



Half Yearly Report 2013
(Un-audited)
June 30

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

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Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

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

Corporate Information

03

ACTING COMPANY SECRETARY & CFO
Mr. Naeem-ul-Hasan

EXTERNAL AUDITORS
KPMG Taseer Hadi & Co.
Chartered Accountants

INTERNAL AUDITOR
Ms. Shafque Akhter

TAX CONSULTANT
Earnst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISOR
Mohsin Tayebaly & Company,
Advocate & Legal Consultant

CREDIT RATING
Long-term: BBB + Short-term: B

REGISTERED OFFICE
40, Jang Building, A.K. Fazal-ul-Haq Road,
Blue Area, Islamabad.

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Shahra-e-Faisal, Karachi.
Tel: (+92-21) 34322128-129-137
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E-mail: info@smelease.com

REGISTRAR AND SHARE
TRANSFER OFFICE
Technology Trade (Pvt.) Ltd.
241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi.
Tel: (+92-21) 34391316-7 & 19, 34387960-61
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BANKS AND LENDING INSTITUTIONS
Allied Bank Limited
MCB Bank Limited
SME Bank Limited
United Bank Limited

Directors' Review

The Board of Directors of **SME Leasing Limited** (the company) present their report and review of unaudited financial statements for the half-year ended June 30, 2013.

Due to economic situation of the country business sentiments remained under pressure and continue to cause a decline in various economic growth factors . This naturally impacts your company which is in a sector that has suffered significantly.

During the period under review, owing to the vacancies at key executive levels, the company remained focused on the recoveries causing reduction in the financing portfolio and thus in revenue. Total assets of the company have reduced to Rs 531.13 million from Rs 587.05 million as of December 2012 and the gross revenue of the company has decreased to Rs 12.93 million as compared to Rs 25.82 million in the corresponding period of the previous year. Operating expenses have gone down to Rs 14.72 million as against Rs 21.10 million in the corresponding period mainly due to decrease in financial charges resulting from reduced borrowing levels as well as decline in interest rates. Loss before taxation for the period amounts to Rs 7.29 million (2012: Rs 8.64 million) due to the increase in provision against non-performing portfolio.

Based on the results for the year ended December 31, 2012, the rating agency JCR-VIS has revised the long term entity rating to BB+ and short term B with stable outlook.

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

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

For and on behalf of the Board of Directors



Nasser Durrani
Chairman

Dated: August 30, 2013



Independent Auditors' Report on Review of Interim Financial Information to the Members



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Karachi, 75530 Pakistan

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Introduction

We have reviewed the accompanying condensed interim balance sheet of SME Leasing Limited ("the Company") as at 30 June 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to note 1.2 to the interim financial information which discusses the matter relating to the minimum equity requirements as required by the Non Banking Finance Companies and Notified Entities Regulations, 2008 and expiry of license to conduct leasing business granted by Securities and Exchange Commission of Pakistan. This condition, along with other matters as set forth in the above referred note; indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the interim financial information have been prepared on the basis of going concern as the management, considering the mitigating factors mentioned in the above referred note including availability of financing from the parent company, is confident that the Company will be able to continue its business in the foreseeable future. Our conclusion is not qualified in this respect.

Other matter

The figures for the three months period ended 30 June 2013 in the interim financial information have not been reviewed and we do not express a conclusion on them.

Date: August 30, 2013

Karachi

Kama, Taseer Hadi S.L.

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Condensed Interim Balance Sheet (Un-audited)

As at 30 June 2013

	Note	30 June 2013 (Un-audited)	December 31, 2012 (Audited) (Restated)
..... Rupees			
ASSETS			
Current assets			
Cash and bank balances	6	5,304,721	7,191,492
Advances		1,581,315	1,469,279
Deposits, prepayments and other receivables		2,711,337	1,716,969
Accrued interest on loans		309,687	557,555
Investments	7	3,929,690	3,809,433
Current maturity of non-current assets	8 & 9	434,930,891	457,954,941
		448,767,641	472,699,669
Non-current assets			
Long term finances and loans	8	8,027,044	9,669,087
Net investment in finance leases	9	53,664,571	82,582,479
Long term deposits and prepayments		880,222	1,299,022
Fixed Assets	10	19,791,469	20,804,081
		82,363,306	114,354,669
Total assets		531,130,947	587,054,338
LIABILITIES			
Current liabilities			
Accrued and other liabilities		5,633,244	6,839,103
Accrued mark-up on borrowings		1,743,722	1,704,444
Short term borrowings		30,109,234	55,758,690
Short term certificates of investment		6,000,000	8,112,646
Current maturity of non-current liabilities	11	226,587,674	229,553,091
Provision for compensated absences		881,337	837,805
Advance tax net of provisions		12,330,306	12,349,697
		283,285,517	315,155,476
Non-current liabilities			
Long term finances	12	1,904,826	3,540,531
Long term certificates of investment		200,000	200,000
Liabilities against assets subject to finance lease		361,100	1,109,025
Long term deposits		40,565,103	55,798,107
Deferred liabilities		3,263,170	3,365,393
		46,294,199	64,013,056
Total liabilities		329,579,716	379,168,532
NET ASSETS		201,551,231	207,885,806
FINANCED BY			
Authorised share capital			
100,000,000 (31 December 2011: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital			
Reserves		320,000,000	320,000,000
Accumulated loss		48,466,329	48,466,329
		(167,664,788)	(160,709,956)
		200,801,541	207,756,373
Surplus on revaluation of available-for-sale investments		749,690	129,433
Total shareholder's equity		201,551,231	207,885,806
COMMITMENTS			

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The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


Ali A. Rahim
Chief Executive Officer


Mian Tahir Bashir
Director

Condensed Interim Profit and Loss Account (Un-audited)

For the six months period ended 30 June 2013

Note	Six months period ended 30 June		Three months period ended 30 June		
	2013	2012	2013	2012	
----- (Rupees) -----					
INCOME					
Income from operations	14	12,613,964	25,545,291	4,781,721	13,058,849
Other Operating Income					
Income from investments		279,739	226,037	188,671	122,156
Income from financial assets		39,422	46,608	19,574	23,432
Gain / (loss) from disposal of fixed assets		-	(679)	-	(679)
		319,161	271,966	208,245	144,909
		12,933,125	25,817,257	4,989,966	13,203,758
EXPENSES					
Administrative and operating expenses	15	14,724,136	21,099,649	7,277,819	10,420,927
Finance cost	16	5,260,038	11,556,299	2,514,806	5,515,160
		19,984,174	32,655,948	9,792,625	15,936,087
Operating loss before provisions		(7,051,049)	(6,838,691)	(4,802,659)	(2,732,329)
PROVISIONS					
(Reversal)/Provision for potential lease losses		(175,011)	790,696	2,257,193	768,226
Provision for doubtful finances and loans		409,521	986,990	405,631	376,605
Provision for impairment on investment		-	19,000	-	19,000
		234,510	1,796,686	2,662,824	1,163,831
Loss before taxation		(7,285,559)	(8,635,377)	(7,465,483)	(3,896,160)
Taxation		64,666	259,762	25,250	133,762
Loss after taxation		(7,350,225)	(8,895,139)	(7,490,733)	(4,029,922)
Loss per share - basic and diluted	18	(0.23)	(0.28)	(0.23)	(0.13)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


Ali A. Rahim
 Chief Executive Officer


Mian Tahir Bashir
 Director

Condensed Interim Statement of
Comprehensive Income (Un-audited)
For the six months period ended 30 June 2013

	Six months period ended 30 June		Three months period ended 30 June	
	2013	2012 (Restated)	2013	2012 (Restated)
	----- (Rupees) -----			
Loss after taxation	(7,350,225)	(8,895,139)	(7,490,733)	(4,029,922)
Other comprehensive income				
Surplus / (deficit) on revaluation of available-for-sale investments	620,257	(183,500)	336,317	(53,800)
Actuarial Gain/ (Loss) on Obligation	395,393	(76,634)	395,393	(76,634)
	1,015,650	(260,134)	731,710	(130,434)
Total comprehensive loss for the period	(6,334,575)	(9,155,273)	(6,759,624)	(4,60,356)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


Ali A. Rahim
Chief Executive Officer


Mian Tahir Bashir
Director

Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 30 June 2013

	Six months period end 30 June		
	Note	2013	2012
	 Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(7,285,559)	(8,635,377)
Adjustments for:			
- Depreciation and amortization		1,012,612	1,190,148
- Gratuity		454,930	613,285
- Finance cost		5,118,075	11,327,172
- Profit on bank accounts / return on investments		(319,161)	(272,645)
- Lease finance charges		141,963	229,127
- Loss on disposal of property and equipment		-	679
- Provision for Impairment		-	19,000
- Provision for potential lease losses		(175,011)	790,696
- Provision for doubtful finances and loans		409,521	986,990
		6,642,929	14,884,452
Operating profit before working capital changes		(642,630)	6,249,075
Movement in working capital			
(Increase) / decrease in operating assets			
- Interest accrued		247,868	48,399
- Net investment in finance leases		44,800,189	80,116,025
- Deposits, prepayments and other receivables		(994,368)	1,164,187
- Long term deposits and prepayments		418,800	(51,944)
- Advances		(112,036)	103,888
		44,360,453	81,380,555
Increase / (decrease) in operating liabilities			
- Provision for compensated absences		43,532	(265,000)
- Long term deposits received		(10,623,000)	(46,117,567)
- Accrued and other liabilities		(1,205,859)	(149,207)
		(11,785,327)	(46,531,774)
Cash generated from operations		31,932,496	41,097,856
Decrease / (increase) in long term finances and loans		8,549,302	(1,638,906)
Financial charges paid		(5,078,797)	(11,126,411)
Interest received		319,161	271,966
Gratuity paid		(161,760)	(1,724,000)
Taxes paid		(84,057)	(313,601)
		3,543,849	(14,530,952)
Net cash flows from operating activities		35,476,345	26,566,904
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		-	(50,700)
Proceeds from disposal of fixed assets		-	178,500
Decrease in investments		500,000	202,500
Net cash flows from investing activities		500,000	330,300
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term finances		(9,565,208)	(19,191,031)
(Decrease) / increase in certificates of investment		(2,112,646)	688
Lease rentals paid		(535,806)	(754,711)
Net cash flows from financing activities		(12,213,660)	(19,945,054)
Net increase in cash and cash equivalents		23,762,685	6,952,150
Cash and cash equivalents at beginning of the period		(48,567,198)	(98,440,649)
Cash and cash equivalents at end of the period	18	(24,804,513)	(91,488,499)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


Ali A. Rahim
 Chief Executive Officer


Mian Tahir Bashir
 Director

Condensed Interim Statement of Changes in Equity (Un-audited) For the six months period ended 30 June 2013

	Capital reserves		Revenue reserves			Total shareholder's equity	
	Issued, subscribed and paid-up capital	Share premium	Statutory reserve	Reserve against future losses	Accumulated loss		Surplus / (deficit) on revaluation of available-for-sale investments
----- Rupees -----							
Balance as at 1 January 2012 - As reported	320,000,000	10,000,000	28,019,277	10,447,052	(131,177,123)	183,500	237,172,527
Restatement due to change in accounting policy on recognition of actuarial gains / (losses) on defined benefit obligations - net of tax	-	-	-	-	(300,179)	-	(300,179)
Balance as at 1 January 2012 - restated	320,000,000	10,000,000	28,019,277	10,447,052	(131,477,302)	183,500	237,172,527
Total comprehensive income for the period ended 30 June 2012							
Loss after taxation for the period	-	-	-	-	(8,895,139)	-	(8,895,139)
Other comprehensive income - restated	-	-	-	-	-	-	-
Actuarial loss on defined benefit obligation	-	-	-	-	(76,634)	-	(76,634)
Deficit on revaluation of available-for-sale investments - net	-	-	-	-	-	(183,500)	(183,500)
Balance as at 30 June 2012 - restated	320,000,000	10,000,000	28,019,277	10,447,052	(140,449,075)	-	228,017,254
Balance as at 1 January 2013 - restated	320,000,000	10,000,000	28,019,277	10,447,052	(160,709,956)	129,433	207,885,806
Total comprehensive income for the period ended 30 June 2013							
Loss after taxation for the period	-	-	-	-	(7,350,225)	-	(7,350,225)
Other comprehensive income							
Actuarial gain on defined benefit obligation	-	-	-	-	395,393	-	395,393
Surplus on revaluation of available-for-sale investments - net	-	-	-	-	-	620,257	620,257
Balance as at 30 June 2013	320,000,000	10,000,000	28,019,277	10,447,052	(167,664,788)	749,690	201,551,231

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


Ali A. Rahim
Chief Executive Officer


Mian Tahir Bashir
Director



Selected Notes to the Condensed Interim Financial Information (Un-audited) For the six months period ended 30 June 2013

1. STATUS AND NATURE OF BUSINESS

- 1.1** SME Leasing Limited (the company) was incorporated in Pakistan on 12 July 2002 as an unlisted public company and acquired the status of a listed company on 13 December 2006. The company is a subsidiary of SME Bank Limited (holding company), which holds 73.14% (31 December 2012: 73.14%) of the company's shares. At the time of incorporation, the company was a wholly owned subsidiary of SME Bank Limited, whereby under an arrangement the assets and liabilities of the leasing division of SME Bank Limited were transferred to the company on 28 January 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.

- 1.2** Regulation 4 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations 2008) requires a leasing company to maintain, at all times, minimum equity of Rs. 350 million by 30 June 2011, Rs. 500 million by 30 June 2012 and Rs. 700 million by 30 June 2013. The equity of the Company as at 30 June 2013 is Rs. 200.802 million which is Rs. 499.198 million short of the minimum capital requirement. The Company has been incurring losses since the year ended 31 December 2009 which has resulted in erosion of equity. During the half year ended 30 June 2013, the Company has incurred a loss of Rs. 7.350 million and the accumulated losses, as at 30 June 2013, amounts to Rs. 167.665 million. Further, the net assets of the company amounting to Rs.201.551 million includes non performing loans, net of provision, amounting to Rs.148.473 million.

The license to conduct leasing business granted to the Company by the Securities and Exchange Commission of Pakistan (SECP) dated 30 June 2010, which expired on 20 May 2013, specifically mentions that the license is subject to consistent compliance with all the requirements of NBFC Regulations 2008.

The above factors indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and the Company may not be able to realise its assets and discharge its liabilities in the normal course of business. However, these financial statements have been prepared on going concern basis considering the factors mentioned below:

- Securities and Exchange Commission of Pakistan on the recommendation of NBF Sector Reform Committee is currently reviewing the overall regulatory regime of NBF sector which includes considering various options relating to minimum equity requirements;
- The parent company has granted a short term running finance facility to the Company amounting to Rs. 90 million out of which Rs. 30.109 million has been utilised as at 30 June 2013. The said facility can be extended to the extent of Rs. 300 million as per the stand-by agreement for finance facility.
- The management of the Company has prepared cash flow projections which reflect that based on financial support by the parent company the Company will be able to continue its business on going concern basis in the foreseeable future;
- Rigorous recovery efforts are being made to ensure recovery from the non-performing loans of the Company; and
- Efforts are also being made by the management to reduce the overall cost of the Company.

2. BASIS OF PREPARATION Statement of compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provision or directives issued under the Companies Ordinance, 1984, NBFC Rules, 2003 and NBFC Regulations, 2008 shall prevail.

This condensed interim financial information is Un-audited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulation of Lahore Stock Exchange. However, a limited scope review has been carried out by the auditors. This condensed interim financial information has been presented in Pakistani Rupees, which is the functional currency of the Company. The figures are rounded off to the nearest rupee.

Selected Notes to the Condensed Interim Financial Information (Un-audited) For the six months period ended 30 June 2013

The comparative balance sheet presented in the condensed interim financial information as at 30 June 2013 has been extracted from the audited financial statements of the Company for the year ended 31 December 2012, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statements have been extracted from condensed interim financial information of the Company for the six months period ended 30 June 2012.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of the financial statements of the company as at and for the year ended 31 December 2012 except for change in accounting policy due to revision of IAS 19 "Employee Benefits" as fully explained in note 3.1 below

3.1 Change in accounting policy- Staff retirement benefits

During the period the Company has adopted IAS-19 (Revised) effective from January 1, 2013. The significant changes to IAS 19 are as follows:

- For defined benefit plans, the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.
- The distinction between short-term and long-term employee benefits is based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- The revised standard has new or revised disclosure requirements. The disclosures now include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The adoption of the said amendments has resulted in a change in the Company's accounting policy related to recognition of actuarial gains and losses (note 20 to the financial statements for the year ended December 2012).

Consequently the Company now recognizes all actuarial gains and losses directly in other comprehensive income with no subsequent recycling through the profit and loss account instead of recognising all actuarial gains and losses in profit and loss account as being done previously.

Had the said change not been made, the Company's equity as at 30 June 2013 would have been lower / (higher) by Rs.395,393 [December 31, 2012: Rs.(445,176)] and deferred liabilities would have been lower / (higher) by Rs. 395,393 [December 31, 2012: Rs.(445,176)].

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. However, actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgments made by the management in applying the company's accounting policies and the key sources of estimates uncertainty were the same as those that applied to the financial statements of the company for the year ended 31 December 2012.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements of the company as at and for the year ended 31 December 2012.

Selected Notes to the Condensed Interim
 Financial Information (Un-audited)
 For the six months period ended 30 June 2013

	Note	30 June 2013 (Un-audited)	31 December 2012 (Audited)
..... Rupees			
6. CASH AND BANK BALANCES			
Cash in hand		44,964	53,709
Balance with State Bank of Pakistan in current account		10,692	17,755
Balances with banks in:			
- current accounts		2,456,810	3,705,284
- saving accounts	6.1	2,792,255	3,414,744
		<u>5,304,721</u>	<u>7,191,492</u>
6.1 These saving accounts carry profit rate of 6% per annum (31 December 2012: 6% per annum).			
7. INVESTMENTS - available-for-sale			
Government securities			
- Special saving certificates	7.1	2,000,000	2,500,000
Mutual Fund			
- Close end mutual fund	7.2	1,929,690	1,309,433
		<u>3,929,690</u>	<u>3,809,433</u>
7.1 This represents investment in government securities to comply with the requirement of Regulation 14(4)(i) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, where by the company is required to invest in government securities at least fifteen percent of funds raised through issue of certificates of investments, excluding those held by the financial institutions. The rate of return on this investment is 11.6 percent to 12.8 percent per annum (31 December 2012: 11.6 percent to 14.2 percent per annum).			
7.2 This represents investment in 275,670 certificates (31 Dec 2012: 275,670) of Namco Balanced Fund, a close end mutual fund. As at 30 June 2013, the cost of the above investments amounted to Rs. 1.18 million (Dec 2012: Rs. 1.18 million).			
8. LONG TERM FINANCES AND LOANS - secured			
Related parties - considered good			
- Employees		1,551,778	1,590,776
Other than related parties			
- Customers			
considered good		22,923,820	34,773,492
considered doubtful		40,400,744	37,061,376
		63,324,564	71,834,868
Provision for doubtful finances		(5,234,918)	(4,825,397)
		<u>58,089,646</u>	<u>67,009,471</u>
		59,641,424	68,600,247
Less: Current maturity			
Related parties - Employees		(90,745)	(88,509)
Other than related parties - Customers		(51,523,635)	(58,842,651)
		<u>(51,614,380)</u>	<u>(58,931,160)</u>
		<u>8,027,044</u>	<u>9,669,087</u>

Selected Notes to the Condensed Interim
Financial Information (Un-audited)
For the six months period ended 30 June 2013

Note	30 June 2013 (Un-audited)	31 December 2012 (Audited)
------	---------------------------------	----------------------------------

..... Rupees

9. NET INVESTMENT IN FINANCE LEASES

Net investment in finance leases	9.1	436,981,082	481,606,260
Current portion shown under current assets	9.1	(383,316,511)	(399,023,781)
		53,664,571	82,582,479

9.1 Net investment in finance leases

	30 June 2013 (Un-audited)			31 December 2012 (Audited)		
	Not later than one year	Later than one year and less than five years	Total	Not later than one year	Later than one year and less than five years	Total
----- (Rupees) -----						
Minimum lease payments	381,404,573	21,382,498	402,787,071	404,827,591	39,881,232	444,708,823
Add: Residual value of leased assets 9.1.1	222,236,242	40,565,103	262,801,345	217,626,238	55,798,107	273,424,345
Gross investment in leases	603,640,815	61,947,601	665,588,416	622,453,829	95,679,339	718,133,168
Unearned lease income	(2,321,673)	(8,283,030)	(10,604,703)	(3,943,874)	(13,096,860)	(17,040,734)
Mark-up held in suspense	(60,027,732)	-	(60,027,732)	(61,336,264)	-	(61,336,264)
	(62,349,405)	(8,283,030)	(70,632,435)	(65,280,138)	(13,096,860)	(78,376,998)
	541,291,410	53,664,571	594,955,981	557,173,691	82,582,479	639,756,170
Provision for potential lease losses	(157,974,899)	-	(157,974,899)	(158,149,910)	-	(158,149,910)
Net investment in finance leases	<u>383,316,511</u>	<u>53,664,571</u>	<u>436,981,082</u>	<u>399,023,781</u>	<u>82,582,479</u>	<u>481,606,260</u>

The Internal Rate of Return (IRR) on lease contracts receivable ranges from 9.5 percent to 25.11 percent per annum (31 December 2012: 9.5 percent to 25.11 percent per annum).

9.1.1 These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases. The amount is net of security deposit held against matured leases amounting to Rs. 265.68 million (31 December 2012: Rs.272.12 million).

Selected Notes to the Condensed Interim
 Financial Information (Un-audited)
 For the six months period ended 30 June 2013

	Note	For the six months period ended 30 June (Un-audited)	
		2013	2012
..... Rupees			
10. FIXED ASSETS			
Additions			
Owned			
Building improvements		-	-
Vehicles (transfer)		341,807	-
Intangibles		-	50,700
		341,807	50,700
Leased Assets			
Vehicles		-	950,000
		341,807	1,000,700
Disposals			
Owned			
Furniture and fixtures		-	11,680
Vehicles		-	183,626
		-	195,306
Leased Assets			
Vehicles (transfer)		341,807	-
		341,807	195,306
11. CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term finances	12	3,051,022	10,980,525
Liabilities against assets subject to finance lease		1,300,410	946,328
Long term deposits	9.1	222,236,242	217,626,238
		226,587,674	229,553,091
12. LONG TERM FINANCES			
Long Term Loans			
SME Bank Limited		-	2,379,780
Other financial institutions	12.1	4,955,848	12,141,276
		4,955,848	14,521,056
Current maturity			
- SME Bank Limited		-	(2,379,780)
- Other financial institutions		(3,051,022)	(8,600,745)
		1,904,826	3,540,531

12.1 This represents balance due against financing facilities amounting to Rs. 7.3 million from Enercon. The facilities from Enercon have been obtained under an agreement whereby they have agreed to provide funds to the Company for granting lease / finance facility to its customers for procuring and using energy efficient equipments. The facility carries mark-up at the rate of 5% per annum payable on quarterly basis subject to the condition that the Company will provide lease / finance facility to its customers at a preferential mark-up rate.

Selected Notes to the Condensed Interim
Financial Information (Un-audited)
For the six months period ended 30 June 2013

13. COMMITMENTS

There have been no lease disbursement commitments as at 30 June 2013 (31 December 2012 : Nil)

14. INCOME FROM OPERATIONS

	Six months period ended 30 June		Three months period ended 30 June	
	2013	2012	2013	2012
	----- (Rupees) -----			
Leases				
Income from finance lease operations	9,548,391	20,183,506	3,537,908	10,223,882
Gain on termination of leases	67,107	159,182	67,107	150,024
	9,615,498	20,342,688	3,605,015	10,373,906
Finances and loans				
Customers	2,998,466	5,202,603	1,176,706	2,684,943
	12,613,964	25,545,291	4,781,721	13,058,849

15. ADMINISTRATIVE & OPERATING EXPENSES

Salaries, allowances and other benefits	7,469,495	10,655,731	3,538,546	5,133,401
Directors' fee	145,000	108,000	81,000	54,000
Rent	1,114,267	2,627,876	562,622	1,295,275
Electricity, gas and water	286,275	274,114	170,247	144,845
Telephone and postage	450,148	500,491	158,541	258,542
Repairs and maintenance	221,091	680,835	138,758	353,682
Books and periodicals	15,068	16,497	8,091	6,320
Fees and subscriptions	16,672	15,439	8,596	7,894
Vehicle running	88,951	160,949	40,735	84,524
Advertising	32,020	30,000	32,020	30,000
Training and development	-	8,300	-	4,300
Travelling, conveyance and entertainment	739,858	848,166	437,383	419,687
Printing and stationery	555,422	425,248	425,066	136,816
Auditors' remuneration	151,900	148,902	100,000	100,000
Depreciation and amortisation	1,012,612	1,190,148	505,378	498,663
Legal and professional	1,580,656	2,573,525	606,093	1,497,970
Insurance	486,171	481,901	259,955	240,404
Miscellaneous	358,530	353,527	204,788	154,604
	14,724,136	21,099,649	7,277,819	10,420,927

16. FINANCE COST

Mark-up on:				
- Long term finance	186,471	2,049,801	(59,574)	906,943
- Privately placed term finance certificates	-	-	-	-
- Short term borrowings	4,260,482	8,595,187	2,020,706	4,187,207
- Certificates of investment	516,524	453,462	268,916	226,734
Lease finance charges	141,963	229,127	65,234	115,814
Bank charges	154,598	228,722	100,376	78,462
	5,260,038	11,556,299	2,514,806	5,515,160

Selected Notes to the Condensed Interim Financial Information (Un-audited) For the six months period ended 30 June 2013

17. TAXATION

During the period, the Company received a show cause notice from the taxation authorities under section 161/205 of the Income Tax Ordinance 2001, for failure to withhold tax of Rs. 9.792 million, on payments made on account of certain expenses and assets purchased during the Tax year 2012. The Company, through its tax advisor, replied to the said notice in detail, with references made to the provision of Income tax ordinance 2001 and precedent judgements, explaining that the Company is not in default of any deduction or submission of withholding tax. No order or further notice has been received by the Company.

18. LOSS PER SHARE - BASIC AND DILUTED

	Six months period ended 30 June		Three months period ended 30 June	
	2013	2012	2013	2012
	----- (Rupees) -----			
Loss after taxation attributable to ordinary shareholders (Rupees)	(7,350,826)	(8,895,139)	(7,490,733)	(4,029,922)
Weighted average number of outstanding ordinary shares	32,000,000	32,000,000	32,000,000	32,000,000
Loss per share (Rupees)	(0.23)	(0.28)	(0.23)	(0.13)

19. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of SME Bank Limited (Holding Company), key management personnel, non executive directors and contributory employee plan:

	30 June 2013 (Un-audited)		31 December 2012 (Audited)	
	Key Management Personnel	SME Bank Ltd. (Holding Company)	Key Management Personnel	SME Bank Ltd. (Holding Company)
	----- Rupees -----			
Borrowings				
Balance as at 1 January	-	58,138,470	-	115,524,439
Borrowings during the period / year	-	-	-	-
Repayments during the period / year	-	(28,029,236)	-	(57,385,969)
Balance as at period / year end	-	30,109,234	-	<u>58,138,470</u>
Loans and advances				
Balance as at 1 January	190,000	-	242,499	-
Advances given during the period / year	228,000	-	568,287	-
Repayments during the period / year	(285,000)	-	(620,786)	-
Balance as at period / year end	133,000	-	<u>190,000</u>	-

Selected Notes to the Condensed Interim
 Financial Information (Un-audited)
 For the six months period ended 30 June 2013

	30 June 2013 (Un-audited)	31 December 2012 (Audited)
Balances		
 Rupees	
Payable to Staff Provident Fund	<u>48,328</u>	<u>7,650</u>

	30 June 2013 (Un-audited)	30 June 2012 (Audited)
Transactions during the period		
 Rupees	
Mark-up expense against borrowings from holding company	<u>4,277,976</u>	<u>8,952,078</u>
Total rentals received during the period	<u>-</u>	<u>11,982</u>
Rent expense	<u>159,572</u>	<u>125,232</u>
Key management remuneration	<u>798,000</u>	<u>3,014,000</u>
Post retirement benefits	<u>532,000</u>	<u>882,861</u>
Provident fund - company's contribution	<u>36,480</u>	<u>65,555</u>

	30 June 2013 (Un-audited)	30 June 2012 (Audited)
 Rupees	
20. CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>5,304,721</u>	11,198,260
Short term borrowings	<u>(30,109,234)</u>	(102,686,759)
	<u>(24,804,513)</u>	(91,488,499)

21. SEGMENT INFORMATION

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

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

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



Selected Notes to the Condensed Interim
Financial Information (Un-audited)
For the six months period ended 30 June 2013

	30 June 2013 (Un-audited)				Total
	Finance Lease	Loans and receivables	Investment	Others	
	Rupees				
Segment revenue	<u>9,615,498</u>	<u>2,998,466</u>	<u>279,739</u>	<u>39,422</u>	<u>12,933,125</u>
Segment profit	<u>9,790,509</u>	<u>2,588,945</u>	<u>279,739</u>	<u>39,422</u>	<u>12,698,615</u>
Segment result					12,698,615
Unallocated cost					
Finance cost					5,260,038
Administrative and operating expenses					14,724,136
					<u>19,984,174</u>
Loss before taxation					(7,285,559)
Taxation					<u>(64,666)</u>
Loss after taxation					<u>(7,350,225)</u>
Other information					
Segment assets	<u>436,981,082</u>	<u>58,089,646</u>	<u>4,108,335</u>	-	<u>499,179,063</u>
Unallocated assets				31,951,884	<u>31,951,884</u>
Total assets					<u>531,130,947</u>
Segment liabilities	<u>266,894,853</u>	-	-	-	<u>266,894,853</u>
Unallocated liabilities				62,684,464	<u>62,684,464</u>
Total liabilities					<u>329,579,716</u>
Net assets					<u>201,551,231</u>
Capital expenditure	-	-	-	-	-

- 21.1 Revenue reported above represents revenue from external customers. There are no intersegment sales.
- 21.2 Revenue from finance lease includes income from finance lease operations and gain/loss on termination of lease. Revenue from loans and receivable includes mark-up income on loans to customers and employees, and revenue from investments include gain on disposal of investments, dividend income and mark-up on government securities.

	30 June 2012 (Un-audited)				Total
	Finance Lease	Loans and receivables	Investment	Others	
	Rupees				
Segment revenue	<u>20,342,688</u>	<u>5,202,603</u>	<u>226,037</u>	<u>45,929</u>	<u>25,817,257</u>
Segment profit	<u>19,551,992</u>	<u>4,215,613</u>	<u>207,037</u>	<u>45,929</u>	<u>24,020,571</u>
Segment result					24,020,571
Unallocated cost					
Finance cost					11,556,299
Administrative and operating expenses					21,099,649
					<u>32,655,948</u>
Loss before taxation					(8,635,377)
Taxation					<u>(259,762)</u>
Loss after taxation					<u>(8,895,139)</u>



Selected Notes to the Condensed Interim
Financial Information (Un-audited)
For the six months period ended 30 June 2013

	31 December 2012 (Audited)				Total
	Finance Lease	Loans and receivables	Investment	Others	
 Rupees				
Other information					
Segment assets	481,606,260	67,009,471	4,062,254	-	552,677,985
Unallocated assets				34,376,353	<u>34,376,353</u>
Total assets					<u>587,054,338</u>
Segment liabilities	278,331,754	-	-	-	278,331,754
Unallocated liabilities				100,836,778	<u>100,836,778</u>
Total liabilities					<u>379,168,532</u>
Net assets					<u>207,885,806</u>
Capital expenditure	-	-	-	1,150,836	<u>1,150,836</u>

22. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on August 30, 2013.


Ali A. Rahim
Chief Executive Officer


Mian Tahir Bashir
Director

Branch Network

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CORPORATE

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