

Annual Report '07

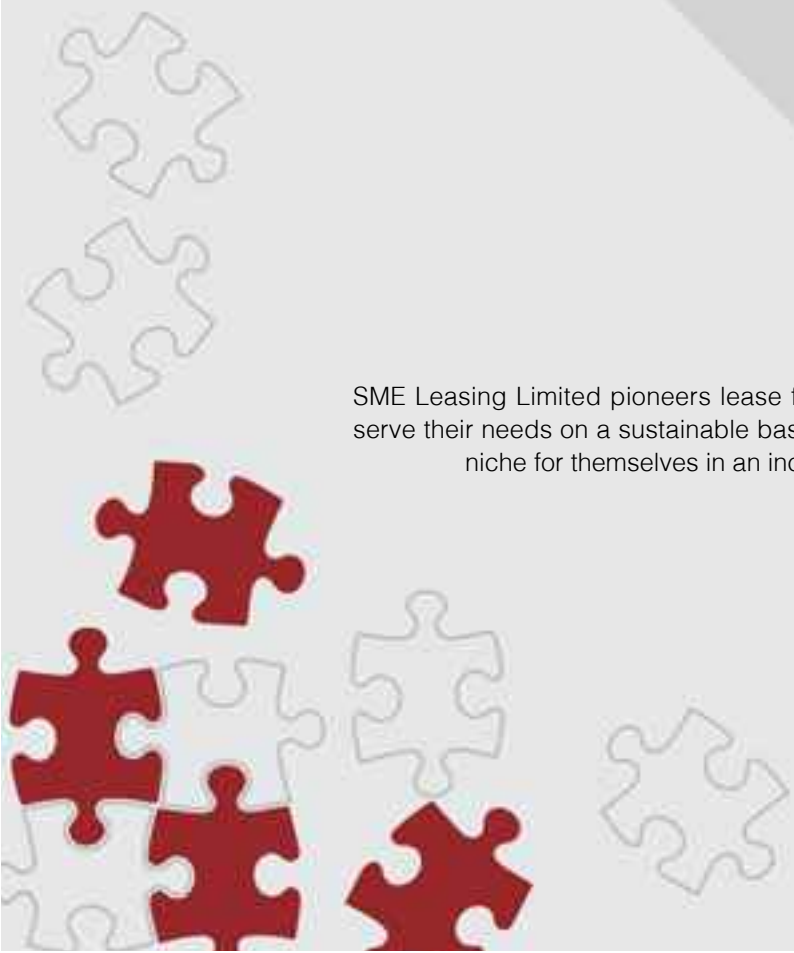


SME Leasing Limited
(A subsidiary of SME Bank Ltd.)

www.smelease.com

Strengthening **Enterprises**

SME Leasing Limited pioneers lease finance solutions for the SME sector to serve their needs on a sustainable basis to enable them to grow and create a niche for themselves in an increasingly competitive market.



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. S.M. Naseem
Chairman



Mr. R.A. Chughtai
Director



Mrs. Arjumand A. Qazi
Chief Executive Officer



Mr. M.A. Ghazali Marghoob
Director



Mr. Munawar Suleman
Director



Mr. Hussain Ahmed Ozgen
Director



Mr. M. Hashim Khan
Director

Corporate Information

www.smelease.com

BOARD OF DIRECTORS

Mr. S.M. Naseem	Chairman
Mr. R.A. Chughtai	Director
Mrs. Arjumand A. Qazi	Director/CEO
Mr. Munawar Suleman	Director
Mr. M. Hashim Khan	Director
Mr. M.A. Ghazali Marghoob	Director
Mr. Hussain Ahmed Ozgen	Director

AUDIT COMMITTEE

Mr. S.M. Naseem	(Non-Executive Director) Chairman
Mr. M.A. Ghazali Marghoob	(Non-Executive Director) Member
Mr. Munawar Suleman	(Non-Executive Director) Member
Mr. Tariq Siddiqui	Committee Secretary

EXECUTIVE CREDIT COMMITTEE

Mr. S.M. Naseem
Mrs. Arjumand A. Qazi
Mr. Tariq Siddiqui
Mr. Shaheen Akhtar

MANAGEMENT COMMITTEE

Mrs. Arjumand A. Qazi
Mr. Tanveer Ul Bari
Mr. Tariq Siddiqui
Mr. Shaheen Akhtar
Mr. Sarmad Aman

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), Shakra-e-Faisal, Karachi.
Phone: (021) 9204751-53 Fax: (021) 9204754

REGISTRAR AND SHARE TRANSFER OFFICE

Progressive Management Services (Pvt) Ltd.
10th Floor, Mehdi Towers, A-115, S.M.C.H.S.,
Shakra-e-Faisal, Karachi.
Phone : (021) 4526983-84
Fax : (021) 4526985

BANKS AND LENDING INSTITUTIONS

Allied Bank Limited
Askari Commercial Bank Limited
NIB Bank Limited
Emirates Global Islamic Bank Limited
Faysal Bank Limited
MCB Commercial Bank Limited
National Bank of Pakistan
Pak Oman Investment Co. Limited
Pak Libya Holding Co. (Pvt) Limited
Pak Kuwait Investment Co. (Pvt) Limited
Saudi Pak Commercial Bank Limited
Saudi Pak Ind. & Agri. Investment Co. Limited
United Bank Limited

BRANCHES

Karachi

Main Branch
2nd Floor, Tower "B",
Finance & Trade Center (FTC),
Shahra-e-Faisal.
Phone: 021-9204751-53
Fax: 021-9204754

F.B. Area Branch
Ground Floor,
Gulshan-e-Amin Plaza, Block-21, F.B. Area.
Phone: 021-6807584
Fax: 021-6806940

Hyderabad

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

Lahore

Gulberg Branch
13-L, Mini Market, Gulberg-III.
Phone: 042-5714499
Fax: 042-5714499

Ravi Road Branch
103, Battiwala Chowk, Ravi Raod.
Phone: 042-7705901
Fax: 042-7705901

Islamabad

Suite No. 13, 1st Floor,
Muhammadi Plaza,
Nazimuddin Road, Blue Area.
Phone: 051-9219261
Fax: 051-9205782

Sialkot

Small Industrial Estate
Uggoki Road, Shahabpura.
Phone: 051-9219261
Fax: 051-9205782

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

509/2, Ground Floor,
Station Road.
Phone: 0233-9290411
Fax: 0233-9290411

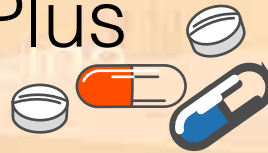




SME Leasing Limited
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SME

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.



Notice of the 6th Annual General Meeting

Notice is hereby given that the 6th Annual General Meeting of SME Leasing Limited (the Company) will be held on Wednesday, March 26, 2008, at Hotel Crown Plaza, 99-E, Jinnah Avenue, Blue Area, Islamabad to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting of the Company held on September 25, 2007.
2. To receive and consider the audited Financial Statements of the Company for the year ended December 31, 2007 together with the Directors' and Auditors' Report thereon.
3. To approve, as recommended by the Board of Directors, the payment of cash dividend to the shareholders at the rate of Re. 0.75 per share of Rs. 10/- each for the year ended December 31, 2007.
4. To appoint the auditors of the Company and fix their remuneration for the year ending December 31, 2008. The retiring auditors M/s. Anjum Asim Shahid Rahman, Chartered Accountants, being eligible, have offered themselves for re-appointment
5. To consider any other business with the permission of the Chair.

By Order of Board

Tanveer Ul Bari
Company Secretary

Karachi: March 05, 2008

Notes:

1. The Register of the members of the Company will remain closed from March 20, 2008 to March 26, 2008 (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 Center, 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 I.D. 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.

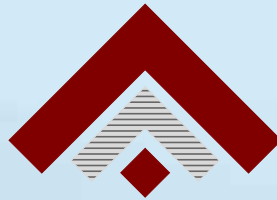


For appointing proxies.

- In case of individuals ,the account holder or sub-account holder and/or the person whose securities are in group account and their 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 Center, Shakra-e-Faisal, Karachi.







SME Leasing Limited
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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.

Directors' Report

The Board of Directors of SME Leasing Limited is pleased to present before you, the annual report 2007, together with the audited financial statements for the year ended December 31, 2007.

Financial Highlights

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

	2007 Rupees	2006 Rupees
Gross revenue	171,485,501	145,375,047
Operating profit	38,072,045	31,257,634
Provision	2,962,962	1,385,352
Profit before taxation	35,109,083	29,872,282
Taxation:		
- Current	2,790,598	2,439,563
- Deferred	1,651,616	3,332,876
	4,442,214	5,772,439
Profit after taxation	30,666,869	24,099,843
Earnings per share - basic and diluted	0.96	1.05

Subsequent Effect:

Proposed cash dividend @ 7.5% for December 31, 2007 Rs. 24,000,000.

Dividend

The Directors are pleased to recommend a cash dividend of 7.5% for the year ended December 31, 2007. (2006: Nil).

Review of Operations

Your company has further consolidated the past years' performance by continuing to focus on its core business activity. The company, pursuing its long-term strategic business policies, has achieved larger business volumes, higher operating profits and net profit as compared to last year. Gross revenue increased by 18% over that of last year. The pre-tax profit of the company increased from 29.872 m in 2006 to Rs. 35.109 m in 2007, an increase of 17.53% over last year. This has been achieved as a result of focused management strategies, effective utilization and control over resources.

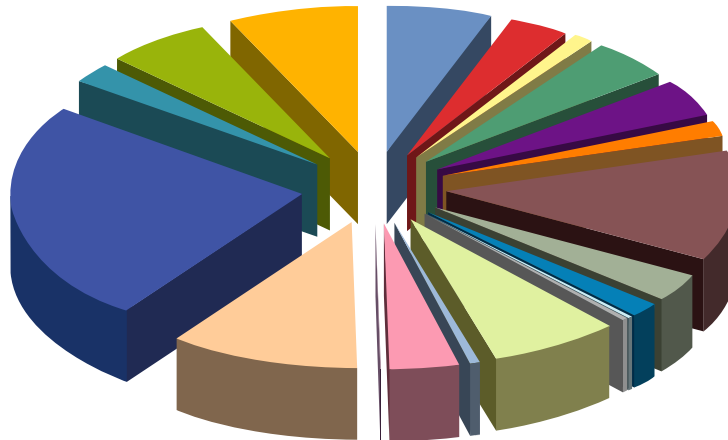
In line with its expansion plan, the company has set up a branch in Mirpurkhas during 2007 and is planning to further strengthen its outreach by setting up more branches in 2008.

During the next year the company will continue to make efforts to build a sound business portfolio while, at the same time, strictly monitor recoveries to produce even better results.



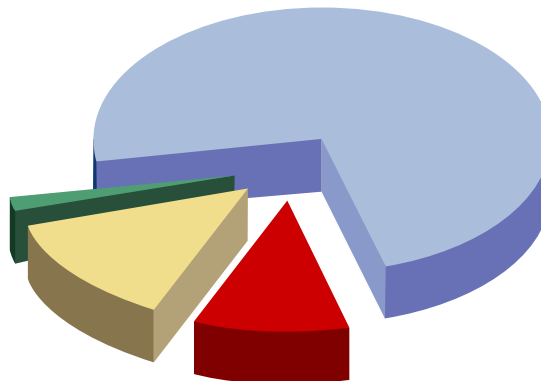


Portfolio as at December 31, 2007



Oil & Gas 24.39%	Rubber & Plastic 2.33%	Printing & Packaging 5.94%	Public Transport Services 7.14%	Cargo Carriers 5.79%
Chemicals & Pharma 3.46%	Communication 1.13%	Food & Beverages 4.37%	Construction & Building 4.25%	Education 1.67%
Miscellaneous 12.12%	Engineering 3.05%	Entertainment 1.57%	Fisheries 0.26%	Furniture 0.39%
Textile 7.27%	Jems & Jewellery 0.36%	Health Care 4.01%	Leather & Tannery 0.10%	Film Processing 10.39%

Categorywise Gross Lease Portfolio



Machinery 73.22%	Equipments 11.18%	Commercial Vehicles 13.81%	Non-commercial 1.79%
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Future Prospects:

There has been increased focus on the SME segment by a number of commercial banks resulting in increased competition. SME Leasing Limited being a brand leader has the edge of being first to the market with a head start of more than 5 years. As such the company is well-positioned to not only lead but guide the entrants to the segment with the expertise acquired in the field.

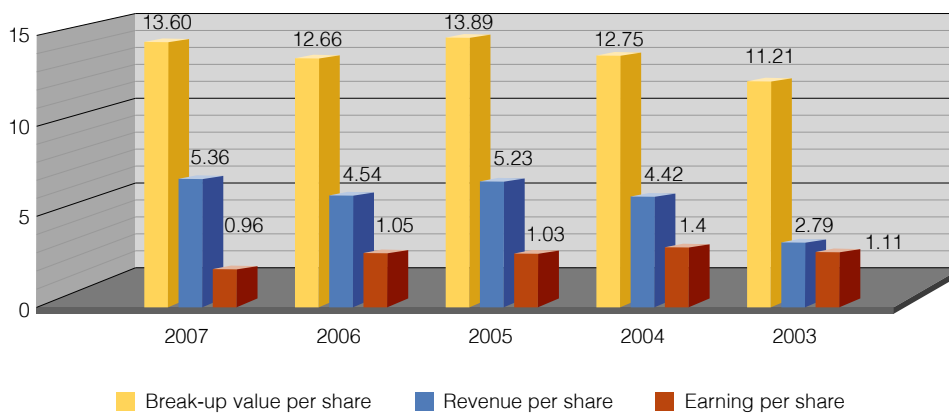
It is envisaged that the company will be able to offer a full suite of advisory on business services that are essential for the sustenance of the SME segment, thereby mitigating the risk of a competitive environment.

For the purpose, gradual capacity building has been initiated in terms of development and effective utilization of resources vis-à-vis human resources, infrastructure, branding, product development, outreach, etc.

Human Resources

Training and development of human resources through in-house orientation as well as local and foreign training programs is being implemented for capacity building of human resources. A business research and development unit is being set up at the Main Office to broaden the portfolio base after well-informed research to increase sectors, thereby improving revenue. It is further envisaged that the trained manpower will be able to conduct in-house workshops to assist the SME sector clients in achieving better results with their business.

Key Ratios



Infrastructure and Outreach

To establish the brand identity, your company will further expand its outreach by setting up new branches in different cities, based on research into potential areas and sectors. The existing branch network will be further strengthened to promote brand equity.

Portfolio Base

The company had applied for a license for Housing Finance with the Securities & Exchange Corporation of Pakistan (SECP), to introduce Housing Finance as an addition to its portfolio base. However, in the last quarter of 2007, a revision in the NBFC's Regulations was introduced that has raised the initial capital requirement from Rs. 100 m to Rs. 700 for Housing Finance license for which the company is reworking its resource base. Nevertheless, the same revised NBFC Regulations have enabled the leasing companies to finance commercial properties. As such, the portfolio base is expected to include financing of commercial properties vis-à-vis, shops, factory premises, other properties of commercial nature, that can add productive immovable assets to the client's business.





Product Base

In addition to the existing product base the company intends to add new products that will cater to the several needs of the growing SME segment. As an important participant of the economic activity, women owned enterprises will be given additional focus to facilitate their need of access to finance.

PPTFC Issue

In order to achieve the increased disbursement targets for the year 2008, the company has floated a Privately Placed Term Finance (PPTFC) Issue of Rs. 1,000 m. The mandate for the PPTFC issue has been assigned to UBL as lead arrangers and advisers. The purpose of the PPTFC issue is mainly to finance the 2008 disbursements and secondly to reduce borrowing costs which is now possible after attaining a Credit Rating of A- (A minus).

Certificates of Investment

The company was granted permission by the Securities & Exchange Commission of Pakistan (SECP) to raise deposit through issuance of Certificates of Investment (COIs) in the last quarter of 2007. Issuance of COIs will not only enable the company to mobilize matching resources at lower cost but also provide an avenue for small savings for the clientele of SMEL.

Capital Markets Operations

In order to augment revenue streams, the company will be initiating capital markets operations, in a phased manner. Prudent and sound set of policies have been developed keeping in view the economic conditions, market trend, fundamental strengths of the scrips and best practices of security analysis. This is expected to provide diversification of revenue generating avenues and is likely to make a positive contribution towards the shareholders equity.

Nevertheless, the core business activity i.e. leasing to SME sector, will continue to be the main revenue stream.

Board of Directors

During the year, significant changes occurred on the Board, as Mr. Mansur Khan, Chairman of the Board, and Mr. Munawar Suleman, Chief Executive Officer resigned from their respective offices. The Board has appointed Mr. S.M. Naseem, Mrs. Arjumand A. Qazi and Mr. R.A. Chughtai, as the new Chairman, Chief Executive Officer and Director of the Company, respectively.

Corporate Governance

The Board of Directors acknowledges its responsibility for implementing and up holding highest standards of Corporate Governance, as such, during the year, the company voluntarily carried out a review of its Corporate Governance structure through the International Finance Corporation (IFC). The recommendations of the IFC are in the process of implementation. The company has implemented the provisions of the Code of Corporate Governance. Review report on compliance with best practice of the Code of Corporate Governance by the statutory auditors is annexed with the report.

Statement of Corporate Governance:

The Directors are pleased to state that:

- 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, 2007 are stated in the Director's Report;
- ix) Key operating and financial data for the last four years in summarized form is included in the annual report.
- x) The value of investments of recognized provident fund as at December 31, 2007 was Rs. 3.6 m (un-audited) and as at December 31, 2006 was Rs. 2.6 (un-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.

Board Meetings

During the year 2007, five meetings of the Board of Directors were held that were attended as follows:

Names of Directors	Meetings Attended
Mr. S.M. Naseem	5
Mr. R.A. Chughtai	3
Mrs. Arjumand A. Qazi	5
Mr. M.A. Ghazali Marghoob	5
Mr. Munawar Suleman	5
Mr. M. Hashim Khan	4
Mr. Hussain Ahmed Ozgen	4
Mr. Mansur Khan	1

Credit Rating

The Board of Directors is very pleased to report that based on the performance of your company in 2006, the rating agency, JCR-VIS, upgraded the company's medium to long-term rating from BBB+ (triple B plus) to A- (Single A minus) and has maintained the short-term rating of A-2 (A -Two) with stable outlook. This is an acknowledgement of the efforts made by the management and employees of SME Leasing Limited in improving its business.

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 them for re-appointment for the year ending December 31, 2008. 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 2008.

Pattern of Shareholding

The pattern of shareholding of the company as on December 31, 2007 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 financial institutions for their continued support and professional guidance, and the Shareholders for the trust and confidence reposed in us.

We also would like to place on record, our thanks and appreciation to the staff for their commitment and dedication which has contributed towards strengthening of the organization and achievement of the results presented in the annexed financial statements.

On behalf of Board of Directors,

S.M. Naseem
Chairman

Karachi: February 14, 2008





Financial Highlights

Balance Sheet	2007	2006	2005	2004	2003
Paid-up Capital	320,000	320,000	200,000	200,000	200,000
Total Equity	435,240	404,986	277,833	255,097	224,231
Gross Lease Receivable	2,028,244	1,700,313	1,370,727	1,027,253	740,014
Net Investment in Lease	1,776,790	1,488,228	1,196,199	889,288	606,578
Long-term Liabilities	921,757	688,594	561,879	430,850	239,879
Current Liabilities	559,872	521,202	453,588	274,548	210,206
Current Assets	655,929	524,256	409,561	347,301	209,842
Total Assets	1,916,870	1,614,782	1,293,300	960,495	674,316

Income Statement	2007	2006	2005	2004	2003
Lease Income	170,083	144,168	103,325	88,118	55,762
Total Revenue	171,486	145,375	104,599	88,370	55,889
Financial Charges	86,333	73,875	50,018	25,693	7,476
Administrative Expenses	47,081	40,243	32,579	27,008	18,541
Total Expenses	133,413	114,118	82,597	52,701	26,017
Provisions	2,963	1,385	603	120	878
Profit Before Taxation	35,109	29,872	21,399	35,549	28,994
Profit After Taxation	30,667	24,100	22,735	30,866	24,509

Financial Indicators	2007	2006	2005	2004	2003
Break-up Value (Rs. per share)	13.60	12.66	13.89	12.75	11.21
Current Ratio (X)	1.17	1.01	0.90	1.26	1.00
Debt-Equity Ratio (Times)	1.69	1.54	2.15	1.68	1.28
Earning Per Share (Rs.)	0.96	1.05	1.03	1.40	1.11
Financial Charges to Total Expenses (%)	64.71	64.74	60.56	48.75	28.74
Financial Charges to Total Revenue (%)	50.34	50.82	47.82	29.07	13.38
Income Expense Ratio (Times)	1.27	1.26	1.25	1.67	2.14
Net Profit Margin (%)	17.88	16.58	21.74	34.93	43.85
Return on Average Assets/Fix Assets Turnover (%)	1.74	1.66	2.02	3.78	3.63
Return on Average Equity (%)	7.30	7.06	8.53	12.88	10.93
Return to Shareholders (%)	7.5*	-	10.00	-	-
Revenue Per Share (Rs.)	5.36	4.54	5.23	4.42	2.79

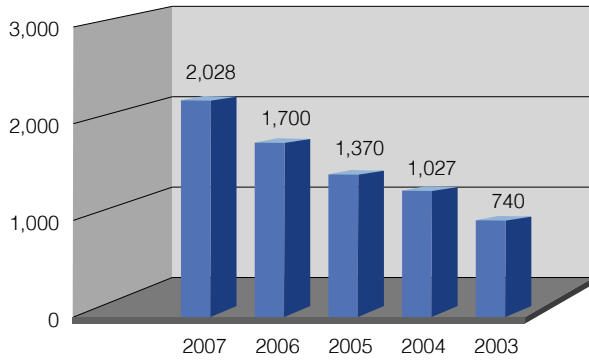
* Include cash and bonus issue





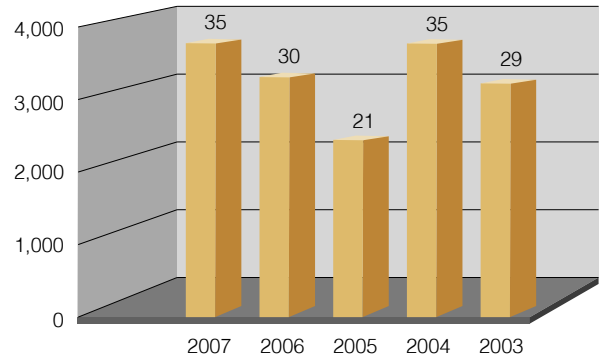
Gross Lease Receivables

(Figures in PKR mn)



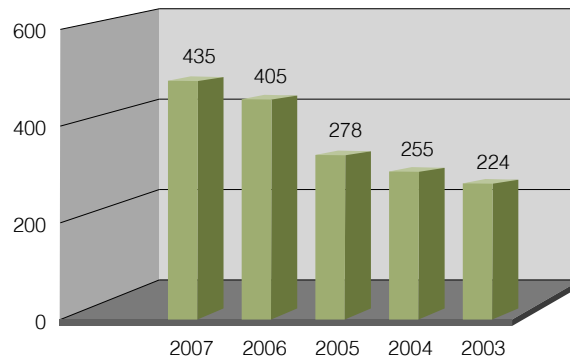
Profit before Taxation

(Figures in PKR mn)



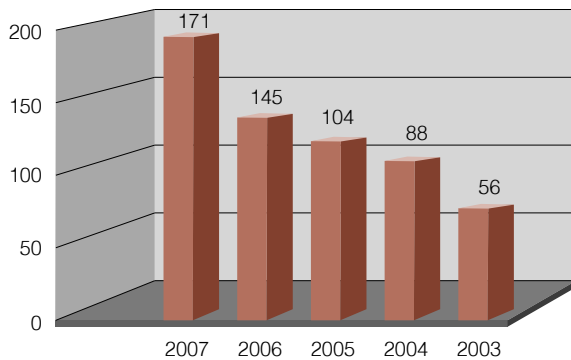
Shareholders' Equity

(Figures in PKR mn)



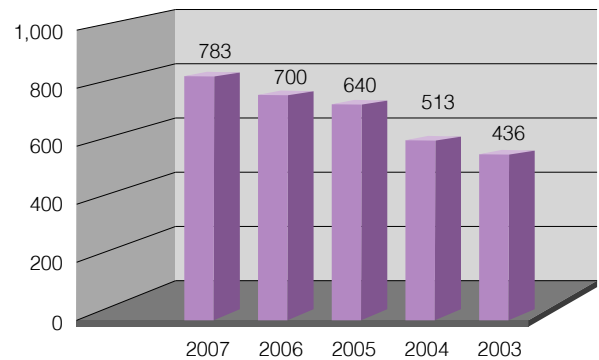
Total Revenues

(Figures in PKR mn)



Total Disbursements

(Figures in PKR mn)





Statement of Value Added

	2007 Rupees	%	2006 Rupees	%
Revenue from Operations	170,082,728		144,167,976	
Other Income	1,402,773		1,207,071	
	171,485,501		145,375,047	
Financial Charges	86,332,856		73,874,619	
Administrative & Operating Expenses	16,901,358		15,333,635	
Provisions	2,962,962		1,385,352	
	106,197,176		90,593,606	
Value Added	65,288,325	100	54,781,441	100
Distributed as follows:				
To Employees:				
As Remuneration	27,713,730	42	22,459,920	41
To Government				
As taxation, current	2,790,598		2,439,563	
As taxation, deferred	1,651,616		3,332,876	
	4,442,214	7	5,772,439	11
To Retain in the Business				
As transferred to statutory reserve	6,133,374	9	4,819,969	9
As transferred to reserve against future losses	1,148,717	2	1,523,472	3
As reserved and retained profits	23,384,778	36	17,756,402	32
As depreciation	2,465,512	4	2,449,239	4
Rupees	65,288,325	100	54,781,441	100






Review Report to the Members

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

Anjum Asim Shahid Rahman
Chartered Accountants

Grant Thornton 

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2007 prepared by the Board of Directors of SME Leasing Limited (the Company) to comply with Chapter XIII of the Listing Regulations 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 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and effectiveness of such internal controls.

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, 2007.

Date: February 14, 2008

Anjum Asim Shahid Rahman

Anjum Asim Shahid Rahman
Chartered Accountants
Karachi

1st & 3rd Floor, Modern Motors House
Beaumont Road, Karachi 75530
T : (92-21) 5672951-56
F : (92-21) 5688834
W : www.gt.org

Other offices: Islamabad, Lahore.
Member of Grant Thornton International







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

SME

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.



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. No casual vacancy occurred in the Board during the year;
5. The Board of Directors have approved a "Statement of Ethics and Business Practices" in its meeting held subsequent to the year end, 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, including the remuneration and terms and conditions of employment, as recommended by the Chief Executive Officer;
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;
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.


Arjumand A. Qazi
Chief Executive Officer

Karachi – February 14, 2008





Auditors' Report to the Members

Grant Thornton 

Anjum Asim Shahid Rahman
Chartered Accountants

We have audited the annexed balance sheet of SME Leasing Limited as at December 31, 2007 and the related profit and loss account, cash flow statement 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. The financial statements for the year ended December 31, 2006 were audited by another firm of chartered accountants who had expressed an unqualified opinion on those financial statements through their report dated March 06, 2007.

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 conduct 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;
 - 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, cash flow statement 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, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Date: February 14, 2008



Anjum Asim Shahid Rahman
Chartered Accountants
Karachi

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Member of Grant Thornton International







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

SME

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.



Balance Sheet

as at December 31, 2007

	Note	2007 Rupees	2006 Rupees
ASSETS			
Current assets			
Cash and bank balances	3	23,704,847	14,049,475
Mark-up accrued	4	2,248,669	1,428,448
Loans and advances	6	1,930,106	1,087,776
Deposits, prepayments and other receivables	7	5,030,721	3,857,171
Investments - available for sale	8	2,087,500	2,500,000
Current maturity of loans and receivables	5	51,085,311	53,711,101
Current maturity of net investment in leases	9	569,842,136	448,156,994
Total current assets		655,929,290	524,790,965
Non-current assets			
Loans and receivables	5	33,510,480	27,304,252
Net investment in leases	9	1,206,948,281	1,040,070,978
Long-term loans	10	8,390,719	10,078,867
Long-term deposits and prepayments	11	851,675	745,689
Property and equipment	12	11,239,509	12,326,667
		1,260,940,664	1,090,526,453
Total assets		1,916,869,954	1,615,317,418
LIABILITIES			
Current liabilities			
Trade and others payable	13	20,987,695	21,956,003
Mark-up accrued	14	11,875,596	13,618,808
Short-term borrowings	15	8,556,259	103,881,801
Current maturity of long-term finances	16	300,588,787	251,909,396
Current maturity of liabilities against assets subject to finance lease	17	1,495,552	1,981,723
Current maturity of long-term deposits	18	207,124,430	121,809,821
Provision for compensated absences		474,985	511,879
Taxation payable		8,769,151	6,068,025
Total current liabilities		559,872,455	521,737,456
Non-current liabilities			
Long-term finance	16	423,592,687	263,496,782
Liabilities against assets subject to finance lease	17	1,437,186	2,220,381
Long-term deposits	18	485,454,207	413,417,619
Deferred liabilities	19	11,273,363	9,459,493
		921,757,443	688,594,275
Total liabilities		1,481,629,898	1,210,331,731
NET ASSETS		435,240,056	404,985,687
FINANCED BY			
Authorized share capital 50,000,000 (2006: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	20	320,000,000	320,000,000
Reserves	21	115,240,056	84,985,687
Total shareholder equity		435,240,056	404,985,687
Contingencies and commitments	22		

The annexed notes 1 to 42 form an integral part of these financial statements.

S.M. Naseem
Chairman

Arjumand A. Qazi
Chief Executive Officer





Profit and Loss Account

as at December 31, 2007

	Note	2007 Rupees	2006 Rupees
REVENUE			
Income from operations	23	170,082,728	144,167,976
Other operating income	24	1,402,773	1,207,071
Total revenue		171,485,501	145,375,047
EXPENSES			
Administrative	25	46,856,494	38,730,447
Finance cost	27	86,332,856	73,874,619
Other operating expenses	28	224,106	1,512,347
Total expenses		133,413,456	114,117,413
Operating profit before provisions		38,072,045	31,257,634
PROVISIONS			
Provision for potential lease losses	9.5	2,765,434	1,315,537
Provision for loans and receivables	5.2	197,528	69,815
Total provisions		2,962,962	1,385,352
Profit before income tax expense		35,109,083	29,872,282
Income tax expense	29		
Current		2,790,598	2,439,563
Deferred		1,651,616	3,332,876
		4,442,214	5,772,439
Profit for the year		30,666,869	24,099,843
Earnings per share - basic and diluted		0.96	1.05

The annexed notes 1 to 42 form an integral part of these financial statements.

S.M. Naseem
Chairman

Arjumand A. Qazi
Chief Executive Officer





Cash Flow Statement for the year ended December 31, 2007

	Note	2007 Rupees	2006 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	31	122,153,190	117,607,719
(Increase) in net investment in leases		(291,327,879)	(293,343,961)
(Increase) in loans and receivables		(3,777,966)	(26,713,071)
Mark-up paid		(84,562,402)	(64,206,161)
Mark-up received on loans to employees		589,545	458,052
Mark-up received		69,869	70,648
Financial charges paid		(1,179,042)	(1,833,629)
Gratuity paid		(1,731,183)	(197,888)
Taxes paid		(89,472)	(63,746)
Long-term deposits received		157,351,197	143,722,955
		(224,657,333)	(242,106,801)
Net cash used in operating activities		(102,504,143)	(124,499,082)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure	12	(1,153,261)	(1,350,454)
Proceeds from disposal of property and equipment	12.1	446,116	316,600
(Increase)/Decrease in long-term loans and advances		1,688,148	(2,308,010)
(Increase) in investments		-	(2,500,000)
(Increase) in long-term deposits and prepayments		(105,986)	(59,188)
Net cash from/(used-in) investing activities		875,017	(5,901,052)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in long-term finance		208,775,296	18,971,919
Issue of shares for cash		-	110,000,000
Share issue expenses paid		-	(6,946,825)
Lease rentals paid		(2,165,256)	(1,824,982)
Net cash from financing activities		206,610,040	120,200,112
Net increase/(decrease) in cash and cash equivalents		104,980,914	(10,200,022)
Cash and cash equivalents at beginning of the year	32	(89,832,326)	(79,632,304)
Cash and cash equivalents at end of the year	32	15,148,588	(89,832,326)

The annexed notes 1 to 42 form an integral part of these financial statements.

S.M. Naseem
Chairman

Arjumand A. Qazi
Chief Executive Officer





Statement of Changes in Equity for the year ended December 31, 2007

	Capital reserves				Revenue reserves		
	Issued, subscribed and paid-up capital	Share premium	Statutory reserve	Reserve against future losses	Un-appropriated profit	Deficit on revaluation of available for sale investments	Total shareholder equity
	Rupees						
Balance as at January 1, 2006	200,000,000	-	15,523,751	5,682,577	56,626,341	-	277,832,669
Changes in equity for the year ended December 31, 2006							
Issue of bonus shares	20,000,000	-	-	-	(20,000,000)	-	-
Issue of shares for cash	100,000,000	10,000,000	-	-	-	-	110,000,000
Share issue expenses*	-	-	-	-	(6,946,825)	-	(6,946,825)
Profit for the year	-	-	-	-	24,099,843	-	24,099,843
Transferred to statutory reserve	-	-	4,819,969	-	(4,819,969)	-	-
Transferred to reserve against future losses	-	-	-	1,523,472	(1,523,472)	-	-
Balance as at December 31, 2006-carried forward	320,000,000	10,000,000	20,343,720	7,206,049	47,435,918	-	404,985,687
Changes in equity for the year ended December 31, 2007							
Unrealized loss on re-measurement of available for sale investment	-	-	-	-	-	(412,500)	(412,500)
Net income/expense directly recognized in equity	-	-	-	-	-	(412,500)	(412,500)
Profit for the year	-	-	-	-	30,666,869	-	30,666,869
Transferred to statutory reserve	-	-	6,133,374	-	(6,133,374)	-	-
Transferred to reserve against future losses	-	-	-	1,148,717	(1,148,717)	-	-
Balance as at December 31, 2007	320,000,000	10,000,000	26,477,094	8,354,766	70,820,696	(412,500)	435,240,056

* Transaction cost incurred in connection with the issue of shares have been accounted for as a deduction from equity, in accordance with the requirement of International Accounting Standard (IAS)-32 : 'Financial Instrument: Disclosure and Presentation'.

The annexed notes 1 to 42 form an integral part of these financial statements.

S.M. Naseem
Chairman

Arjumand A. Qazi
Chief Executive Officer





1. THE COMPANY AND ITS OPERATIONS

SME Leasing Limited was incorporated in Pakistan on July 12, 2002 as an unlisted public company and acquired the status of a listed company on December 13, 2006. The company is a subsidiary of SME Bank Limited, who holds 73.14% (2006: 73.14%) of the shareholding of the company. At the time of incorporation, the company was a wholly owned subsidiary of SME Bank Limited, whereby under an arrangement the assets and liabilities of the leasing division of SME Bank Limited were transferred to the company on January 28, 2003. The company is listed on Lahore Stock Exchange and its registered office is situated at 40 Jang Building, A.K. Fazal-ul-Haq Road, Blue Area, Islamabad. The core objective of the company is to extend lease and working capital financing facilities to small and medium enterprises of the country.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Prudential Regulations for Non-Banking Finance Companies (Prudential Regulations) and Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC and Notified Entities Regulations, 2007). Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, NBFC Rules, Prudential Regulations, NBFC and Notified Entities Regulations, 2007 shall prevail.

- (b) The company provides for impairment in the carrying value of its net investment in finance lease based on the requirements laid down in the Prudential Regulations.
- (c) Following standards and interpretations have been issued but are not effective. Consequently respective requirements have not been followed while preparing these financial statements.

Pronouncement		Latest effective date - reporting periods starting on or later than
Amendments to IAS 23 Borrowing Costs	IAS 23	January 01, 2009
Operating Segments	IFRS 8	January 01, 2009
Service Concession Arrangements	IFRIC 12	January 01, 2008
Customer Loyalty Programs	IFRIC 13	July 01, 2008
IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	IFRIC 14	January 01, 2008

Above standards and interpretations are not expected to materially affect the financial statements.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

- i) provision against loans and receivables (note 5.2)
- ii) provision for potential lease losses (note 9.5)
- iii) staff retirement benefits schemes (note 26)
- iv) property and equipment (depreciation/amortization) (note 12)





2.3 Accounting convention

These financial statements have been prepared under the 'historical cost convention' except certain financial assets (refer note 2.13 and 8 and liabilities which have been stated fair value or amortized cost. Staff retirement benefits have been stated at present value (refer note 2.4 and 26).

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

2.4 Employee 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.

Defined benefit plan

The company operates an unapproved and unfunded gratuity scheme for all its permanent employees who complete the prescribed eligibility period of service. Provision is made annually to meet the cost of such gratuity benefits on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. The actuarial gains and losses arising at each valuation date are recognized as income or expense immediately.

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.

2.5 Net investment in finance lease

Leases where the company transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments, including guaranteed residual value, if any.

2.6 Loans and receivables

Loans and receivables are stated at amortized cost less provision, if any, for doubtful loans and receivables.

2.7 Provision for potential lease losses and provision for doubtful loans and receivables

Provisions for potential lease losses and doubtful loans and receivables are determined on the basis of Prudential Regulations for Non-Banking Finance Companies issued by the Securities and Exchange Commission of Pakistan.

2.8 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 the reduction of such amounts result in an increase in unappropriated profit and are not included in the determination of profit or 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.

2.9 Other provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it 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.

2.10 Taxation

Current

Income for the purpose of computing current taxation is determined under the provisions of the prevalent income tax law, whereby lease rentals receivable for a year are deemed to be income. Provision for taxation is thus based on





taxable income at the current rates of taxation, or minimum tax determined in accordance with the requirements of the Income Tax Ordinance, 2001, as applicable.

Deferred

The company accounts for deferred taxation using the balance sheet liability method on temporary differences arising from using the different methods in the recognition of lease income for tax purposes and accounting purposes as well as for all other significant temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the company also recognizes deferred tax asset on unused tax losses (including unabsorbed depreciation) to the extent that they will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.11 Revenue recognition

- The company follows the finance method in accounting for lease income. Under this method the unearned lease income i.e. the excess of aggregate lease rentals plus the estimated residual value over the cost of leased assets is taken to income over the term of the lease, so as to produce a systematic return on the net investment in lease.
- Income on loans and receivables is accounted for on accrual basis using the effective interest method.
- Unrealized lease income and unrealized income on loans and receivables is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations for Non-Banking Finance Companies.
- Profit on bank deposits 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.

2.12 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 12 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 fixed assets 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.

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

Intangible

Costs that are clearly associated with an identifiable asset which has a probable benefit beyond one year are recognized as intangible assets.

Intangible assets which have a definite useful life are amortized using the straight-line method over their estimated useful lives.

2.13 Investments

All purchases and sales of investments 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 an 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. As at December 31, 2007, investments of the company are categorized as 'available for sale'.





Available for sales investments are those investments that are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in equity prices. These investments are initially recognized at cost which includes transaction costs associated with the investment. Subsequent to initial measurement, 'available for sale' investments are revalued and remeasured to fair value. Net gains or losses arising on changes in fair values are taken to equity until these are derecognized, at which time the cumulative gain or loss previously recognized in equity is taken to profit and loss account.

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 equity is removed from equity 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.

All investments are derecognized 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.

2.14 Impairment

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment on any asset or group of asset. If any such indication exists, the assets' recoverable amount is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

2.15 Cash and cash equivalents

Cash and cash equivalents carried in the balance sheet include cash in hand and balances with banks in current and saving accounts. For the purpose of cash flow statement, cash and cash equivalent comprise cash in hand and balances with banks (including running finance).

2.16 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.

2.17 Financial assets and financial liabilities

Financial assets carried on the balance sheet include net investment in leases, loans and receivables, investments, loans and advances, accrued mark-up, cash and bank balances, deposits and certain other receivables. Financial liabilities carried on the balance sheet include borrowings including Murabah and Musharika, deposits, liabilities against assets subject to finance lease, accrued mark-up and certain other liabilities.

At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Transaction costs are included in the initial measurement of all financial assets and financial liabilities. The particular recognition method adopted for measurement of financial assets and financial liabilities subsequent to initial recognition are disclosed in the policy statements associated with each item.

At the time of initial recognition i.e. at the time when the company becomes a party to the contractual provisions of the instrument, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it following trade date accounting. 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 are derecognized when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized only when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.





Notes to the Financial Statement for the year ended December 31, 2007

2.18 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.

2.19 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.

2.20 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the company to do so.

2.21 General

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

	Note	2007 Rupees	2006 Rupees
3. CASH AND BANK BALANCES			
With State Bank of Pakistan in current account		30,411	9,828
With banks:			
in current accounts		16,326,422	11,215,152
in saving accounts	3.1	7,301,002	2,782,983
Cash in hand		47,012	41,512
		<u>23,704,847</u>	<u>14,049,475</u>

3.1 Return on saving accounts is earned at rates ranging from 0.1 percent to 8.5 percent (2006: 0.1 percent to 5 percent) per annum.

	Note	2007 Rupees	2006 Rupees
4. MARK-UP ACCRUED			
Accrued mark-up on:			
loans to employees		13,324	13,544
loans and receivables		2,235,345	1,414,904
		<u>2,248,669</u>	<u>1,428,448</u>

4.1 Accrued mark-up on loans to employees includes an amount of Rs. 5,143 (2006: Rs. 5,143) that is receivable from key management personnel (related parties).

	Note	2007 Rupees	2006 Rupees
5. LOANS AND RECEIVABLES - Secured			
Loans to customers - considered good	5.1	76,001,227	73,018,759
Loans to customers - considered doubtful		8,861,907	8,066,409
Less: Provision for doubtful loans and receivables	5.2	267,343	69,815
		<u>84,595,791</u>	<u>79,994,353</u>
Less: Current maturity of loans and receivables		51,085,311	81,015,353
		<u>33,510,480</u>	<u>53,711,101</u>
			<u>27,304,252</u>





Notes to the Financial Statement for the year ended December 31, 2007

5.1 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 17.35 percent to 23.05 percent (2006: 17 percent to 24 percent) per annum.

5.2 Provision for doubtful loans and receivables

Opening balance
Charge for the year
Reversal during the year
Net charge/reversal
Balance at the end of the year

**2007
Rupees** 2006
Rupees

	69,815	-
	222,528	69,815
	(25,000)	-
	197,528	69,815
	267,343	69,815

Note

**2007
Rupees** 2006
Rupees

6. LOANS AND ADVANCES - considered good

Current maturity of long-term loans to:

- chief executive - related party 10
- executives - related parties 10
- employees 10

-	94,289
247,906	102,275
584,010	612,325
831,916	808,889

Advances to:

- executives - related parties
- employees
- suppliers
- others

120,664	93,600
172,613	184,347
50,490	-
4,423	940

Arrangement fee against issuance of TFCs

348,190	278,887
750,000	-
1,930,106	1,087,776

7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposits
Prepayments
Receivable from provident fund
Others

236,500	240,800
1,834,228	2,050,953
1,621,244	161,801
1,338,749	1,403,617
5,030,721	3,857,171

The maximum aggregate amount of advances due from the executive at the end of any month during the year was Rs. 343,900 (2006: Rs. 139,950).

Number of Certificates

8. INVESTMENTS - available for sale

Number of certificates held (face value per unit: Rs. 10)

250,000	250,000
----------------	---------

Cost of purchase
Unrealized loss
Fair value at the end of the year

2,500,000	2,500,000
(412,500)	-
2,087,500	2,500,000

Units of NAMCO Balanced Fund - closed end mutual fund





Notes to the Financial Statement for the year ended December 31, 2007

	Note	2007 Rupees	2006 Rupees
9. NET INVESTMENT IN LEASES			
Minimum lease payments receivable	9.2	1,335,665,852	1,165,085,573
Add: Residual value of leased assets		692,578,637	535,227,440
Lease contract receivable	9.3	2,028,244,489	1,700,313,013
Less: Unearned lease income		245,772,640	209,169,043
Less: Provision for potential lease losses	9.5	5,681,432	2,915,998
		251,454,072	212,085,041
Net investment in leases	9.4	1,776,790,417	1,488,227,972
Less: Current maturity of net investment in leases		569,842,136	448,156,994
Net investment in leases		1,206,948,281	1,040,070,978

9.1 The Internal Rate of Return (IRR) on lease contract receivable ranges from 13.49 percent to 24.1 percent (2006: 13.5 percent to 25.07 percent) per annum.

	2007 Rupees	2006 Rupees
9.2 Minimum lease payments receivable		
Less than one year	744,839,531	593,058,999
More than one year and less than five years	590,826,321	572,026,574
	1,335,665,852	1,165,085,573
9.3 Lease contract receivable		
Less than one year	951,963,961	714,868,820
More than one year and less than five years	1,076,280,528	985,444,193
	2,028,244,489	1,700,313,013
9.4 Net investment in leases		
Less than one year	569,842,136	448,156,994
More than one year and less than five years	1,206,948,281	1,040,070,978
	1,776,790,417	1,488,227,972
9.5 Provision for potential lease losses		
Opening balance	2,915,998	1,600,461
Charge for the year	4,765,965	2,219,563
Reversal during the year	(2,000,531)	(904,026)
Balance at the end of the year	5,681,432	2,915,998

10. LONG-TERM LOANS - considered good

Due from chief executive - related party	-	2,004,315
Less: Receivable within one year	-	(94,289)
	-	1,910,026
Due from executives - related party	4,523,727	2,784,883
Less: Receivable within one year	(247,906)	(102,275)
	4,275,821	2,682,608
Due from employees	4,698,908	6,098,558
Less: Receivable within one year	(584,010)	(612,325)
	4,114,898	5,486,233
	8,390,719	10,078,867





Notes to the Financial Statement for the year ended December 31, 2007

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

	Chief Executive		Executives	
	2007	2006	2007	2006
	Rupees			
Opening balance as at January 1	2,004,315	2,093,987	2,784,883	2,882,181
Disbursements	-	-	3,271,910	-
Repayments	(2,004,315)	(89,672)	(1,533,070)	(97,298)
Closing balance as at December 31	-	2,004,315	4,523,723	2,784,883

10.2 These represent loans given to executives and employees for purchase of motor vehicles and housing loans. These loans are recovered through deduction from salaries over varying periods up to a maximum period of 20 years. These loans 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 favor of the company. Motor vehicle loans carry mark-up at 7 percent per annum while the housing loans carry mark-up at 5 percent per annum.

10.3 The maximum aggregate amount of loans due from the chief executive and executives at the end of any month during the year was Rs. 2,004,315 and Rs. 2,784,883 (2006: Rs. 2,086,682 and Rs. 2,874,257) respectively.

11. LONG-TERM DEPOSITS AND PREPAYMENTS

	2007 Rupees	2006 Rupees
Security deposits against assets acquired under lease arrangements	507,500	492,400
Other deposits	261,421	212,200
Prepayments	82,754	41,089
	851,675	745,689





Notes to the Financial Statement for the year ended December 31, 2007

12. PROPERTY AND EQUIPMENT

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

	Owned assets							Leased assets		
	Tangible						Intangible	Motor vehicles	Total	
	Office premises	Building improvements	Furniture and fixtures	Office equipment & others	Computers	Vehicles	Total Tangible Assets			Computer Software
	Rupees									
As at January 1, 2006										
Cost	4,954,190	1,424,244	1,233,294	571,154	1,045,087	974,911	10,202,880	303,000	4,990,659	15,496,539
Accumulated depreciation/amortization	(87,251)	(1,050,369)	(499,081)	(138,915)	(659,166)	(235,843)	(2,670,625)	(200,136)	(1,149,891)	(4,020,652)
Net book value	4,866,939	373,875	734,213	432,239	385,921	739,068	7,532,255	102,864	3,840,768	11,475,887
Year ended December 31, 2006										
Opening net book value	4,866,939	373,875	734,213	432,239	385,921	739,068	7,532,255	102,864	3,840,768	11,475,887
Additions	-	210,746	252,856	242,727	410,080	79,795	1,196,204	-	3,921,250	5,117,454
Disposals - net	-	-	-	(7,565)	-	(126,461)	(134,026)	-	(1,683,409)	(1,817,435)
Depreciation charge	(247,716)	(304,658)	(279,665)	(98,951)	(384,963)	(134,656)	(1,450,609)	(100,992)	(897,638)	(2,449,239)
Closing net book value	4,619,223	279,963	707,404	568,450	411,038	557,746	7,143,824	1,872	5,180,971	12,326,667
As at December 31, 2006										
Cost	4,954,190	1,634,990	1,486,150	806,122	1,455,167	785,840	11,122,459	303,000	6,303,700	17,729,159
Accumulated depreciation	(334,967)	(1,355,027)	(778,746)	(237,672)	(1,044,129)	(228,094)	(3,978,635)	(301,128)	(1,122,729)	(5,402,492)
Net book value	4,619,223	279,963	707,404	568,450	411,038	557,746	7,143,824	1,872	5,180,971	12,326,667
Year ended December 31, 2007										
Opening net book value	4,619,223	279,963	707,404	568,450	411,038	557,746	7,143,824	1,872	5,180,971	12,326,667
Additions	-	41,451	252,495	143,278	243,208	425,329	1,105,761	47,500	895,890	2,049,151
Disposals - net	-	-	-	(48,506)	-	(13,417)	(61,923)	-	(608,874)	(670,797)
Depreciation charge	(247,716)	(160,247)	(312,472)	(125,361)	(286,987)	(188,129)	(1,320,912)	(5,830)	(1,138,770)	(2,465,512)
Closing net book value	4,371,507	161,167	647,427	537,861	367,259	781,529	6,866,750	43,542	4,329,217	11,239,509
As at December 31, 2007										
Cost	4,954,190	1,676,441	1,738,645	849,900	1,698,375	1,161,169	12,078,720	350,500	5,990,940	18,420,160
Accumulated depreciation	(582,683)	(1,515,274)	(1,091,218)	(312,039)	(1,331,116)	(379,640)	(5,211,970)	(306,958)	(1,661,723)	(7,180,651)
Net book value	4,371,507	161,167	647,427	537,861	367,259	781,529	6,866,750	43,542	4,329,217	11,239,509
Rate of depreciation (%)	5	33.33	20	15	33.33	20	33.33	33.33	20	





Notes to the Financial Statement for the year ended December 31, 2007

12.1 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							
Vehicles							
Suzuki Cultus	611,050	(307,573)	303,477	-	(303,477)	Transfer to employee as per company policy	Shaheen Akhtar - Head Credit Marketing
Suzuki Cultus	597,600	(292,778)	304,822	416,116	111,294	Sale bid	Mr. Waseem Mirza, 15 Fatima Jinnah Colony, Near Islamia College, Karachi.
Sohrab Motorcycle	50,000	(36,583)	13,417	15,000	1,583	Negotiation	Mr. Mohammad Rehan Sami, House No. 2/B, Hangorani Mansion, Preddy Police Station, Saddar, Karachi.
Office equipments	99,500	(50,994)	48,506	15,000	(33,506)	Traded in	M/s. General Traders, 100 West Fazal ul Haq Road, Blue Area, Islamabad.
2007	1,358,150	(687,928)	670,222	446,116	(224,106)		
2006	2,884,834	1,067,399	1,817,435	316,600	(1,500,835)		

13. TRADE AND OTHERS PAYABLE

	2007 Rupees	2006 Rupees
Accrued liabilities	2,522,918	1,888,938
Rentals received in advance	1,667,534	3,347,060
Payable on termination/maturity of leases	47,020	729,275
Payable in respect of undisbursed leases	12,186,744	10,543,173
Insurance payable	4,255,260	4,883,938
Tax deducted at source	8,380	9,002
Contractors' retention money	86	-
Payable to SME Bank Limited - holding company	109,190	124,198
Others	190,563	430,419
	20,987,695	21,956,003

13.1 The maximum aggregate amount due to SME Bank Limited at the end of any month during the period was Rs. 109,190 (2006: Rs. 124,198).





	2007 Rupees	2006 Rupees
14. MARK-UP ACCRUED		
Mark-up accrued on:		
long-term financing from SME Bank Limited (holding company) - related party	1,230,152	2,246,224
borrowings from other financial institutions	10,645,444	11,372,584
	11,875,596	13,618,808

14.1 The maximum aggregate amount due to SME Bank Limited at the end of any month during the period was Rs. 2,518,473 (2006: Rs. 2,790,723).

15. SHORT-TERM BORROWING

Short-term running finance-secured

The facilities for short-term running finances available from various banks as at December 31, 2007 amounts to Rs. 175 million (2006: Rs. 125 million). Mark-up is payable at rates ranging from 11.79 percent to 14 percent (2006: 11.69 percent to 12.40 percent) per annum. The finances are secured by way of hypothecation of the company's leased assets and related receivables.

16. LONG-TERM FINANCE - SECURED

SME Bank Limited (holding company) - related party
Other financial institutions

Less: current maturity shown under current liabilities
Long-term loans - due after one year

Note	2007 Rupees	2006 Rupees
	52,654,781	95,406,175
	671,526,693	420,000,003
16.1	724,181,474	515,406,178
	300,588,787	251,909,396
	423,592,687	263,496,782





Notes to the Financial Statement for the year ended December 31, 2007

16.1 Long-term finance

	Amount borrowed	Repayment period		Price	Note	2007 Rupees	2006 Rupees
		From	To				
From related party							
SME Bank Limited (Facility No. 1)	110,000,000	Jul-03	Oct-08	7% (payable quarterly)	16.2	25,154,102	48,621,836
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)	16.2	27,500,679	46,784,339
Total financing from related party						52,654,781	95,406,175
From financial institutions							
Pak Oman Investment Company Limited (Facility No. II)	100,000,000	May-05	Feb-08	6 months KIBOR+2.25% (payable quarterly)	16.2	8,333,338	41,666,670
Pak Oman Investment Company Limited (Facility No. III - Tranche I)	25,000,000	Sep-06	Sep-09	6 months KIBOR+2.75% (payable quarterly)	16.2	14,583,335	22,916,667
Pak Oman Investment Company Limited (Facility No. III - Tranche II)	25,000,000	Sep-06	Sep-09	6 months KIBOR+2.75% (payable quarterly)	16.2	14,583,335	22,916,667
Pak Oman Investment Company Limited (Facility No. IV - Tranche I)	25,000,000	Aug-07	Aug-10	6 months KIBOR+2.75% (payable quarterly)	16.2	22,916,667	-
Pak Oman Investment Company Limited (Facility No. IV - Tranche II)	25,000,000	Aug-07	Aug-10	6 months KIBOR+2.75% (payable quarterly)	16.2	22,916,667	-
Pak Libya Holding Company (Private) Limited (Facility No. I)	100,000,000	Jun-07	Jun-10	6 months KIBOR+2.5% (payable quarterly)	16.2	83,333,333	33,333,336
Pak Libya Holding Company (Private) Limited (Facility No. II)	30,000,000	May-06	Feb-09	6 months KIBOR+2.5% (payable quarterly)	16.2	15,000,000	25,000,000
Pak Kuwait Investment company (Private) Limited	10,000,000	Dec-04	Dec-07	6 months KIBOR+2.5% (payable quarterly)	16.2	-	3,333,336
Saudi Pak Industrial and Agriculture Company (Private) Limited	25,000,000	Apr-05	Jan-08	6 months KIBOR+2.5% (payable quarterly)	16.2	2,083,337	10,416,669
						183,750,012	159,583,345
From banking companies							
National Bank of Pakistan	150,000,000	Mar-06	Mar-10	6 months KIBOR+1.85% (payable semi-annually)	16.2	93,750,000	131,250,000
United Bank Limited (Tranche I)	50,000,000	May-05	May-08	3 months KIBOR+2.3% (payable quarterly)	16.2	8,333,330	24,999,998
United Bank Limited (Tranche II)	50,000,000	Jun-05	Jun-08	3 months KIBOR+2.3% (payable quarterly)	16.2	8,333,330	24,999,998
United Bank Limited (Tranche III)	50,000,000	Sep-05	Sep-08	3 months KIBOR+2.3% (payable quarterly)	16.2	12,499,997	29,166,665
United Bank Limited (Loan III)	50,000,000	Feb-07	Feb-10	3 months KIBOR+2.6% (payable quarterly)	16.2	37,499,999	-
United Bank Limited (Loan IV)	50,000,000	Dec-07	Dec-07	6 months KIBOR+1.65% (payable semi-annually)	16.3	50,000,000	-
Saudi Pak Commercial Bank Limited (Tranche I)	25,000,000	Jun-06	Jun-09	6 month KIBOR+2.5% (payable semi-annually) mark-up payable quarterly)	16.3	25,000,001	41,666,667
Allied Bank Limited (Tranche I)	75,000,000	Sep-07	Sep-10	6 months KIBOR+2% (payable quarterly)	16.3	68,750,000	-
Allied Bank Limited (Tranche II)	75,000,000	Dec-07	Dec-10	6 months KIBOR+2% (payable quarterly)	16.4	75,000,000	-
Faysal Bank Limited	50,000,000	Jun-04	Jun-07	6 months KIBOR+3.5% -2.5% (payable quarterly)	16.4	-	8,333,330
Faysal Bank Limited	100,000,000	May-07	May-10	3 months KIBOR+2.75% (payable quarterly)	16.5	85,841,824	-
Emirates Global Islamic Bank Limited	100,000,000	Sep-07	Sep-10	6 months KIBOR+2.5% (payable quarterly)		22,768,200	-
						487,776,681	260,416,658
Total financing from financial institutions and banking companies						671,526,693	420,000,003
						724,181,474	515,406,178





16.2 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 first exclusive charge on all specific leased assets and associated lease rentals receivable.

16.3 These have been obtained from Saudi Pak Commercial Bank Limited and Allied Bank Limited under a sale and repurchase agreement for financing lease operations of the company. These loans are secured by hypothecation charge on the company's specific leases assets and associated lease rental receivable.

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

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

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2007			2006		
	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	1,728,263	232,711	1,495,552	2,340,244	358,521	1,981,723
Payable later than one year but not later than five years	1,491,999	54,813	1,437,186	2,399,827	179,446	2,220,381
	3,220,262	287,524	2,932,738	4,740,071	537,967	4,202,104

The finance lease arrangements have been entered into with Faysal Bank Limited and Bank Alfalah Limited for motor vehicles at mark-up rates ranging from 7.50 percent per annum to 14.50 percent per annum (2006: 7.50 percent per annum to 13.99 percent per annum) with a late payment surcharge of Rs. 100 (2006: Rs. 100) per day. These finance lease arrangements will mature in the year 2010.

18. LONG-TERM DEPOSITS

	2007 Rupees	2006 Rupees
Lease key money	692,578,637	535,227,440
Less: current maturity shown under current liabilities	207,124,430	121,809,821
Lease key money - due after one year	485,454,207	413,417,619

These represent security deposits received from lessees under lease contracts and are adjustable against residual values of the related leased assets on expiry of the respective lease periods of these contracts.





Notes to the Financial Statement for the year ended December 31, 2007

	Note	2007 Rupees	2006 Rupees
19. DEFERRED LIABILITIES			
Provision for gratuity	26.1	2,438,538	2,276,284
Deferred tax liability - net	19.1	8,834,825	7,183,209
		11,273,363	9,459,493
19.1 Deferred tax liabilities - net			
Deductible temporary differences			
Unabsorbed tax depreciation		(131,177,208)	(72,403,522)
Provisions against net investment in leases and loans and receivables		(3,101,804)	(1,436,513)
Minimum tax		(2,790,563)	(2,439,563)
Others		(7,144,217)	(5,694,773)
		(144,213,792)	(81,974,371)
Taxable temporary differences			
Net investment in leases		151,949,827	88,154,695
Liabilities against assets subject to finance lease		488,768	342,603
Accelerated tax depreciation on property and equipment - own use		610,022	660,282
		153,048,617	89,157,580
		8,834,825	7,183,209
19.1.1 Reconciliation of deferred tax liability			
Balance at the beginning of the year		7,183,209	3,850,333
Recognized during the year		1,651,616	3,332,876
Balance at the end of the year		8,834,825	7,183,209

20. ISSUED SUBSCRIBED AND PAID-UP CAPITAL

			2007 Rupees	2006 Rupees
Number of shares				
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 (refer note 1)	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
32,000,000	32,000,000		320,000,000	320,000,000

20.1 Movement in number of shares

	Number of shares
Opening balance	32,000,000
Issue of bonus shares	-
Issue of shares	-
Closing balance	32,000,000

At December 31, 2007, SME Bank Limited and its nominees held 73.14% (December 31, 2006: 73.14%) ordinary shares of Rs. 10 each of the company.





20.2 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.

The company monitors capital on the basis of carrying amount of equity less cash and cash equivalents as presented on the face of the balance sheet and respective notes. Capital for the reporting period is summarized as follows:

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	2007 Rupees	2006 Rupees
Total equity		435,240,056	404,985,687
Less: Cash and cash equivalents		(15,148,588)	89,832,326
Capital		420,091,468	494,818,013
Total equity		435,240,056	404,985,687
Add: Long-term finances		724,181,474	515,406,178
Overall financing		1,159,421,530	920,391,865
Capital to overall financing ratio		1 : 2.74	1 : 1.86

21. RESERVES

Capital reserves

Statutory reserve	21.1	26,477,094	20,343,720
Share premium	21.2	10,000,000	10,000,000

Revenue reserves

Reserve against future losses	2.8	8,354,766	7,206,049
Deficit on revaluation of available for sale investment	8	(412,500)	-
Unappropriated profit		70,820,696	47,435,918
		115,240,056	84,985,687

21.1 Statutory reserve represents profits after tax set aside to comply with the Prudential Regulations for Non-Banking Finance Companies.

21.2 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, 1984.





Notes to the Financial Statement for the year ended December 31, 2007

	Note	2007 Rupees	2006 Rupees
22. CONTINGENCIES AND COMMITMENTS			
Contingencies			
None		-	-
Commitments			
Lease disbursements		25,570,000	24,377,000
23. INCOME FROM OPERATIONS			
Leases			
Income from finance lease operations		155,281,711	133,479,592
Gain/(Loss) on termination lease		271,842	(783,364)
		155,553,553	132,696,228
Loans and receivables			
Income on loans and receivables		14,529,175	11,471,748
		170,082,728	144,167,976
24. OTHER OPERATING INCOME			
Profit on bank accounts		69,868	70,648
Mark-up on loans to employees		589,325	461,430
Liabilities no longer required written back		485,870	674,993
Dividend income		250,000	-
Other income		7,710	-
		1,402,773	1,207,071
25. ADMINISTRATIVE			
Salaries, allowances and other benefits	25.1	27,713,730	22,459,920
Directors' fee		199,000	124,000
Rent		3,995,924	3,235,287
Electricity, gas and water		383,568	563,407
Telephone and postage		1,365,524	1,334,246
Repairs and maintenance		943,956	1,042,242
Books and periodicals		38,376	39,954
Fees and subscriptions		71,978	27,524
Vehicle running		185,610	91,913
Advertising		337,797	212,290
Training and development		111,255	233,861
Traveling, conveyance and entertainment		2,494,288	1,798,761
Printing and stationery		751,076	574,180
Auditors' remuneration	25.2	397,287	246,015
Depreciation and amortization	12	2,465,512	2,449,239
Legal and professional		3,682,419	1,988,551
Insurance		1,134,481	1,134,185
Miscellaneous		584,713	1,174,872
		46,856,494	38,730,447

25.1 Salaries, allowances and other benefits include Rs. 2,433,788 (2006: Rs. 1,324,455) in respect of staff retirement benefits. In addition, the amount charged to the profit and loss account in respect of compensated absences was Rs. 763,858 (2006: Rs. 592,249).





Notes to the Financial Statement for the year ended December 31, 2007

25.2 Auditors' remuneration

Statutory audit fee
Half-yearly review
Out of pocket expenses

2007
Rupees

2006
Rupees

210,000
100,000
87,287
397,287

210,000
-
36,015
246,015

26. STAFF RETIREMENT BENEFIT SCHEMES

26.1 Staff gratuity scheme

The company operates an unapproved and unfunded gratuity scheme for all its permanent employees. The latest actuarial valuation of the gratuity scheme was carried out as at December 31, 2007 using the Projected Unit Credit Method. The following significant assumptions were used for valuation of the scheme:

- Expected rate of increase in salary level
- Valuation discount rate
- Expected return on plan assets

2007

2006

10%
10%
-

9%
10%
-

The fair value of the scheme's assets and liabilities for past services of the employees at the latest valuation date are as follows:

Present value of defined benefit obligation
Fair value of plan assets
Deficit in scheme's assets

2,438,538
-
2,438,538

2,276,281
-
2,276,284

The following is a reconciliation of the movement in the liability recognized in respect of gratuity benefits:

Opening
Charge for the year
Less: Payments made during the period
Closing

2,276,284
1,893,437
(1,731,183)
2,438,538

509,914
169,509
125,096
804,519

The following amounts have been charged in the profit and loss account during the current year in respect of the scheme:

Current services cost
Interest cost
Actuarial loss recognized during the period

602,602
252,619
1,038,216
1,893,437

509,914
169,509
125,096
804,519

Data on experience adjustments in respect of defined benefit obligation is as follows:





Notes to the Financial Statement for the year ended December 31, 2007

	2007 Rupees	2006 Rupees
Experience adjustments on obligation*	1,038,216	125,096

*The gratuity scheme was introduced in 2004, hence the data on experience adjustments has been given only for the current and prior year.

26.2 During the year an amount of Rs. 609,763 (2006: Rs. 519,936) has been charged to profit and loss account in respect of company's contribution to Provident Fund.

	2007 Rupees	2006 Rupees
27. FINANCE COST		
Mark-up on:		
Long-term finance from SME Bank Limited (holding company)		
- related party	6,503,151	9,989,000
Long-term Murahaba finance from Emirates Global Islamic Bank Limited	758,146	-
Long-term finance from banking companies and financial institutions	63,751,254	51,824,017
Short-term borrowings	11,806,639	11,040,302
	82,819,190	72,853,319
Lease finance charges	429,042	333,629
Bank charges	1,769,279	474,071
Processing fee	1,315,345	213,600
	86,332,856	73,874,619
28. OTHER OPERATING EXPENSES		
Loss on disposal of property and equipment	224,106	1,500,835
Others	-	11,512
	224,106	1,512,347
29. TAXATION		
Current	2,790,598	2,439,563

The current tax charge for the period represents minimum tax at 0.5 percent of turnover in accordance with the requirements of the Income Tax Ordinance, 2001.

29.1 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.

	2007 Rupees	2006 Rupees
30. EARNINGS PER SHARE - basic and diluted	30,666,869	24,099,843
Profit for the year		
		Number of shares
Weighted average number of ordinary shares outstanding during the year	32,000,000	22,876,712
Earnings per share - basic and diluted (Rupees)	0.96	1.05





Notes to the Financial Statement for the year ended December 31, 2007

	Note	2007 Rupees	2006 Rupees
31. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES			
Profit before income tax expense		35,109,083	29,872,282
Adjustment for non-cash charges and other items			
Depreciation	12	2,466,086	2,449,239
Gratuity expense		1,893,437	804,519
Mark-up expense	27	82,819,190	72,853,319
Mark-up income		(69,868)	(70,648)
Financial charges on leased assets	27	429,042	333,629
Loss on disposal of property and equipment	12.1	224,106	1,500,835
Interest income on loans to employees		(589,325)	(461,430)
Provision for potential lease losses	9.5	2,765,434	1,315,537
Provision for loans and receivables	5.2	197,528	69,815
Total adjustments for non-cash charges and other items		90,135,630	78,794,815
Cash generated from operations before working capital changes		125,244,713	108,667,097
Working capital changes			
(Increase)/decrease in current assets			
Mark-up accrued		(820,441)	(761,154)
Deposits, prepayments and other receivables		(1,173,550)	(1,046,009)
Loans and advances		(842,330)	(6,089)
Arrangement fee for TFCs		750,000	-
		(2,086,321)	(1,813,252)
Increase/(Decrease) in current liabilities			
Trade and other payables		(968,308)	10,753,874
Provision for compensated absences		(36,894)	(70,476)
		(1,005,202)	10,683,398
Total working capital changes		(3,091,523)	8,940,622
Cash generated from operations after working capital changes		122,153,190	117,607,719
32. CASH AND CASH EQUIVALENTS			
Cash and bank balances		23,704,847	14,049,475
Short-term borrowings		(8,556,259)	(103,881,801)
		15,148,588	(89,832,326)





Notes to the Financial Statement for the year ended December 31, 2007

33. TRANSACTIONS WITH RELATED PARTIES

SME Leasing Limited is a subsidiary of SME Bank Limited. During the year, the following transactions were undertaken by the company with SME Bank Limited:

	2007		2006	
	Key management personnel	SME Bank Limited (Holding Company)	Key management personnel	SME Bank Limited (Holding Company)
Rupees				
Borrowings				
Balance as at January 1	-	95,406,175	-	125,184,257
Add: Borrowings during the year	-	30,000,000	-	2,500,000
Less: Repayments during the year	-	(72,751,394)	-	(32,278,082)
Balance as at December 31	-	52,654,781	-	95,406,175
Loans and advances				
Balance as at January 1	7,860,554	-	8,383,045	-
Add: Advances given during the year	699,450	-	308,400	-
Less: Repayments during the year	(3,915,613)	-	(830,891)	-
Balance as at December 31	4,644,391	-	7,860,554	-
Mark-up expense for the year	-	6,503,151	-	10,328,041
Mark-up income for the year	589,325	-	317,410	-
Other transactions				
Lease facility provided to holding company	-	24,955,200	-	11,068,200
Deposit margin (50%) by holding company for the lease facility	-	12,759,290	-	5,679,500
Total rentals receivables (for the entire lease period)	-	15,694,345	-	6,816,096
Total rentals received during the year	-	2,842,307	-	1,552,614
Rent expense	-	380,784	-	301,872
Remuneration and salaries paid	9,974,146	-	8,439,698	-
Post retirement benefits	1,182,779	-	1,053,103	-
Provident fund - company's contribution	375,030	-	519,936	-

All transactions with the holding company are carried out on commercial terms and conditions.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The company considers all departmental heads, chief executives and directors to be key management personnel. There are no transactions with key management personnel other than under their terms of employment.

Balances that have been specifically identified as related party balances in the relevant foot notes to these financial statements have not been given in this note.

34. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in these financial statements for remuneration including all benefits, to chief executive and executives are as follows:

	Chief Executive		Executives		Total	
	2007	2006	2007	2006	2007	2006
Rupees						
Managerial remuneration	1,849,401	1,993,493	2,564,979	938,575	4,414,380	2,932,068
Bonus	555,075	510,075	48,000	373,000	93,000	883,075
House rent, utilities, etc.	295,622	341,532	1,146,654	630,300	1,442,276	971,832
Retirement benefits	165,992	240,699	1,182,779	26,107	1,348,771	266,806
Medical	58,824	60,000	388,830	171,000	447,654	231,000
Club membership	31,500	42,000	-	24,000	31,500	66,000
Leave fare assistance	253,870	202,909	-	-	253,870	202,909
Gratuity	1,493,548	222,247	836,953	100,565	2,330,501	322,812
Leave encashment	125,185	113,350	194,538	82,188	319,723	195,538
Others	10,500	84,000	14,337	-	24,837	84,000
	4,839,517	3,810,305	6,377,070	2,345,735	10,706,512	6,156,040
Number of persons	1	1	5	2	6	3

The chief executive and the executives are also provided with free use of company maintained cars.





Notes to the Financial Statement for the year ended December 31, 2007

35. MATURITIES OF ASSETS AND LIABILITIES

	2007				
	Total	Up to 3 months	Over 3 months	Over 1 year	Over 5 year
	Rupees				
Assets					
Cash and bank balances	23,704,847	23,704,847	-	-	-
Mark-up accrued	2,248,669	2,248,669	-	-	-
Loans and receivables	84,595,791	12,771,328	38,313,983	33,510,480	-
Deposits, prepayments and other receivables	5,030,721	4,794,221	236,500	-	-
Net investment in leases	1,776,790,417	142,460,534	427,381,602	1,206,948,281	-
Loans and advances	10,320,825	556,169	623,937	4,284,247	4,856,472
Long-term deposits and prepayments	851,675	-	-	600,074	251,601
Investments - available for sale	2,087,500	2,087,500	-	-	-
Property and equipment	11,239,509	1,687,907	7,896,849	3,300,900	-
	<u>1,916,869,954</u>	<u>190,311,175</u>	<u>474,452,871</u>	<u>1,248,643,982</u>	<u>5,108,073</u>
Liabilities					
Trade and other payables	20,987,695	20,987,695	-	-	-
Mark-up accrued	11,875,596	11,875,596	-	-	-
Short-term borrowings	8,556,259	8,556,259	-	-	-
Long-term finance	724,181,474	57,722,659	242,866,128	423,592,687	-
Liabilities against assets subject to finance lease	2,932,738	763,380	732,172	1,437,186	-
Long-term deposits	692,578,637	51,781,108	155,343,322	485,454,207	-
Taxation payable	8,769,151	8,769,151	-	-	-
Provision for compensated absences	474,985	-	474,985	-	-
Deferred liabilities	11,273,363	33,166,210	97,610,884	9,234,939	(128,738,670)
	<u>1,481,629,898</u>	<u>193,622,058</u>	<u>497,027,491</u>	<u>919,719,019</u>	<u>(128,738,670)</u>
Net assets	<u>435,240,056</u>	<u>(3,310,883)</u>	<u>(22,574,620)</u>	<u>328,924,963</u>	<u>133,846,743</u>
Represented by:					
Share capital	320,000,000				
Reserves	115,240,056				
	<u>435,240,056</u>				
	2006				
	Total	Up to 3 months	Over 3 months	Over 1 year	Over 5 year
	Rupees				
Assets					
Cash and bank balances	14,049,475	14,049,475	-	-	-
Mark-up accrued	1,428,448	1,428,448	-	-	-
Loans and receivables	81,015,353	18,603,998	35,107,103	27,304,252	-
Deposits, prepayments and other receivables	3,857,171	2,103,710	1,753,461	-	-
Net investment in leases	1,488,227,972	190,398,726	257,758,268	1,040,070,978	-
Loans and advances	11,166,643	293,738	794,418	3,408,513	6,669,974
Long-term deposits and prepayments	745,689	4,500	13,500	727,689	-
Investments	2,500,000	2,500,000	-	-	-
Property and equipment	12,326,667	459,097	1,836,387	6,819,939	3,211,244
	<u>1,615,317,418</u>	<u>229,841,692</u>	<u>297,263,137</u>	<u>1,078,331,371</u>	<u>9,881,218</u>
Liabilities					
Trade and other payables	21,956,003	21,956,003	-	-	-
Mark-up accrued	13,618,808	13,618,808	-	-	-
Short-term borrowings	103,881,801	103,881,801	-	-	-
Long-term finance	515,406,178	155,740,262	96,169,134	263,496,782	-
Long-term deposits	535,227,440	92,842,124	28,967,697	413,417,619	-
Liabilities against assets subject to finance lease	4,202,104	422,109	1,559,614	2,220,381	-
Provision for compensated absences	511,879	-	511,879	-	-
Taxation payable	6,068,025	6,068,025	-	-	-
Deferred liabilities	9,459,493	18,157,767	54,196,023	(64,667,601)	1,773,304
	<u>1,210,331,731</u>	<u>412,686,899</u>	<u>181,404,347</u>	<u>614,467,181</u>	<u>1,773,304</u>
Net assets	<u>404,985,687</u>	<u>(182,845,207)</u>	<u>115,858,790</u>	<u>463,864,190</u>	<u>8,107,914</u>
Represented by:					
Share capital	320,000,000				
Reserves	84,985,687				
	<u>404,985,687</u>				





Notes to the Financial Statement for the year ended December 31, 2007

36. FINANCIAL INSTRUMENTS

	Effective yield / Interest rate %	Total	2007				Not exposed to yield / Interest risk
			Exposed to Yield / Interest risk				
			Up to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
Rupees							
Assets							
Cash and bank balances	0.1-8.5	23,704,847	7,301,002	-	-	-	16,403,845
Mark-up accrued		2,248,669	-	-	-	-	2,248,669
Loans and receivables	17-24	84,595,791	12,771,328	38,313,983	33,510,480	-	-
Loans and advances	5-7	10,320,825	207,979	623,937	4,284,247	4,856,472	348,190
Deposits and other receivables		3,196,493	-	-	-	-	3,196,493
Net investment in leases	13.5-25.07	1,776,790,417	142,460,534	427,381,602	1,206,948,281	-	-
Investments		2,087,500	-	-	-	-	2,087,500
Long-term deposits		768,921	-	-	-	-	768,921
		1,903,713,463	162,740,843	466,319,522	1,244,743,008	4,856,472	25,053,618
Liabilities							
Trade and other payables		20,987,695	-	-	-	-	20,987,695
Mark-up accrued		11,875,596	-	-	-	-	11,875,596
Short-term borrowings	11.79-14	8,556,259	8,556,259	-	-	-	-
Long-term finances	11.98-12.21	724,181,474	57,722,659	242,866,128	423,592,687	-	-
Liabilities against assets subject to finance lease	7.5-14.5	2,932,738	763,380	732,172	1,437,186	-	-
Long-term deposits		692,578,637	-	-	-	-	692,578,637
		1,461,112,399	67,042,298	243,598,300	425,029,873	-	725,441,928
Total financial assets as on December 31, 2007		1,903,713,463	162,740,843	466,319,522	1,244,743,008	4,856,472	25,053,618
Total financial liabilities as on December 31, 2007		1,461,112,399	67,042,298	243,598,300	425,029,873	-	725,441,928
On balance sheet gap		442,601,064	95,698,545	222,721,222	819,713,135	4,856,472	(700,388,310)
Off balance sheet items							
Commitments		25,570,000	-	-	-	-	25,570,000

	Effective yield / Interest rate %	Total	2006				Not exposed to yield / Interest risk
			Exposed to Yield / Interest risk				
			Up to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
Rupees							
Assets							
Cash and bank balances	0.10%-5%	14,049,475	2,782,983	-	-	-	11,266,492
Mark-up accrued		1,428,448	-	-	-	-	1,428,448
Loans and receivables	17%-24%	81,015,353	18,603,998	35,107,103	27,304,252	-	-
Loans and advances	5%-7%	10,887,756	194,088	615,181	3,408,513	6,669,974	-
Deposits and other receivables		1,109,269	-	-	-	-	1,109,269
Net investment in leases	13.5%-25.07%	1,488,227,972	190,398,726	257,758,268	1,040,070,978	-	-
Investments		2,500,000	-	-	-	-	2,500,000
Long-term deposits		704,600	-	-	-	-	704,600
		1,599,922,873	211,979,795	293,480,552	1,070,783,743	6,669,974	17,008,809
Liabilities							
Trade and other payables		21,956,003	-	-	-	-	21,923,732
Mark-up accrued		13,618,808	-	-	-	-	13,618,808
Short-term borrowings	8.42%-10.06%	103,881,801	103,881,801	-	-	-	-
Long-term finances	6.25%-13.35%	515,406,178	155,740,262	96,169,134	263,496,782	-	-
Liabilities against assets subject to finance lease	7.50%-13.99%	4,202,104	422,109	1,559,614	2,220,381	-	-
Long-term deposits		535,227,440	-	-	-	-	535,227,440
		1,194,292,334	260,044,172	97,728,748	265,717,163	-	570,769,980
Total financial assets as on December 31, 2006		1,599,922,873	211,979,795	293,480,552	1,070,783,743	6,669,974	17,008,809
Total financial liabilities as on December 31, 2006		1,194,292,334	260,044,172	97,728,748	265,717,163	-	570,769,980
On balance sheet gap		405,630,539	(48,064,377)	195,751,804	805,066,580	6,669,974	(553,761,171)
Off balance sheet items							
Commitments		24,377,000	-	-	-	-	24,377,000





37. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of the financial assets and financial liabilities approximate their fair values.

38. RISK MANAGEMENT

The company's activities are primarily subject to market risk, interest rate price risk, credit risk and liquidity risk. The company is not exposed to any foreign exchange risk as currently the company has no transactions or balances that are denominated in a foreign currency. The company has designed and implemented a framework of controls to identify, monitor and manage these risks as follows:

38.1 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The company's market risk is managed by following the internal guidelines established by the management.

38.2 Interest rate price risk

Yield rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield. The company has adopted appropriate policies to minimize its exposure to this risk.

38.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. All financial assets of the company except Rs. 5,948,775 (2006: Rs. 2,985,813) are exposed to credit risk. The company controls credit risk by monitoring credit exposure, limiting transactions with specific counter parties, obtaining collaterals and continually assessing the credit worthiness of counter parties.

38.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company manages liquidity risk by following the internal guidelines of the management, such as monitoring maturities of financial assets and financial liabilities.

38.5 Interest rate cash flow risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The company has adopted appropriate policies to minimize its exposure to this risk.

39. CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.





Notes to the Financial Statement for the year ended December 31, 2007

An analysis of class of business of the company's net investment in finance leases is as follows:

	2007		2006	
	Rupees	%	Rupees	%
Cargo Carriers	83,214,009	5.79	88,106,447	6.96
Chemicals and Pharma	49,788,879	3.46	40,508,711	3.20
Communication	16,295,556	1.13	27,849,739	2.20
Foods and Beverages	62,869,102	4.37	55,193,119	4.36
Construction & Building Product	61,176,960	4.25	68,864,809	5.44
Education	23,974,178	1.67	20,127,766	1.59
Miscellaneous	174,356,654	12.12	60,256,708	4.76
Engineering	43,805,446	3.05	47,471,146	3.75
Entertainment	22,537,127	1.57	17,722,561	1.40
Fisheries	3,716,318	0.26	3,038,153	0.24
Furniture	5,557,952	0.39	5,443,358	0.43
Textile	104,574,567	7.27	91,018,011	7.19
Gems & Jewellery	5,221,845	0.36	4,177,461	0.33
Health Care	57,699,620	4.01	43,926,634	3.47
Leather & Tannery	1,445,692	0.10	3,544,512	0.28
Film Processing	149,432,163	10.39	187,479,379	14.81
Oil & Gas	350,772,974	24.39	218,747,041	17.28
Rubber and Plastic	33,541,964	2.33	45,192,531	3.57
Printing & Package	85,454,555	5.94	89,119,165	7.04
Public Transport Services	102,702,954	7.14	148,109,976	11.70
	1,438,138,515	100.00	1,265,897,227	100.00

40. RECLASSIFICATION

Provision for compensated absences has been reclassified from 'Trade and other payables' to a separate line item on the face of the balance sheet. Corresponding figures have also been reclassified. This reclassification has no other effects.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 14, 2008 by the Board of Directors of the company.

42. SUBSEQUENT EVENT

The Board of Directors of the company proposed the cash dividend during the meeting held on February 14, 2008.

	2007		2006	
	Rupees	Per Share	Rupees	Per Share
Cash dividend	24,000,000	Re. 0.75	-	-

S.M. Naseem
Chairman

Arjumand A. Qazi
Chief Executive Officer





Pattern of Shareholding as at December 31, 2007

NUMBER OF SHARE HOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
7	1	100	7
230	101	500	115,000
47	501	1,000	47,000
41	1,001	5,000	111,500
4	5,001	10,000	34,000
2	15,001	20,000	40,000
1	20,001	25,000	22,500
1	25,001	30,000	30,000
3	45,001	50,000	146,000
1	50,001	55,000	51,000
1	150,001	155,000	155,000
1	220,001	225,000	225,000
2	410,001	415,000	820,318
1	450,001	455,000	451,175
3	600,001	1,100,000	2,409,275
3	1,100,001	1,600,000	3,937,027
1	23,100,001	23,600,000	23,405,198
349			32,000,000

Categories of Shareholders as at December 31, 2007

	Numbers of Shareholders	Shares Held	Percentage
1 Individuals	324	901,659	2.82%
2 Joint Stock Companies	11	3,397,209	10.62%
3 Banks	1	902,350	2.81%
4 Public Sector Companies and Corporations	1	1,353,525	4.23%
5 Leasing Companies	1	604,575	1.89%
6 Associated Companies (SME Bank Limited)*	1	23,405,198	73.14%
7 National Bank of Pakistan	1	1,230,477	3.85%
8 Insurance Companies	1	155,000	0.48%
9 Others	1	50,000	0.16%
10 Directors, CEO and their spouses and minor children			
S.M. Naseem	1	1	0%
R.A. Chughtai	1	1	0%
Arjumand A. Qazi	1	1	0%
Munawar Suleman	1	1	0%
M. Hashim Khan	1	1	0%
Hussain Ahmed Ozgen	1	1	0%
Mohammad Ahmed Ghazali Marghoob	1	1	0%
	349	32,000,000	100.00%

* Represents shareholders holding ten percent or more voting interest in the company.





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 5th Annual General Meeting of the Company to be held on _____, 2008 and at any adjournment thereof.

Signed this _____ of _____ 2008.
(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, Shakra-e-Faisal, Karachi.
Tel: (021) 9204751-53



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,
Shahra-e-Faisal, Karachi.

Tel: (021) 9204751-53 Fax: (021) 9204754

Website: www.smelease.com