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Branch Network

Corporate Information

BOARD OF DIRECTORS

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

Chief Executive Officer

Mir Javed Hashmat

AUDIT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

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

COMPANY SECRETARY & CFO

Mr. Osama Iqbal

INTERNAL AUDITOR

Mr. Naeem-ul-Hasan

Corporate Information

EXTERNAL AUDITORS

Grant Thornton Anjum Rahman
Chartered Accountants

TAX CONSULTANT

Earnst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company,
Advocate & Legal Consultant

CREDIT RATING

Long-term: BB - Short-term: B

REGISTERED OFFICE

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

MAIN OFFICE

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

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

Fax: (+92-21) 34322082

E-mail: info@smelease.com

REGISTRAR AND SHARE TRANSFER OFFICE **Corptec Associates (Pvt.) Limited**

503-E, Johar Town, Lahore.

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

E-mail: info@corptec.com.pk

BANKS AND LENDING INSTITUTIONS

Allied Bank Limited

MCB Bank Limited

SME Bank Limited

Meezan Bank Limited



Directors' Review Report

The Board of Directors of **SME Leasing Limited** takes pleasure in presenting the un-audited condensed Financial Statements of the Company for the half year ended June 30, 2016.

We take immense pleasure in announcing that during the half year period the company has managed to curtail its losses before tax by 70%. Loss before tax amounts to Rs. 2.1 million as compared to Rs. 7.3 million in the corresponding period. This has been possible due to our main focus on recoveries from non-performing loans and addition of new quality business created mainly from the recoveries from performing and non-performing loans. During the period the company transacted new business of Rs. 62.2 million as compared to Rs. 3.7 million in the corresponding period.

The current liabilities have increased from Rs. 335.34 million to Rs. 344.78 million whereas the total assets of the company have decreased to Rs. 560.17 million from Rs. 568.32 million as of December 2015. During the six months period recovery made from Non-Performing Loans stood at Rs. 28.67 million as compared to Rs. 10.63 million of the corresponding period. The gross revenue of the company as on 30th June 2016 has increased to Rs. 21.32 million as compared to Rs. 18.75 million in the corresponding period.

As a result of above mentioned facts the equity of the company has slightly decreased to Rs 171 million as compared to Rs. 174 million on the year ended December 31, 2015.

In order to further improve the financial position of the company during the remaining part of the year, the management is focusing mainly on the recoveries and to utilize these resources towards building a healthy performing portfolio. Management is also working on other options to mobilize resources needed for a sustainable growth. Since the loss of the company is very small and can easily be managed through injection of fresh portfolio for which management is making efforts to gain access to funds from the capital markets.

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

On behalf of Board of Directors

Mr. Ateeq Ur Rehman
Director

Dated: August 23, 2016



Grant Thornton

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**INDEPENDENT AUDITORS' REVIEW
REPORT TO THE MEMBERS OF
SME LEASING LIMITED**

GRANT THORNTON ANJUM RAHMAN

1st & 3rd Floor,
Modern Motors House
Beaumont Road,
Karachi 75530

T +92 021 3567 2951-56
F +92 021 3568 8834
www.gtpak.com

Introduction

We have reviewed the accompanying condensed interim balance sheet of **SME Leasing Limited** ("the Company") as at **June 30, 2016** 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 the relevant notes for the six months period then ended (here-in-after referred to as 'condensed interim financial information'). Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by Independent Auditor of the Entity". A review of condensed interim financial information consist 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 the following

- i) note 1.2 to the condensed interim financial information which indicates that the Company has incurred loss amounting to Rs. 2.317 million (2015: Rs. 3.408 million) during the six months period ended June 30, 2016, and as of that date, its accumulated losses amounted to Rs. 199.439 million (December 31, 2015: Rs. 197.122 million). These conditions, along with other matters as set forth in the above referred note; indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.
- ii) note 7 to the condensed interim financial information, relating to available for sale investment of Rs. 3,462,573. The outcome of the matter stated therein cannot presently be determined.


Our conclusion is not modified in respect of these matters.

Other Matter

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months period ended June 30, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended June 30, 2016.

The condensed interim financial information of the Company for the six months period ended June 30, 2015 and financial statements for the year ended December 31, 2015 were reviewed and audited by another firm of auditors who in their report dated August 31, 2015 and March 02, 2016, expressed an unqualified conclusion and opinion respectively.

Karachi
Date: 23 August 2016


Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner

Condensed Interim Balance Sheet (Un-audited)

As at June 30, 2016.

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
	Rupees	
ASSETS		
Current assets		
Cash and bank balances	6 4,019,840	3,115,209
Mark-up accrued	92,185	13,843
Loans and advances	2,772,090	2,484,094
Deposits, prepayments and other receivables	3,511,879	1,630,488
Investments - available for sale	7 3,462,573	4,283,091
Asset held for sale	-	3,979,986
Current maturity of non current assets	8 436,690,920	432,784,153
Total current assets	450,549,487	448,290,864
Non-current assets		
Long term finances and loans	9 14,404,209	17,380,776
Net investment in finance leases	10 84,541,436	91,803,251
Long-term deposits and prepayments	1,543,322	1,543,322
Property and equipment	11 9,132,458	9,297,595
Total non-current assets	109,621,425	120,024,944
Total assets	560,170,912	568,315,808
LIABILITIES		
Current liabilities		
Trade and others payable	4,012,366	6,066,743
Mark-up accrued	1,086,801	1,171,429
Short term borrowings	133,173,612	129,066,524
Current maturity of non current liabilities	12 197,419,250	189,774,946
Provision for compensated absences	913,465	1,069,901
Taxation payable	8,174,790	8,186,714
Total current liabilities	344,780,284	335,336,257
Non-current liabilities		
Liabilities against assets subject to finance lease	-	600,977
Long-term deposits	10.1 39,289,006	53,040,880
Deferred liabilities	4,791,759	4,890,705
	44,080,765	58,532,562
Total liabilities	388,861,049	393,868,819
NET ASSETS	171,309,863	174,446,989
FINANCED BY		
Authorised share capital 100,000,000 (December 31,2015: 100,000,000) ordinary shares of Rs. 10 each	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	320,000,000	320,000,000
Reserves	48,466,329	48,466,329
Accumulated loss	(199,439,039)	(197,122,431)
	169,027,290	171,343,898
Unrealized gain on revaluation of available for sale investments	2,282,573	3,103,091
Total shareholders' equity	171,309,863	174,446,989
CONTINGENCIES AND COMMITMENTS	13	

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



Mir Javed Hashmat
Chief Executive Officer



Mr. Ali A. Rahim
Director

Condensed Interim Profit And Loss Account (Un-audited)

For the six months period ended 30 June 2016

Note	Six months period ended		Three Months period ended	
	June 30, 2016 Unaudited	June 30, 2015 Unaudited	June 30, 2016 Unaudited	June 30, 2015 Unaudited
----- (Rupees) -----				
Revenue				
Income from operations	14	18,626,952	18,597,850	8,325,640
Other operating income	15	2,690,206	157,041	55,920
Total revenue		21,317,158	18,754,891	8,381,560
Expenses				
Administrative and operating expenses	16	18,251,433	18,211,463	9,789,597
Finance cost	17	7,121,687	10,091,056	4,594,259
Total expenses		25,373,120	28,302,519	14,383,856
Operating loss before provisions and taxation		(4,055,962)	(9,547,628)	(6,002,296)
(Reversal) / provisions				
Reversal for potential lease losses		(2,131,051)	(2,345,148)	(1,632,715)
Provision/ (reversal) for loans and receivables		205,428	96,155	73,618
Total reversals		(1,925,623)	(2,248,993)	(1,559,097)
Loss before taxation		(2,130,339)	(7,298,635)	(4,443,199)
Taxation				
Current		186,270	182,116	140,175
Deferred		-	(4,073,209)	-
		186,270	(3,891,093)	140,175
Loss for the period		(2,316,609)	(3,407,542)	(4,583,374)
Loss per share - basic and diluted	18	(0.07)	(0.11)	(0.14)

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



Mir Javed Hashmat
Chief Executive Officer



Mr. Ali A. Rahim
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months period ended 30 June 2016

	Six months period ended		Three Months period ended	
	June 30, 2016 Unaudited	June 30, 2015 Unaudited	June 30, 2016 Unaudited	June 30, 2015 Unaudited
	----- (Rupees) -----			
Loss for the period	(2,316,609)	(3,407,542)	(2,900,805)	(4,583,374)
Other comprehensive income				
(Deficit)/ surplus on revaluation of available-for-sale investment	(820,518)	980,145	-	1,015,963
Total comprehensive loss for the period	(3,137,127)	(2,427,397)	(2,900,805)	(3,567,411)

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



Mir Javed Hashmat
Chief Executive Officer



Mr. Ali A. Rahim
Director

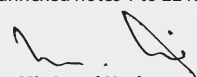


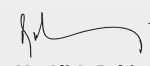
Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 30 June 2016

	June 30, 2016 Unaudited	June 30, 2015 Unaudited
 Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(2,130,339)	(7,298,635)
Adjustment for non-cash items		
Depreciation	910,354	837,020
Gratuity expense	232,588	172,000
Finance cost	7,049,175	9,936,842
Profit on bank account/return on investment	(20,192)	(30,808)
Financial charges on leased assets	72,512	154,214
Gain on disposal of property and equipment	(2,670,014)	(126,233)
Provision for potential lease losses	(2,131,051)	(2,345,148)
Provision for loans and receivables	205,428	96,155
Total adjustment for non-cash items	3,648,800	8,694,042
Operating profits before working capital changes	1,518,461	1,395,407
Working capital changes		
(Increase)/ decrease in operating assets		
Other receivable / Interest accrued	(78,342)	(1,306,996)
Deposits, prepayments and other receivables	(1,881,391)	(288,002)
Decrease in net investment in leases	8,871,439	60,113,516
Long-term deposits and prepayments	-	83,332
Loans and advances	(287,996)	(21,751)
	6,623,710	58,580,099
Decrease in operating liabilities		
Trade and other payables	(2,054,377)	(10,964,802)
Long term deposits received	(6,145,659)	(23,272,000)
Provision for compensated absences	(156,435)	(147,801)
	(8,356,471)	(34,384,603)
Total working capital changes	(1,732,761)	24,195,496
Cash (used in)/ generated from operations after working capital changes	(214,300)	25,590,903
(Increase)/ decrease in loans and receivables	(614,201)	13,864,253
Mark-up expense paid	(7,051,807)	(11,277,199)
Mark-up income received	20,192	30,808
Gratuity paid	(331,533)	(612,000)
Taxes paid	(198,194)	(245,252)
	(8,175,544)	1,760,610
Net cash (used in)/ generated from operating activities	(8,389,844)	27,351,513
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(745,226)	(337,866)
Accrued Interest on loans	(78,342)	-
Proceeds from disposal of fixed assets	6,650,000	324,000
Net cash generated from/ (used in) investing activities	5,826,432	(13,866)
CASH FLOW FROM FINANCING ACTIVITIES		
Decrease in long-term finance	-	(892,256)
Lease rentals paid	(639,045)	(828,002)
Net cash used in financing activities	(639,045)	(1,720,258)
Net (decrease) / increase in cash and cash equivalents	(3,202,457)	25,617,389
Cash and cash equivalents at beginning of the period	20 (125,951,315)	20 (149,799,907)
Cash and cash equivalents at end of the period	20 (129,153,772)	20 (124,182,518)

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


Mir Javed Hashmat
Chief Executive Officer


Mr. Ali A. Rahim
Director

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

For the six months period ended 30 June 2016

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 January 01, 2015	320,000,000	10,000,000	28,019,277	10,447,052	(180,021,245)	2,029,123	190,474,207
Total comprehensive loss for the period ended June 30, 2015							
Loss 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 June 30, 2015	320,000,000	10,000,000	28,019,277	10,447,052	(183,428,787)	3,009,268	188,046,810
Balance as at January 01, 2016	320,000,000	10,000,000	28,019,277	10,447,052	(197,122,431)	3,103,091	174,446,989
Total comprehensive loss for the period ended June 30, 2016							
Loss for the period	-	-	-	-	(2,316,609)	-	(2,316,609)
Other comprehensive Income							
Deficit on revaluation of available-for-sale-investments	-	-	-	-	-	(820,518)	(820,518)
Balance as at June 30, 2016	320,000,000	10,000,000	28,019,277	10,447,052	(199,439,040)	2,282,573	171,309,863

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



Mir Javed Hashmat
Chief Executive Officer



Mr. Ali A. Rahim
Director



Notes To The Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2016

1 THE COMPANY AND ITS OPERATIONS

- 1.1 SME Leasing Limited (the Company) was incorporated in Pakistan on July 12, 2002 as an unlisted public company and acquired the status of a listed company on December 13, 2006. The Company is a subsidiary of SME Bank Limited, who holds 73.14% (December 31, 2015: 73.14%) of the Company's shares. At the time of incorporation, the Company was a wholly owned subsidiary of SME Bank Limited, whereby under an arrangement the assets and liabilities of the leasing division of SME Bank Limited were transferred to the Company on January 28, 2003. The company is listed on Pakistan Stock Exchange formerly Lahore Stock Exchange and its registered office is situated at 56-F, Nazim-ud-Din Road F-6/1, Blue Area, Islamabad. The core objective of the company is to extend lease and working capital financing facilities to small and medium enterprises of the country.
- 1.2 The Company has been incurring losses since year ended December 31, 2009 which has resulted in erosion of equity. During the period ended June 30, 2016, the Company has incurred a loss of Rs. 2.317 million and the accumulated losses amounts to Rs. 199.439 million as at the period end. Further, the net assets of the Company amounting to Rs. 171.310 million includes non-performing leases and loans and finances, net of provisions.

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:

- The parent company has granted a short term running finance facility to the Company amounting to Rs. 150 million out of which Rs. 133.173 million has been utilised as at June 30, 2016. 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. Further, parent company has been in the list of privatization by Government of Pakistan;
- 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;
- Concerted efforts are being made for the recovery of non-performing leases and loans and finances and in this respect during the period Rs. 28.643 million has been recovered. Further, subsequent to the period ended June 30, 2016, Rs. 3.962 million has been recovered in respect of the non-performing loans till the end of July 2016;
- 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.

Notes To The Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2016

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial information of the Company for the six months period ended June 30, 2016 have been prepared in accordance with the requirement of the International Accounting Standard 34 - Interim Financial Reporting and provision 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 Pakistan 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 June 30, 2016 has been extracted from the audited financial statements of the Company for the year ended December 31, 2015, 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 June 30, 2015. Further, the figures in the condensed interim financial information for the three month period ended June 30, 2016 have not been reviewed by the auditors.

2.2 Standards, Amendments and Interpretations to Approved Accounting Standards

2.2.1 Standards, amendments and interpretations to the published standards that are relevant to the company and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation	Effective Date
IFRS 13 - Fair Value Measurement	1-Jan-15
IAS 27 - Separate Financial Statements	1-Jan-15

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended June 30, 2015 and 2016.

2.2.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on June 01, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

2.2.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company



Notes To The Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2016

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective Date
IAS 1 - Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)	1-Jan-16
IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1-Jan-16
IAS 7 - Disclosure Initiative (Amendments to IAS 7)	1-Jan-17
IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	1-Jan-17

2.2.4 The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	IASB effective date "(Annual periods beginning on or after)"
IFRS 14 - Regulatory Deferral Accounts	1-Jan-16
IFRS 15 - Revenue from Contracts with Customers	1-Jan-18
IFRS 9 - Financial Instruments (2014)	1-Jan-18
IFRS 16 - Leases	1-Jan-19

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 December 31, 2015.

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 December 31, 2015.

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 December 31, 2015.

Notes To The Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2016

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
..... Rupees		
6 CASH AND BANK BALANCES		
Cash in hand	66,412	66,412
With State Bank of Pakistan in current account	23,431	23,431
With banks:		
in current accounts	3,218,498	2,729,541
in saving accounts	711,499	295,825
6.1	<u>4,019,840</u>	<u>3,115,209</u>

6.1 These carry profit rate of 4% per annum (December 31, 2015: 4.5% to 6% per annum).

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
..... Rupees		
7 INVESTMENTS - Available for Sale		
Mutual Funds		
- Open end mutual fund	3,462,573	4,283,091
7.1	<u>3,462,573</u>	<u>4,283,091</u>

7.1 This represents investment in 327,709 certificates (December 31, 2015: 327,709) of Namco Balance Fund, an open end mutual fund. As at June 30, 2016, the cost of the above investements amounted to Rs. 1.18 million (December 31, 2015: Rs. 1.18 million)

7.2 The company has applied for the encashment of certificates, however Namco Balance Fund has gone into liquidation and the investment will be realized once the audit of the Fund has been completed.

The disclosed fair value is computed on the basis of latest available NAV on March 22, 2016 of Rs. 10.56.

However, there is uncertainty regarding the realization of the certificates encashed by the fund. The realized value might be less/more than the fair value of investments as recorded in these financial statements.

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
..... Rupees		
8 CURRENT MATURITY OF NON CURRENT ASSET		
Current portion of :		
- Long term finances and loans	84,730,127	81,344,787
- Net Investment in leases	351,960,793	351,439,366
9	<u>84,730,127</u>	<u>81,344,787</u>
10	<u>351,960,793</u>	<u>351,439,366</u>
	<u>436,690,920</u>	<u>432,784,153</u>

Notes To The Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2016

	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
 Rupees	
9 LONG TERM FINANCES AND LOANS - Secured		
Related Parties - Considered good		
- Employees	551,425	613,458
Others		
- Customers		
Considered good	22,800,467	20,795,532
Considered doubtful	81,427,673	82,756,374
	104,228,140	103,551,906
Less: Provision	(5,645,229)	(5,439,801)
	98,582,911	98,112,105
	99,134,336	98,725,563
Less: Current maturity		
Related parties - Employees	(65,000)	(70,907)
Other customers	(84,665,127)	(81,273,880)
	(84,730,127)	(81,344,787)
	14,404,209	17,380,776
10 NET INVESTMENT IN FINANCE LEASES		
Minimum lease payments receivable	10.1 429,318,126	435,381,223
Add: Residual value of leased assets	234,922,701	241,068,360
Lease contract receivable	10.2 664,240,827	676,449,583
Less: Unearned lease income	(76,940,264)	(80,277,581)
Less: Provision for potential lease losses	(150,798,334)	(152,929,385)
	(227,738,598)	(233,206,966)
Net investment in leases	436,502,229	443,242,617
Less: Current maturity of net investment in leases	351,960,793	351,439,366
Net investment in leases	84,541,436	91,803,251

Notes To The Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2016

10.1 Net investment in leases

	June 30, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Later than one year but less than Five years	Not later than One year	Total	Later than one year but less than Five years	Not later than One year	Total
 Rupees					
Minimum Lease payments	49,632,909	379,685,217	429,318,126	42,852,505	392,528,718	435,381,223
Add : Residual Value of leased assets	39,289,006	195,633,695	234,922,701	53,040,880	188,027,480	241,068,360
Gross investment in leases	88,921,915	575,318,912	664,240,827	95,893,385	580,556,198	676,449,583
Unearned lease income	(4,380,479)	(15,634,682)	(20,015,161)	(4,090,134)	(16,797,199)	(20,887,333)
Markup held in suspense account	-	(56,925,103)	(56,925,103)	-	(59,390,248)	(59,390,248)
	(4,380,479)	(72,559,785)	(76,940,264)	(4,090,134)	(76,187,447)	(80,277,581)
	84,541,436	502,759,127	587,300,563	91,803,251	504,368,751	596,172,002
Provision for potential lease losses	-	(150,798,334)	(150,798,334)	-	(152,929,385)	(152,929,385)
Net investment in finance lease	84,541,436	351,960,793	436,502,229	91,803,251	351,439,366	443,242,617

10.2 This represent interest free Security deposits received initially against lease contracts and are adjustable at the expiry / termination of respective lease.

11 Property and equipments

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
Fixed assets	8,463,260	9,282,095
Intangible assets	669,198	15,500
	9,132,458	9,297,595
Addition		
-Owned		
Computers	26,416	54,168
Office equipment & others	18,810	283,698
Vehicles	-	950,000
-Leased Assets		
Vehicles	45,226	1,287,866
-Intangible Assets	-	950,000
Software	700,000	-
	745,226	2,237,866
Disposal		
-Owned		
Building improvements	-	39,893
Office equipment & others	-	86,684
Vehicles	-	698,000
		824,577
-Leased Assets		
Vehicles	-	950,000
	-	1,774,577

Notes To The Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2016

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
12 CURRENT MATURITY OF NON-CURRENT LIABILITIES		
..... Rupees		
Current maturity of:		
Long term finance	373,233	373,233
Liabilities against assets subject to finance lease	1,412,322	1,374,233
Long term deposits	195,633,695	188,027,480
	197,419,250	189,774,946

12.1 This represents balance due against financing facilities amounting to Rs. 0.373 million (December 31, 2015: Rs. 0.373 million) from National energy Conservation Center (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 carry mark up at the rate of 5% (December 31, 2015: 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.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There are no contingencies as at end of the period June 30, 2016 (December 31, 2015: Nil).

13.2 Commitments

Lease disbursements

Note	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
..... Rupees		
13.2.1	-	14,466,500

13.2.1 This represent those leases which have been approved by the company as at the period end but the amount are not disbursed.

	Six months period ended		Three months period ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)
14 INCOME FROM OPERATIONS				
..... Rupees				
Income from finance lease operations	15,789,817	12,474,635	6,738,420	5,110,880
Gain on termination of leases	-	169,802	-	138,113
	15,789,817	12,644,437	6,738,420	5,248,993
Income on finances and loans to Customers	2,837,135	5,953,413	1,455,244	3,076,647
	18,626,952	18,597,850	8,193,664	8,325,640
15 OTHER OPERATING INCOME				
Income from investments	11,657	6,857	6,681	2,195
Income from financial assests	8,535	23,951	3,382	8,925
Gain from non-financial assests	2,670,014	126,233	-	44,800
	2,690,206	157,041	10,063	55,920

Notes To The Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2016

	Six months period ended		Three months period ended	
	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)
	Rupees			
16 ADMINISTRATIVE AND OPERATING EXPENSES				
Salaries, allowances and other benefits	11,098,511	10,243,214	5,581,252	5,527,234
Directors' fee	210,000	240,000	90,000	120,000
Rent	1,267,427	1,087,522	682,895	568,618
Electricity, gas and water	340,672	422,425	226,058	267,219
Telephone and postage	515,749	414,235	269,681	212,442
Repairs and maintenance	239,154	218,844	123,791	116,989
Books and periodicals	16,628	17,484	9,063	9,004
Vehicle running	95,847	176,083	63,313	153,888
Advertising	180,853	160,787	135,265	160,787
Training and development	6,300	131,500	6,300	4,500
Travelling, conveyance and entertainment	534,091	1,177,755	330,979	516,941
Printing and stationery	551,406	441,767	438,395	400,629
Auditors' remuneration	213,325	175,000	103,000	169,875
Depreciation and amortization	910,354	837,020	479,785	414,797
Legal and professional	1,448,643	1,719,545	479,942	759,443
Insurance	379,775	473,617	190,670	245,501
Miscellaneous	226,502	274,665	107,883	141,730
Commission and brokerage charges	16,196	-	16,196	-
	<u>18,251,433</u>	<u>18,211,463</u>	<u>9,334,468</u>	<u>9,789,597</u>
17 FINANCE COST				
Mark-up on:				
Long term finance from banking companies and financial institutions	-	96,702	-	-
Short term borrowings	6,967,179	9,758,631	3,538,585	4,450,189
	<u>6,967,179</u>	<u>9,855,333</u>	<u>3,538,585</u>	<u>4,450,189</u>
Lease finance charges	72,512	154,214	31,353	71,250
Bank charges	81,996	81,509	74,239	72,820
	<u>7,121,687</u>	<u>10,091,056</u>	<u>3,644,177</u>	<u>4,594,259</u>
18 LOSS PER SHARE - BASIC AND DILUTED				
Loss after taxation attributable to ordinary shareholders (Rupees)	<u>(2,316,609)</u>	<u>(3,407,542)</u>	<u>(2,900,805)</u>	<u>(4,583,374)</u>
Weighted average number of outstanding ordinary shareholders	<u>32,000,000</u>	<u>32,000,000</u>	<u>32,000,000</u>	<u>32,000,000</u>
Loss per share (Rupees)	<u>(0.07)</u>	<u>(0.11)</u>	<u>(0.09)</u>	<u>(0.14)</u>
19 TRANSACTIONS WITH RELATED PARTIES				
The related parties of the company include SME Bank Limited (holding company), Staff Provident fund, directors, key management personnel and non executive directors:				



Notes To The Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2016

	June 30, 2016 (Un-Audited)	December 31, 2015 (Un-Audited)
..... Rupees		
Balances		
SME Bank Limited (Holding Company)		
Short term borrowings	133,173,612	129,066,524
Staff Provident Fund		
(Payable) / receivable from staff provident fund	(111,520)	80,000

	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)
..... Rupees		
Transactions		
SME Bank Limited (Holding Company)		
Markup expense for the period	6,967,179	9,758,631
(Utilization) / Repayment of short term borrowings	(4,107,088)	22,055,281
Rent expense	207,303	162,804
Key management personnel		
Key management remuneration	2,641,400	1,863,706
Staff Provident Fund		
Company's Contribution towards provident fund	44,688	44,688

	June 30, 2016 (Un-Audited)	June 30, 2015 (Un-Audited)	December 31, 2015 (Audited)
..... Rupees			
20 CASH AND CASH EQUIVALENTS			
Cash and bank balances	4,019,840	9,082,278	3,115,209
Short term borrowings	(133,173,612)	(133,264,796)	(129,066,524)
	(129,153,772)	(124,182,518)	(125,951,315)

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 makers 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 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.

Notes To The Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2016

30 June 2016 (Un-audited)

	Finance Lease	Loans and receivables	Investment	Others	Total
	Rupees				
Segment revenue	<u>15,789,817</u>	<u>2,837,135</u>	<u>11,657</u>	<u>2,678,549</u>	<u>21,317,158</u>
Segment profit	<u>17,920,868</u>	<u>2,631,707</u>	<u>11,657</u>	<u>2,678,549</u>	<u>23,242,781</u>
Segment result					23,242,781
Unallocated cost					
Finance cost					7,121,687
Administrative and operating expenses					18,251,433
					<u>25,373,120</u>
Loss before taxation					(2,130,339)
Taxation					(186,270)
Loss for the year					<u>(2,316,609)</u>
Other information					
Segment assets	436,502,229	98,582,911	3,462,573	-	538,547,713
Unallocated assets				21,623,199	21,623,199
Total assets					<u>560,170,912</u>
Segment liabilities	238,030,102	-	-	-	238,030,102
Unallocated liabilities				150,830,948	150,830,948
Total liabilities					<u>388,861,050</u>
Net assets					<u>171,309,862</u>
Capital expenditure	-	-	-	745,226	<u>745,226</u>

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 loan and receivable includes markup income on loans to customers and employees, and revenue from investment include gain on disposal of investment.

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>
Loss before taxation					(7,298,635)
Taxation					3,891,093
Loss for the year					<u>(3,407,542)</u>



Notes To The Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2016

December 31, 2015 (Audited)

	Finance Lease	Loans and receivables	Investment	Others	Total
	Rupees				
Other information					
Segment assets	443,242,617	98,112,105	4,283,091	-	<u>545,637,813</u>
Unallocated assets				22,677,995	<u>22,677,995</u>
Total assets					<u>568,315,808</u>
Segment liabilities	245,985,781	-	-	-	245,985,781
Unallocated liabilities	-	-	-	147,883,038	147,883,038
Total liabilities					<u>393,868,819</u>
Net assets					174,446,989
Capital expenditure	-	-	-	728,186	<u>728,186</u>

22 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on 23rd August 2016 by the Board of Directors of the Company.

Mir Javed Hashmat
Chief Executive Officer

Mr. Ali A. Rahim
Director

Branch Network

KARACHI

Main Branch:

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

HYDERABAD

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

LAHORE

Office No. 03, 2nd Floor, Sky Centre,
Karim Block, Allama Iqbal Town Road.
Phone: 042-35295423-24
Fax: 042-35295425

ISLAMABAD

Office No. 15, 2nd Floor, Rehmat Centre, I-8 Markaz.
Phone: 051-9257524, Fax: 051-9257520

SIALKOT

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

PESHAWAR

34, Ground Floor, State Life Building, The Mall, Peshawar Cantt.
Phone: 091-9211683, Fax: 091-9211683