financial assets that would otherwise be past due or impaired whose terms have been renegotiated are:

	2009 Rupees	2008 Rupees
Net investment in finance leases	<u>1,402,779,914</u>	<u>1,740,093,909</u>

## 43.2 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the company could be required to pay its liabilities earlier than expected or difficulties in raising funds to meet commitments associated with financial liabilities as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding impact of netting agreements:

# Notes to the Financial Statements

For the year ended December 31, 2009

Financial liabilities	2009				Total
	Within 6 month	6 month to 1 year	One to Five years	Over five year	
	Rupees				
Accrued and other liabilities	11,559,297	-	-	-	11,559,297
Interest accrued	12,529,336	-	-	-	12,529,336
Short-term borrowings	116,739,950	-	-	-	116,739,950
Provision for compensated absences	-	588,923	196,308	-	785,231
Certificates of investment	2,660,259	560,522	-	-	3,220,781
Long-term finances	68,110,810	63,519,909	4,590,901	-	136,221,620
Privately placed Term Finance Certificates	57,050,832	58,333,332	87,500,006	-	202,884,170
Liabilities against assets subject to finance lease	581,442	581,442	860,305	-	2,023,189
Long-term deposits	225,330,270	86,373,000	428,317,959	-	740,021,229
Deferred liability - gratuity	-	-	-	2,407,266	2,407,266
	<u>494,562,196</u>	<u>209,957,128</u>	<u>521,465,479</u>	<u>2,407,266</u>	<u>1,228,392,069</u>

Financial liabilities	2008				Total
	Within 6 month	6 month to 1 year	One to Five years	Over five year	
	Rupees				
Accrued and other liabilities	19,417,771	-	-	-	19,417,771
Interest accrued	18,081,719	-	-	-	18,081,719
Short-term borrowings	67,041,428	-	-	-	67,041,428
Provision for compensated absences	-	630,708	-	-	630,708
Certificates of investment	-	-	-	-	-
Long-term finances	102,132,193	102,132,180	136,221,620	-	340,485,993
Privately placed Term Finance Certificates	56,195,832	58,333,332	204,166,670	-	318,695,834
Liabilities against assets subject to finance lease	793,375	552,387	1,229,814	-	2,575,576
Long-term deposits	92,353,356	112,415,137	580,906,614	-	785,675,107
Deferred liability - gratuity	-	-	-	5,918,387	5,918,387
	<u>356,015,674</u>	<u>274,063,744</u>	<u>922,524,718</u>	<u>5,918,387</u>	<u>1,558,522,523</u>

### 43.3 Market risk

Market risk is the risk that the value of a financial instruments will fluctuate as a result of changes in interest rates or market prices due to a change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, activities, supply and demand of securities and liquidity in the market. The company is not exposed to currency risk as it is not involved in foreign currency transactions. However, it is exposed to interest rate risk and market price risk.

#### 43.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to changes in market interest rates through most of its short and long finances, borrowings and net investment in lease.

#### 43.3.2 Cash flow sensitivity analysis for variable rate instruments

As on December 31, 2009 the short and long term finances, borrowings and net investment in lease finance have been entered into at KIBOR plus base rate. In case of 1 percent increase/decrease in KIBOR on December 31, 2009 with all other variables held constant, the net assets of the company would have been higher/lower by Rs. 3.4 million and net loss for the year would have been lower/higher by the same amount.

## 44 FAIR VALUE OF FINANCIAL ASSETS

The fair value of all other financial assets and financial liabilities is estimated to approximate their carrying value.

# Notes to the Financial Statements For the year ended December 31, 2009

## 45 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 director 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 year end are given below:

			2009	
Name of related party	Nature of relationship	Description of transaction	Total value of transaction	Closing balance
Provident fund	Other related party	Contribution paid	533,539	24,124
SME Bank Limited	Holding company	Lease facility provided	8,533,146	3,323,906
		Deposit margin	9,882,723	9,882,723
		Rentals receivable	11,298,721	3,756,060
		Rentals received during the year	3,259,817	-
		Rent expense	402,660	-
Friends of Burns Centre (N.G.O.)	Common Directorship	Received placement in Certificate of Investment	1,000,000	-

			2008	
Name of related party	Nature of relationship	Description of transaction	Total value of transaction	Closing balance
Provident fund	Other related party	Contribution paid	450,870	-
SME Bank Limited	Holding company	Lease facility provided	12,396,090	6,501,261
		Deposit margin	13,241,723	13,241,723
		Rentals receivable	16,137,388	7,748,613
		Rentals received during the year	8,388,775	-
		Rent expense	302,550	-


## 46 RECLASSIFICATION

Following corresponding figures have been re-classified for better presentation under IAS 1 'Presentation of Financial Statements'

Description	Reclassification from	Reclassification to	Rupees
Insurance receivable	Deposits, prepayments and other receivables	Other receivables	712,779
Others	Deposits, prepayments and other receivables	Other receivables	653,329
Loans to employees and executives	Loans to employees	Loans to executives	1,006,293

## 47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 23, 2010 by the Board of Directors of the company.

  
Arjumand A. Qazi  
Chief Executive Officer

  
Zubair F. Tufail  
Director



## Pattern of Shareholding As at December 31, 2009

Shareholding		Number of Shareholders	Total Shares Held	Percentage %
From	To			
1	- 100	9	108	0.00%
101	- 500	194	96,902	0.30%
501	- 1,000	38	37,525	0.12%
1,001	- 5,000	40	116,997	0.37%
5,001	- 10,000	3	27,500	0.09%
10,001	- 15,000	2	25,500	0.08%
15,001	- 20,000	2	40,000	0.13%
20,001	- 25,000	1	22,500	0.07%
25,001	- 30,000	1	30,000	0.09%
45,001	- 50,000	3	146,000	0.46%
50,001	- 55,000	1	51,000	0.16%
150,001	- 155,000	1	155,000	0.48%
220,001	- 225,000	1	225,000	0.70%
410,001	- 415,000	2	820,318	2.56%
455,001	- 460,000	1	456,675	1.43%
600,001	- 1,100,000	3	2,407,275	7.52%
1,100,001	- 1,600,000	3	3,936,502	12.30%
23,100,001	- 23,600,000	1	23,405,198	73.14%
		306	32,000,000	100.00

## Categories of Shareholders As at December 31, 2009

Category No.	Categories of	Numbers of Share Held	Category wise No. of Shareholders	Category wise Share Held	Percentage %
1	Individuals		276	895,673	2.80%
2	Joint Stock Companies		12	4,298,020	13.43%
3	Banks		2	24,307,548	75.96%
4	Public Sector Companies and Corporations		1	525	0.00%
5	Leasing Companies		1	604,575	1.89%
6	National Investment Trust		1	1,230,477	3.85%
7	Insurance Companies		1	155,000	0.48%
8	Others		2	506,675	1.58%
9	Executives		3	1,500	0.00%
10	Directors, CEO and their spouses and minor children		7	7	0.00%
	Mr. Rashid Akhtar Chughtai	1			0%
	Mrs. Arjumand Qazi	1			0%
	Mr. Raheel Anjum	1			0%
	Mr. Naseer Durrani	1			0%
	Mr. Zubair Fareed Tufail	1			0%
	Mr. Ali A. Rahim	1			0%
	Mr. Masood A Naqi	1			0%
Total			306	32,000,000	100.00%



# Proxy Form

I/We \_\_\_\_\_  
of \_\_\_\_\_ (full address)  
being a member of SME Leasing Limited hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ (full address)  
or failing him/her \_\_\_\_\_  
of \_\_\_\_\_ (full address)  
as my / our Proxy to attend and vote for me / us and on my / our behalf at the 8th Annual General Meeting of the Company  
to be held on \_\_\_\_\_, 2010 and at any adjournment thereof.

Signed this \_\_\_\_\_ of \_\_\_\_\_ 2010.  
(day) (date, month)

Signature of Member: \_\_\_\_\_

Folio Number: \_\_\_\_\_

Number of shares held : \_\_\_\_\_

Witnesses:

1. \_\_\_\_\_
2. \_\_\_\_\_

Please affix  
Revenue Stamp  
of Rs. 5/-

Signature and Company Seal

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a Proxy to attend and vote instead of him / her.
2. The instrument appointing a Proxy shall be in writing under the hand of the appointer or of his / her attorney duly authorized in writing, if the appointer is a corporation, under its common seal or the hand of an officer or attorney duly authorized. A Proxy need not be a Member of the Company.
3. The instrument appointing a Proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Main Office of the Company at 2nd Floor, Tower-B, Finance & Trade Center, Shakra-e-Faisal, Karachi.
4. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his / her National Identity Card with him / her as proof of his / her identity, and in case of Proxy, must enclose an attested copy of his / her National Identity Card. Representative of corporate entity, shall submit Board of Directors resolutions / power of attorney with specimen signature (unless it has been provided earlier) along with proxy form of the Company.

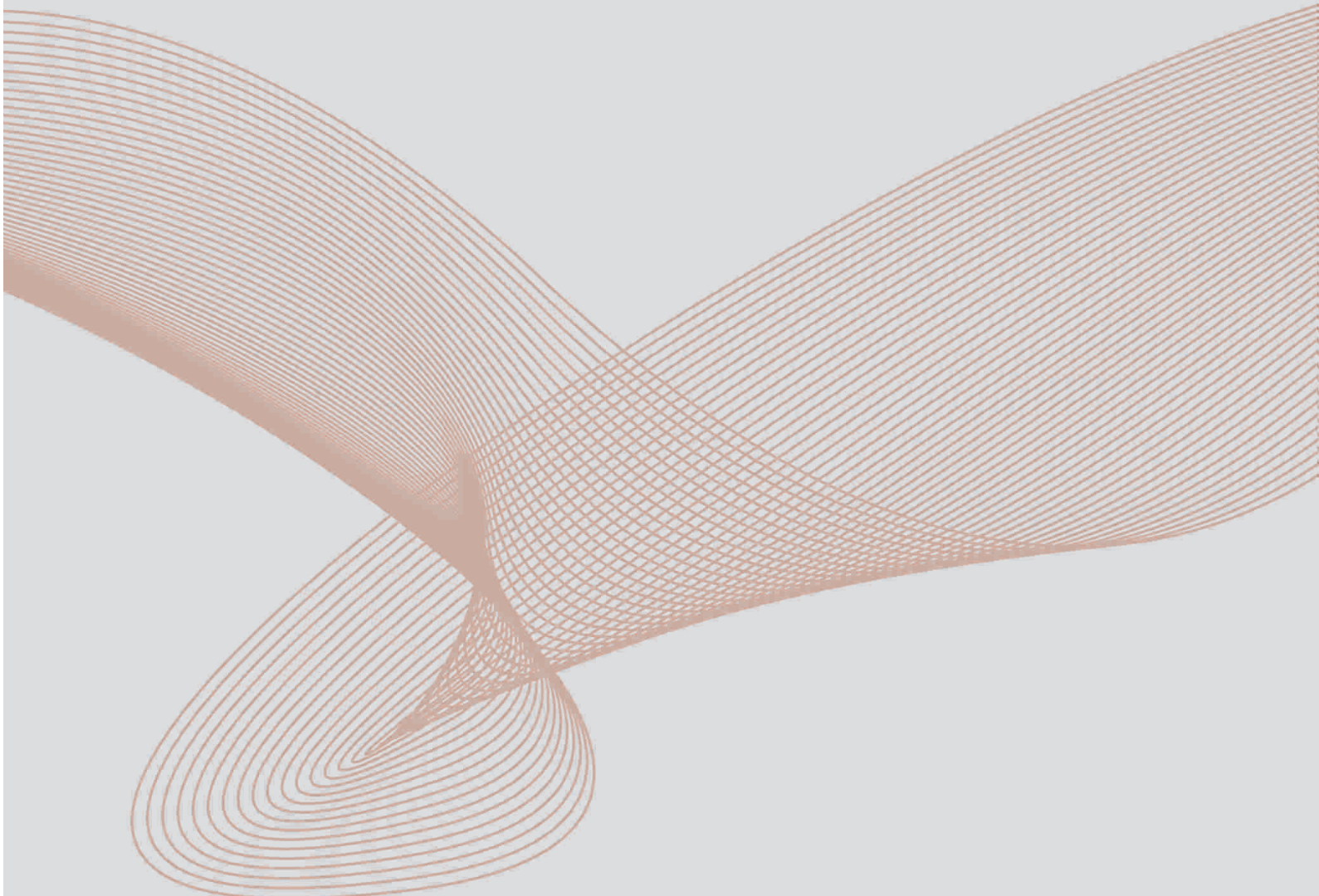


Affix  
Correct  
Postage

To:  
SME Leasing Limited  
2nd Floor, Tower "B",  
Finance & Trade Center, Shahra-e-Faisal, Karachi.  
Tel: (021) 99204751-53



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



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