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Branch Network

Corporate Information

*** BOARD OF DIRECTORS**

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

* Subject to Approval of SECP

Chief Executive Officer

Mir Javed Hashmat

AUDIT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

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

Corporate Information

COMPANY SECRETARY & CFO

Mr. Osama Iqbal

ACTING INTERNAL AUDITOR

Mr. Naeem-ul-Hasan

EXTERNAL AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

TAX CONSULTANT

Earnst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company,
Advocate & Legal Consultant

CREDIT RATING

Long-term: BB - Short-term: B

REGISTERED OFFICE

56-F, Nazim-ul-Din Road, F-6/1, Blue Area, Islamabad.

MAIN OFFICE

Office # 304, 3rd Floor, Business Arcade, Shakra-e-Faisal, Karachi.

Tel: (+92-21) 34322128-129-137

Fax: (+92-21) 34322082

E-mail: info@smelease.com

REGISTRAR AND SHARE TRANSFER OFFICE

Corptec Associates (Pvt.) Limited

503-E, Johar Town, Lahore.

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

E-mail: info@corptec.com.pk

BANKS AND LENDING INSTITUTIONS

Allied Bank Limited

MCB Bank Limited

SME Bank Limited

Meezan Bank Limited



Directors' Review Report

The Board of Directors of **SME Leasing Limited** (the company) takes pleasure in presenting their report and un-audited condensed Financial Statements of the Company for the half year ended June 30, 2015.

During the period under review a sharp drop in the global oil prices has been experienced which has been instrumental in creating a positive economic outlook. The country's external factors have benefited the most from the oil prices decline. The CPI inflation rate has fallen below 3 percent during the period and State Bank of Pakistan has reduced its policy rate to 8 percent increasing the demand for credit. These factors have impacted the economy of Pakistan positively; however, the small and medium size businesses have remained under stress due to the lack of availability of financing which not only shake the confidence of the small investors but also increased the cost of doing business.

During the half year ended June 30 2015, the company transacted business worth a very nominal amount of Rs. 3.7 Million. This is mainly due to the reason that the company has to use its recoveries for the payment of Short term Borrowings from sponsor bank. During the half year, the company suffered after tax loss of Rs. 3.41 Million as compared to Rs. 0.75 Million during the corresponding period due to settlement of old cases. During this period, there is net reversal of Rs. 2.25 Million against potential lease losses as compared to Rs. 4.75 Million in 2014. Total assets of the company have decreased to Rs. 592.03 Million from Rs. 658.38 Million as of December 2014 mainly due to the aggressive recovery efforts, negligible disbursements and utilization of cash for discharging current liabilities. The net revenue of the company as on 30th June 2015 has increased to Rs. 18.59 Million as compared to Rs. 18.09 million in the corresponding period of the previous year. As a result of above mentioned facts the equity of the company also reduced to Rs. 188.05 Million as against Rs. 190.47 Million in the corresponding year ended December 31, 2014.

In order to build new healthy assets during the year, the company is working on various funding option in consultation with the main sponsor SME Bank Limited. Simultaneously the management is also exploring possibilities of raising resources from other financial institutions.

Initiatives are being taken to improve quality of appraisal, strengthen recovery and marketing process, and induct competent human resource to turn around the company in short span of time. Room for improvement is always there, and your directors being conscious of their responsibilities are determined to ensure that better results are obtained in future.

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

For and on behalf of the Board of Directors

Ms. Mehnaz Saleem
Chairperson/Director

Dated: August 31, 2015

2nd Quarterly Report



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Chartered Accountants
Sheikh Sultan Trust Building No. 2
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Independent Auditors' Report on Review of Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of **SME Leasing Limited** ("the Company") as at 30 June 2015 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 "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed 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 condensed 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 condensed 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 condensed 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 condensed 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. Our conclusion is not qualified in this respect.

Other matter

The figures for the three months period ended 30 June 2015 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: August 31, 2015

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Condensed Interim Balance Sheet (Un-audited)

As at 30 June 2015

	Note	30 June 2015 (Un-audited)	December 31, 2014 (Audited)
Rupees			
ASSETS			
Current assets			
Cash and bank balances	6	9,082,278	5,520,170
Advances		2,151,006	2,129,255
Deposits, prepayments and other receivables		1,270,398	982,396
Accrued interest on loans		2,698,289	1,391,293
Investments	7	4,189,268	3,209,123
Asset held for sale		3,979,986	3,979,986
Current maturity of non-current assets	8 & 9	397,390,922	416,543,263
		420,762,147	433,755,486
Non-current assets			
Long term finances and loans	8	36,422,847	57,647,617
Net investment in finance leases	9	123,535,735	154,887,400
Long term deposits and prepayments		1,543,322	1,626,654
Property and equipment	10	9,769,420	10,466,345
		171,271,324	224,628,016
Total assets		592,033,471	658,383,502
LIABILITIES			
Current liabilities			
Accrued and other liabilities		4,689,323	15,654,125
Accrued mark-up on borrowings		1,041,675	2,382,032
Short term borrowings		133,264,796	155,320,077
Current maturity of non-current liabilities	11	184,347,479	208,632,647
Provision for compensated absences		885,967	1,033,768
Advance tax net of provisions		8,197,678	12,334,023
		332,426,918	395,356,672
Non-current liabilities			
Liabilities against assets subject to finance lease	9.1	1,410,838	1,974,255
Long term deposits		65,981,901	65,971,901
Deferred liabilities		4,167,004	4,606,467
		71,559,743	72,552,623
Total liabilities		403,986,661	467,909,295
NET ASSETS		188,046,810	190,474,207
FINANCED BY			
Authorised share capital			
100,000,000 (31 December 2014: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital		320,000,000	320,000,000
Reserves		48,466,329	48,466,329
Accumulated loss		(183,428,787)	(180,021,245)
		185,037,542	188,445,084
Surplus on revaluation of available-for-sale investments		3,009,268	2,029,123
Total shareholder's equity		188,046,810	190,474,207
COMMITMENTS	12		

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.


Ali A. Rahim
Director


Mir Javed Hashmat
Chief Executive Officer

Condensed Interim Profit And Loss Account (Un-audited)

For the six months period ended 30 June 2015

Note	Six months period ended		Three Months period ended		
	30 June 2015	30 June 2014	30 June 2015	30 June 2014	
----- (Rupees) -----					
INCOME					
Income from operations	13	18,597,850	18,089,366	8,325,640	11,769,741
Other operating income					
Income from investments		6,857	68,134	2,195	34,112
Income from financial assets		23,951	36,078	8,925	7,642
Gain from disposal of fixed assets		126,233	11,000	44,800	-
		157,041	115,212	55,920	41,754
		18,754,891	18,204,578	8,381,560	11,811,495
EXPENSES					
Administrative and operating expenses	14	18,211,463	18,239,083	9,789,597	9,250,617
Finance cost	15	10,091,056	5,289,247	4,594,259	3,420,534
		28,302,519	23,528,330	14,383,856	12,671,151
Operating loss before provisions		(9,547,628)	(5,323,752)	(6,002,296)	(859,656)
PROVISIONS					
(Reversal)/Provision for potential lease losses		(2,345,148)	(5,137,153)	(1,632,715)	(4,028,660)
Provision for doubtful finances and loans		96,155	383,166	73,618	365,041
		(2,248,993)	(4,753,987)	(1,559,097)	(3,663,619)
(Loss) / profit before taxation		(7,298,635)	(569,765)	(4,443,199)	2,803,963
Taxation					
- Current					
For the period		182,116	182,046	140,175	118,115
Prior year	16	(4,073,209)	-	-	-
		(3,891,093)	182,046	140,175	118,115
(Loss) / profit after taxation		(3,407,542)	(751,811)	(4,583,374)	2,685,848
(Loss) / profit per share - basic and diluted	17	(0.11)	(0.02)	(0.14)	0.08

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.


Ali A. Rahim
Director


Mir Javed Hashmat
Chief Executive Officer



Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months period ended 30 June 2015

	Six months period ended		Three Months period ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	(Rupees)			
Profit / (loss) after taxation	(3,407,542)	(751,811)	(4,583,374)	2,685,848
Other comprehensive income				
(Deficit) / surplus on revaluation of available-for-sale investments	980,145	(21,445)	1,015,963	(29,255)
Total comprehensive income for the period	(2,427,397)	(773,256)	(3,567,411)	2,656,593

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.


Ali A. Rahim
Director


Mir Javed Hashmat
Chief Executive Officer

Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 30 June 2015

Six months period end

Note	June 31, 2015	June 31, 2014
 Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(7,298,635)	(569,765)
Adjustments for:		
- Depreciation and amortization	837,020	950,254
- Gratuity	172,000	201,356
- Finance cost	9,936,842	5,120,591
- Profit on bank accounts / return on investments	(30,808)	(104,212)
- Lease finance charges	154,214	168,656
- Gain on disposal of property and equipment	(126,233)	(11,000)
- Provision for potential lease losses	(2,345,148)	(5,137,153)
- Provision for doubtful finances and loans	96,155	383,166
	<u>8,694,042</u>	<u>1,571,658</u>
Operating profit before working capital changes	1,395,407	1,001,893
Movement in working capital		
(Increase) / decrease in operating assets		
- Interest accrued	(1,306,996)	(46,513)
- Net investment in finance leases	60,113,516	(82,100,008)
- Deposits, prepayments and other receivables	(288,002)	779,027
- Long term deposits and prepayments	83,332	(10,645)
- Advances	(21,751)	(963,754)
	<u>58,580,099</u>	<u>(82,341,893)</u>
Increase / (decrease) in operating liabilities		
- Provision for compensated absences	(147,801)	145,522
- Long term deposits received	(23,272,000)	6,961,580
- Accrued and other liabilities	(10,964,802)	9,341,628
	<u>(34,384,603)</u>	<u>16,448,730</u>
Cash generated from operations	25,590,903	(64,891,270)
(Increase) / decrease in long term finances and loans	13,864,253	(56,649,868)
Financial charges paid	(11,277,199)	(3,900,999)
Interest received	30,808	104,212
Gratuity paid	(612,000)	(172,394)
Taxes paid	(245,252)	(261,992)
	<u>1,760,610</u>	<u>(60,881,041)</u>
Net cash flows from operating activities	27,351,513	(125,772,311)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(337,866)	(299,313)
Proceeds from disposal of fixed assets	324,000	245,670
Decrease in investments	-	2,000,000
Net cash flows from investing activities	(13,866)	1,946,357
CASH FLOW FROM FINANCING ACTIVITIES		
Decrease in long-term finances	(892,256)	(1,235,034)
Lease rentals paid	(828,002)	(893,489)
Net cash flows from financing activities	(1,720,258)	(2,128,523)
Net increase in cash and cash equivalents	<u>25,617,389</u>	<u>(125,954,477)</u>
Cash and cash equivalents at beginning of the period	<u>(149,799,907)</u>	<u>(31,501,070)</u>
Cash and cash equivalents at end of the period	19 <u>(124,182,518)</u>	<u>(157,455,547)</u>

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.


Ali A. Rahim
Director


Mir Javed Hashmat
Chief Executive Officer

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

For the six months period ended 30 June 2015

Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves			Total shareholder's equity
	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 2014 320,000,000 10,000,000 28,019,277 10,447,052 (168,940,325) 807,699 200,333,703

Total comprehensive income for the period ended 30 June 2014

Loss after taxation for the period - - - - (751,811) - (751,811)

Other comprehensive income

Surplus on revaluation of available-for-sale investments - - - - - (21,445) (21,445)

Balance as at 30 June 2014 320,000,000 10,000,000 28,019,277 10,447,052 (169,692,136) 786,254 199,560,447

Balance as at 1 January 2015 320,000,000 10,000,000 28,019,277 10,447,052 (180,021,245) 2,029,123 190,474,207

Total comprehensive income for the period ended 30 June 2015

Loss after taxation for the period - - - - (3,407,542) - (3,407,542)

Other comprehensive income

Surplus on revaluation of available-for-sale investments - - - - - 980,145 980,145

Balance as at 30 June 2015 320,000,000 10,000,000 28,019,277 10,447,052 (183,428,787) 3,009,268 188,046,810

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.



Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer

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

For the six months period ended 30 June 2015

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 2013: 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 56-F, Nazim-ul-Din 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. 700 million. The equity of the Company as at 30 June 2015 is Rs. 185.038 million which is Rs.514.962 million short of the minimum capital requirement. The Company has been incurring losses since year ended 31 December 2009 which has resulted in erosion of equity. During the period ended 30 June 2015, the Company has incurred a loss of Rs. 3.408 million and the accumulated losses amounts to Rs. 183.429 million as at the year end. Further, the net assets of the Company amounting to Rs. 188.047 million includes non-performing leases and loans and finances, net of provision, amounting to Rs. 147.990 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 company has applied for renewal of the license on 22 April 2013 and submitted a detailed business plan including measures to be taken for improvement of financial health of the Company and due compliance with minimum equity requirement as per NBFC Regulations 2008. Considering the financial health of the Company and expiry of leasing license, the SECP in letter dated 05 July 2013 instructed the Company to not to raise deposits from general public in any form till the compliance of the minimum equity requirement and the renewal of the leasing license.

Further the Company is dependent on the running finance facility granted by the Parent Company. The revised prudential regulation of State Bank of Pakistan (SBP) applicable from June 2015 has restricted the exposure by bank to a related party to the extent of 7.5% of its equity. However, the Parent Company has applied to the State Bank of Pakistan for the relaxation of the aforesaid requirement in respect of its financing to the Company.

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. 150 million out of which Rs. 133.265 million has been utilised as at 30 June 2015. The said facility can be extended to the extent of Rs. 300 million as per the stand-by agreement for finance facility. As discussed earlier, the parent company has applied for relaxation to the State Bank of Pakistan from the requirements of related party exposure limits in order to continue its support towards the Company;
- 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;



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

For the six months period ended 30 June 2015

- Concerted efforts are being made for the recovery of non-performing leases and loans and finances and in this respect during the period Rs. 10.183 million has been recovered. Further, subsequent to the period ended 30 June 2015, Rs. 2.713 million has been recovered in respect of the non-performing loans till the end of July 2015;
- Efforts are also being made by the management to reduce the overall cost of the Company.

Based on the above mentioned financial measures and the concerted operational measures being taken by the Company, the management is confident of the profitable operations in the foreseeable future and therefore, has prepared the financial statements on going concern basis.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim financial information of the Company for the six months period ended 30 June 2015 have been prepared in accordance with the requirements of the International Accounting Standard 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.

The comparative balance sheet presented in the condensed interim financial information as at 30 June 2015 has been extracted from the audited financial statements of the Company for the year ended 31 December 2014, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement have been extracted from condensed interim financial information of the Company for the six months period ended 30 June 2015. Further, the figures in the condensed interim financial information for the three month period ended 30 June 2015 have not been reviewed by the auditors.

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 2014.

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 2014.

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 2014.

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

For the six months period ended 30 June 2015

Note	30 June 2015 (Un-audited)	December 31, 2014 (Audited)
..... Rupees		
6. CASH AND BANK BALANCES		
Cash in hand	66,412	66,508
Balance with State Bank of Pakistan in current account	43,095	23,095
Balances with banks in:		
- current accounts	6.1 8,365,447	5,285,026
- saving accounts	6.2 607,324	145,541
	9,082,278	5,520,170

6.1 These include balance with a related party amounting to Nil (31 December 2014: Rs. 0.946 million).

6.2 These saving accounts carry profit rate of 6% to 7% per annum (31 December 2014: 6% to 7% per annum).

Note	30 June 2015 (Un-audited)	December 31, 2014 (Audited)
..... Rupees		
7. INVESTMENTS - available-for-sale		
Mutual Fund		
- Open end mutual fund	7.1 4,189,268	3,209,123

7.1 This represents investment in 327,709 certificates (31 December 2014: 327,709) of Namco Balanced Fund, an open end mutual fund. As at 30 June 2015, the cost of the above investments amounted to Rs. 1.18 million (31 December 2014: Rs. 1.18 million).

8. LONG TERM FINANCES AND LOANS - secured

Related parties - considered good	455,446	1,211,419
- Employees		
Other than related parties		
- Customers		
considered good	49,839,188	78,682,315
considered doubtful	50,799,185	35,064,338
	100,638,373	113,746,653
Provision for doubtful finances	(5,149,223)	(5,053,068)
	95,489,150	108,693,585
	95,944,596	109,905,004
Less: Current maturity		
Related parties - Employees	(70,907)	(107,709)
Other than related parties - Customers	(59,450,842)	(52,149,678)
	(59,521,749)	(52,257,387)
	36,422,847	57,647,617

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

For the six months period ended 30 June 2015

	Note	30 June 2015 (Un-audited)	December 31, 2014 (Audited)
..... Rupees			
9. NET INVESTMENT IN FINANCE LEASES			
Net investment in finance leases	9.1	461,404,908	519,173,276
Current portion shown under current assets	9.1	(337,869,173)	(364,285,876)
		123,535,735	154,887,400

9.1 Net investment in finance leases

	30 June 2015 (Un-audited)			December 31, 2014 (Audited)		
	Not later than One year	Later than one year	Total	Not later than One year	Later than one year	Total
..... Rupees						
Minimum lease payments	391,371,278	61,946,446	453,317,724	400,708,895	104,235,133	504,944,028
Add: Residual value of leased assets	9.1.1 182,886,322	65,981,901	248,868,223	206,168,322	65,971,901	272,140,223
Gross investment in leases	574,257,600	127,928,347	702,185,947	606,877,217	170,207,034	777,084,251
Unearned lease income	(21,698,970)	(4,392,612)	(26,091,582)	(27,662,431)	(13,407,649)	(41,070,080)
Mark-up held in suspense	(57,743,495)	-	(57,743,495)	(57,549,785)	-	(57,549,785)
	(79,442,465)	(4,392,612)	(83,835,077)	(85,212,216)	(13,407,649)	(98,619,865)
	494,815,135	123,535,735	618,350,870	521,665,001	156,799,385	678,464,386
Provision for potential lease losses	(156,945,962)	-	(156,945,962)	(157,379,125)	(1,911,985)	(159,291,110)
Net investment in finance leases	337,869,173	123,535,735	461,404,908	364,285,876	154,887,400	519,173,276

The Internal Rate of Return (IRR) on lease contracts receivable ranges from 10% to 29.1% percent per annum (31 December 2014: 10% percent to 29.1% 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. 253.433 million (31 December 2014: Rs. 253.720 million).

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

For the six months period ended 30 June 2015

For the six months period
ended 30 June (Un-audited)
2015 2014

..... Rupees

10. PROPERTY AND EQUIPMENT

Additions

Owned

Office equipment	283,698	89,777
Building improvements	-	122,124
Vehicles (transfer from leased assets)	950,000	698,000
Computers	54,168	67,100
Intangibles	-	20,312
	1,287,866	997,313

Leased Assets

Vehicles	-	1,049,000
	1,287,866	2,046,313

Disposals

Owned

Office equipment	86,684	-
Building improvements	39,893	-
Vehicles	698,000	723,961
	824,577	723,961

Leased Assets

Vehicles (transfer to leased assets)	950,000	698,000
	1,774,577	1,421,961

Note 30 June 2015 (Un-audited) December 31, 2014 (Audited)

..... Rupees

11. CURRENT MATURITY OF NON-CURRENT LIABILITIES

Long term finances	11.1	373,233	1,265,489
Liabilities against assets subject to finance lease		1,087,924	1,198,836
Long term deposits	9.1	182,886,322	206,168,322
		184,347,479	208,632,647

11.1 This represents balance due against financing facilities amounting to Rs. 7.3 million from National Energy Conservation Centre (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 2015

Note	30 June 2015 (Un-audited)	December 31, 2014 (Audited)
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..... Rupees

12. COMMITMENTS

Lease disbursements	12.1	9,500,000	11,000,000
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12.1 This represents those leases which have been approved by the Company as at the period end.

13. INCOME FROM OPERATIONS

	Six months period ended		Three months period ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014

..... Rupees

Leases				
Income from finance lease operations	12,474,635	14,329,907	5,110,880	9,294,024
Gain on termination of leases	169,802	-	138,113	-
	12,644,437	14,329,907	5,248,993	9,294,024
Finances and loans				
Customers	5,953,413	3,759,459	3,076,647	2,475,717
	18,597,850	18,089,366	8,325,640	11,769,741

14. ADMINISTRATIVE & OPERATING EXPENSES

Salaries, allowances and other benefits	10,243,214	9,871,616	5,527,234	5,021,558
Directors' fee	240,000	183,000	120,000	81,000
Rent	1,087,522	1,064,063	568,618	525,946
Electricity, gas and water	422,425	452,396	267,219	228,149
Telephone and postage	414,235	492,438	212,442	251,873
Repairs and maintenance	218,844	296,416	116,989	176,407
Books and periodicals	17,484	16,747	9,004	8,716
Fees and subscriptions	-	26,722	-	17,862
Vehicle running	176,083	308,674	153,888	133,675
Advertising	160,787	100,590	160,787	71,760
Training and development	131,500	14,000	4,500	9,000
Travelling, conveyance and entertainment	1,177,755	1,129,953	516,941	652,181
Printing and stationery	441,767	556,016	400,629	440,391
Auditors' remuneration	175,000	184,000	169,875	134,000
Depreciation and amortisation	837,020	950,254	414,797	560,811
Legal and professional	1,719,545	1,624,380	759,443	634,741
Insurance	473,617	495,680	245,501	292,115
Commission and brokerage charges	-	72,200	-	-
Miscellaneous	274,665	399,938	141,730	10,432
	18,211,463	18,239,083	9,789,597	9,250,617

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

For the six months period ended 30 June 2015

15. FINANCE COST

	Six months period ended		Three months period ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	Rupees			
Mark-up on:				
- Long term finance	96,702	62,212	-	29,185
- Short term borrowings	9,758,631	4,899,254	4,450,189	3,195,800
- Certificates of investment	-	12,466	-	2,806
Lease finance charges	154,214	168,656	71,250	95,863
Bank charges	81,509	146,659	72,820	96,880
	<u>10,091,056</u>	<u>5,289,247</u>	<u>4,594,259</u>	<u>3,420,534</u>

16. TAXATION

During the period, the Company has reversed the excess tax liability provided in financial years prior to 2009 on the basis that the assessment for the year 2009 and earlier tax years have attained finality and can not be amended.

17. LOSS PER SHARE - BASIC AND DILUTED

	Six months period ended		Three months period ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	Rupees			
Profi / (Loss) after taxation attributable to ordinary shareholders (Rupees)	<u>(3,407,542)</u>	<u>(751,811)</u>	<u>(4,583,374)</u>	<u>2,685,848</u>
Weighted average number of outstanding ordinary shares	<u>32,000,000</u>	<u>32,000,000</u>	<u>32,000,000</u>	<u>32,000,000</u>
Earning / (Loss) per share (Rupees)	<u>(0.11)</u>	<u>(0.02)</u>	<u>(0.14)</u>	<u>0.08</u>

18. 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, 2015 (Un-audited)		December 31, 2014	
	Key Management Personnel (Un-audited)	SME Bank (Holding Company)	Key Management Personnel (Audited)	SME Bank (Holding Company)
	Rupees			
Borrowings				
Balance as at 1 January	-	155,320,077	-	37,534,120
Borrowings during the period / year	-	5,078,011	-	126,540,120
Repayments during the period / year	-	(27,133,292)	-	(8,754,163)
Balance as at period / year end	-	<u>133,264,796</u>	-	<u>155,320,077</u>



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

For the six months period ended 30 June 2015

	30 June 2015 (Un-audited)	December 31, 2014 (Audited)
 Rupees	

Balances

Payable to Staff Provident Fund	219,784	(90,685)
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	30 June 2015 (Un-audited)	30 June 2014 (Un-audited)
 Rupees	

Transactions during the period

Mark-up expense against borrowings from holding company	9,758,631	4,899,254
Rent expense	162,804	162,804
Key management remuneration	1,863,706	1,906,400
Post retirement benefits	-	-
Provident fund - company's contribution	44,688	-

19. CASH AND CASH EQUIVALENTS

Cash and bank balances	9,082,278	4,422,836
Short term borrowings	(133,264,796)	(161,878,383)
	(124,182,518)	(157,455,547)

20. 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 2015

	30 June 2015 (Un-audited)				
	Finance Lease	Loans and receivables	Investment	Others	Total
	Rupees				
Segment revenue	<u>12,644,437</u>	<u>5,953,413</u>	<u>6,857</u>	<u>150,184</u>	<u>18,754,891</u>
Segment profit	<u>14,989,585</u>	<u>5,857,258</u>	<u>6,857</u>	<u>150,184</u>	<u>21,003,884</u>
Segment result					21,003,884
Unallocated cost					
Finance cost					10,091,056
Administrative and operating expenses					18,211,463
					<u>28,302,519</u>
Profit before taxation					(7,298,635)
Taxation					3,891,093
Profit after taxation					<u>(3,407,542)</u>
Other information					
Segment assets	461,404,908	95,489,150	4,189,268	-	561,083,326
Unallocated assets	-	-	-	30,950,145	30,950,145
Total assets					<u>592,033,471</u>
Segment liabilities	253,082,348	-	-	-	253,082,348
Unallocated liabilities	-	-	-	150,904,313	150,904,313
Total liabilities					<u>403,986,661</u>
Net assets					<u>188,046,810</u>
Capital expenditure	-	-	-	337,866	<u>337,866</u>

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

20.2 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.

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

For the six months period ended 30 June 2015

30 June 2014 (Un-audited)

	Finance Lease	Loans and receivables	Investment	Others	Total
	Rupees				
Segment revenue	<u>14,329,907</u>	<u>3,759,459</u>	<u>68,134</u>	<u>47,078</u>	<u>18,204,578</u>
Segment profit	<u>19,467,060</u>	<u>3,376,293</u>	<u>68,134</u>	<u>47,078</u>	<u>22,958,565</u>
Segment result					22,958,565
Unallocated cost					
Finance cost					5,289,247
Administrative and operating expenses					<u>18,239,083</u>
					<u>23,528,330</u>
Loss before taxation					(569,765)
Taxation					<u>(182,046)</u>
Loss after taxation					<u>(751,811)</u>

31 December 2014 (Audited)

	Finance Lease	Loans and receivables	Investment	Others	Total
	Rupees				
Other information					
Segment assets	519,173,276	108,693,585	3,209,123	-	631,075,984
Unallocated assets	-	-	-	27,307,518	<u>27,307,518</u>
Total assets					658,383,502
Segment liabilities	276,402,645	-	-	-	276,402,645
Unallocated liabilities	-	-	-	191,506,650	<u>191,506,650</u>
Total liabilities					467,909,295
Net assets					<u>190,474,207</u>
Capital expenditure	-	-	-	310,266	<u>310,266</u>

21. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on August 31, 2015.



Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer

Branch Network

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