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Branch Network

Corporate Information

BOARD OF DIRECTORS

Ms. Mehnaz Saleem - Chairperson
Mr. Ihsan ul Haq Khan
Mr. Bilal Mustafa
Mir Javed Hashmat - CEO
Mr. Mohammad Farrukh Mansoor Malik
Mr. Ateeq Ur Rehman
Mr. Dilshad Ali Ahmad

CHIEF EXECUTIVE OFFICER

Mir Javed Hashmat

AUDIT COMMITTEE

Mr. Ateeq Ur Rehman Chairman
Mr. Mohammad Farrukh Mansoor Malik
Mr. Bilal Mustafa
Mr. Naeem-ul-Hasan Committee Secretary

HUMAN RESOURCE COMMITTEE

Mr. Bilal Mustafa Chairman
Mr. Dilshad Ali Ahmad Member
Mir Javed Hashmat Member
Mr. Ateeq Ur Rehman Member
Ms. Mehnaz Saleem Member
Mr. Adnan Sajar Committee Secretary

RISK MANAGEMENT COMMITTEE

Mr. Dilshad Ali Ahmad Chairman
Mr. Ateeq Ur Rehman Member
Ms. Mehnaz Saleem Member
Mr. Naeem-ul-Hasan Committee Secretary

Corporate Information

COMPANY SECRETARY & CFO

S. Liaquat Ali

EXTERNAL AUDITORS

Grant Thornton Anjum Rahman
Chartered Accountants

INTERNAL AUDITOR

Mr. Naeem-ul-Hasan

TAX CONSULTANT

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company,
Advocate & Legal Consultant

CREDIT RATING

Long-term: B + 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, Shahra-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.

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) is pleased to present un-audited condensed financial statements for the second quarter ended June 30, 2017, along with the auditors' review report.

The company continued its focus on recoveries and writing fresh quality business. As a result of concerted efforts the recoveries made from non-performing portfolio stood at Rs.22 million whereas new business aggregating to Rs.19 million was written during the period under review. Recoveries and new business volumes increased to Rs.28 million and Rs.42 million respectively, by end of July 2017. Efforts shall continue to recycle recoveries in to fresh business involving minimum risk. The operating loss of Rs.13.2 million (Rs.4.7 million in the corresponding period) resulted mainly from decline in income from operations due to maturity of leases during the period. However the quantum of business to be written in the remaining part of the year is expected to increase resulting in net positive impact on the revenues. Loss before tax amounted to Rs.15.7 million after accounting for net provisions of Rs.2.5 million on account of aging and valuation of securities of non-performing portfolio.

The equity of the Company stood at Rs.141 million as at 30th June 2017, well above the required level of Rs.50 million. Total assets of the company recorded a decrease by Rs.43 million whereas current and non-current liabilities recorded a decrease of Rs.28 million on account of maturing leases and reduced utilization of financing facility.

Going forward the company will adhere to its plan to continue its efforts for recoveries of non-performing portfolio and utilize these funds in writing new quality business. Further, a strict control over operating expenses will continue to be exercised.

Shareholders are informed that work on the Privatization of our parent company SME Bank Limited is in progress. The successful completion of the process is expected to result in advantage to all the stakeholders.

Shareholders are further informed that our rating agency PACRA has completed its update review of the company as at 30th June 2017 and has maintained the long term rating of B+ and short term rating of B with stable outlook.

The board recognizes and appreciates the continued support of its shareholders, lenders and regulatory authorities and the ongoing efforts and commitment of the management team and all the staff members of the company.

On behalf of Board of Directors

Ms. Mehnaz Saleem
Chairperson

Dated: August 23, 2017

ڈائریکٹرز کا جائزہ:

ایس ایم ای لیزنگ لمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز 30 جون 2017ء کو ختم ہونے والی دوسری سہ ماہی کیلئے غیر آڈٹ شدہ مالیاتی حسابات بمع آڈیٹرز کی جائزہ رپورٹ پیش کر رہے ہیں۔

کمپنی کا نقطہ نظر مستقل طور پر وصولی اور اچھے کاروبار پر ہے ان تمام وصولیوں کی کوششوں کے نتیجے میں عدم کارکردگی کے پورٹ فولیو سے ریکوری 22 ملین روپے ہوئی جبکہ زیر جائزہ مدت کے دوران نئے کاروبار میں 19 ملین روپے اضافہ ہوا۔ جولائی 2017ء کے آخر میں وصولیوں اور نئے کاروبار کے حجم میں اضافہ 28 ملین روپے اور 42 ملین روپے ہوا، وصولیوں کو نئے کاروبار میں لگانے کے لئے متواتر کوشش جاری رہے گی کیونکہ اس میں کم سے کم خطرہ ہے۔ آپریٹنگ کے حوالہ سے 13.2 ملین روپے خسارہ (گچھلی مدت میں 4.7 ملین روپے) رہا جو کہ اس مدت کے دوران لیزز کے ختم ہونے کی وجہ سے آپریشن کی آمدنی میں کمی سے ہوا اس سال کے بقایا مہینوں میں کاروبار کے حجم میں اضافہ ہو سکتا ہے جس کا مثبت نتیجہ نکلے گا، قبل از ٹیکس خسارہ کی رقم 15.7 ملین روپے تھی جس کی بنیادی وجہ عدم کارکردگی کے پورٹ فولیو کی سیکورٹیز کے تناسب کے مطابق 2.5 ملین روپے کا پروویژن کرنا پڑا۔

30 جون 2017ء کو کمپنی کی ایکویٹی 141 ملین روپے رہی جو کہ 50 ملین روپے مطلوبہ سطح سے زیادہ رہی۔ کمپنی کے کل اثاثہ جات میں 43 ملین روپے کی کمی دیکھی گئی جبکہ موجودہ اور غیر موجودہ قرضہ جات میں 28 ملین روپے کی کمی ہوئی اور یہ کمی لیزز کے ختم ہونے اور مالیاتی سہولیت کے استعمال کے تحت ہوئی۔

کمپنی مستقل طور آگے بڑھتے ہوئے پر عدم کارکردگی کے پورٹ فولیو کی وصولیوں اور نئے کاروبار میں فنڈز کے استعمال کے حوالہ سے کوششیں جاری رکھے ہوئے ہے اس کے علاوہ آپریٹنگ کے اخراجات کو بھی قابو کرنے کے لئے مستقل جدوجہد کرے گی۔

ہم شیئر ہولڈرز کو مطلع کرتے ہیں کہ ہماری ہولڈنگ کمپنی SME بینک لمیٹڈ کی پرائیویٹائزیشن کا کام جاری ہے اور امید کی جاتی ہے کہ اس کی کامیاب تکمیل تمام اسٹیٹک ہولڈرز کے لئے فائدہ مند ہوگی۔

شیئر ہولڈرز کو مزید مطلع کیا جاتا ہے کہ ہماری ریٹنگ ایجنسی PACRA نے 30 جون 2017ء کو کمپنی کا مکمل جائزہ کر لیا ہے اور کمپنی کو مستحکم کرنے کیلئے طویل مدتی ریٹنگ B+ اور مختصر مدتی ریٹنگ B مرتب کی ہے۔

بورڈ اپنے شیئر ہولڈرز اور دیگر اسٹیک ہولڈرز کی جانب سے مستقل تعاون پر بے حد مشکور ہے اور انتظامی ٹیم کی مسلسل کوششوں اور کمپنی کے تمام اسٹاف ممبران کے تعاون کے بھی شکر گزار ہیں۔

Musab Khalid

مس مہناز سلیم
چیئر پرسن

مورخہ: 23 اگست 2017

Auditors' Review Report

Introduction

We have reviewed the accompanying condensed interim balance sheet of **SME Leasing Limited** ("the Company") as at **June 30, 2017** 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 net loss Rs.15.878 million (2016: Rs. 2.316 million) during the period ended June 30, 2017, and as of that date, its accumulated losses amounted to Rs. 227.389 million (2016: Rs. 211.510 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 about the Company's ability to continue as a going concern.

Our conclusion is not modified in respect of these matters.

Other Matter

The figures of the condensed interim profit and loss account, condensed interim statement of comprehensive income for the three months period ended June 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended June 30, 2017.

Karachi
Date: 23rd August, 2017

Grant Thorton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner

Condensed Interim Balance Sheet (Un-audited)

As at June 30, 2017

	Note	(Un-Audited) June 30, 2017	(Audited) December 31, 2016
..... Rupees			
ASSETS			
Current assets			
Cash and bank balances	6	4,617,235	2,519,445
Mark-up accrued		248,054	3,752
Loans and advances	7	2,724,712	2,668,119
Deposits, prepayments and other receivables		1,194,091	1,543,998
Current maturity of non current assets	8	390,068,160	407,979,966
Total current assets		398,852,252	414,715,280
Non-current assets			
Long-term deposits and prepayments		1,449,377	1,164,435
Long term finances and loans	9	4,294,227	7,252,950
Net investment in finance leases	10	48,128,264	71,986,638
Fixed Assets	11	7,421,866	8,647,726
Total non-current assets		61,293,734	89,051,749
Total assets		460,145,986	503,767,029
LIABILITIES			
Current liabilities			
Trade and others payable		3,527,780	4,166,310
Mark-up accrued		703,634	959,922
Short term borrowings		93,245,922	104,838,931
Current maturity of non current liabilities	12	180,788,669	190,076,235
Provision for compensated absences		1,779,838	2,102,277
Taxation payable		8,186,405	8,200,925
Total current liabilities		288,232,248	310,344,600
Non-current liabilities			
Long-term deposits	10.1	25,689,006	31,314,005
Deferred liabilities		5,147,853	5,152,857
Total liabilities		308,836,859	364,666,862
NET ASSETS		141,076,879	156,955,567
FINANCED BY			
Authorised share capital 100,000,000 (December 31,2016: 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		(227,389,450)	(211,510,762)
		141,076,879	156,955,567
Total shareholders' equity		141,076,879	156,955,567
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The annexed notes from 1 to 22 form an integral part of these condensed interim financial information.



Bilal Mustafa
Director



Mir Javed Hashmat
Chief Executive Officer

Condensed Interim Profit And Loss Account (Un-audited)

For The Six Months Period Ended June 30, 2017

Note	Six months period ended		Three Months period ended		
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	
(Rupees)					
Revenue					
Income from operations	14	11,367,644	18,626,952	5,653,872	8,193,664
Other operating income	15	581,510	2,690,206	9,877	10,063
Total revenue		11,949,154	21,317,158	5,663,749	8,203,727
Expenses					
Administrative and operating expenses	16	20,150,839	18,251,433	10,297,127	9,334,468
Finance cost	17	5,043,853	7,121,687	2,417,634	3,644,177
Total expenses		25,194,692	25,373,120	12,714,761	12,978,645
Operating loss before provisions and taxation		(13,245,538)	(4,055,962)	(7,051,012)	(4,774,918)
(Reversal) / provisions					
Provision / Reversal for potential lease losses		908,510	(2,131,051)	(1,237,226)	(1,652,412)
Provision / Reversal for loans and receivables		1,610,964	205,428	781,016	(303,536)
Total provision / reversals		2,519,474	(1,925,623)	(456,210)	(1,955,948)
Loss before taxation		(15,765,012)	(2,130,339)	(6,594,802)	(2,818,970)
Taxation					
Current		113,676	186,270	56,538	81,835
Deferred		-	-	-	-
		113,676	186,270	56,538	81,835
Loss for the period		(15,878,688)	(2,316,609)	(6,651,340)	(2,900,805)
Loss per share - basic and diluted	18	(0.50)	(0.07)	(0.21)	(0.09)

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



Bilal Mustafa
Director



Mir Javed Hashmat
Chief Executive Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)

For The Six Months Period Ended June 30, 2017

	Six months period ended		Three Months period ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	----- (Rupees) -----			
Loss for the period	(15,878,688)	(2,316,609)	(6,651,340)	(2,900,805)
Other comprehensive income				
(Deficit) on revaluation of available-for-sale investment	-	(820,518)	-	-
Total comprehensive loss for the period	(15,878,688)	(3,137,127)	(6,651,340)	(2,900,805)

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



Bijal Mustafa
Director



Mir Javed Hashmat
Chief Executive Officer

Condensed Interim Cash Flow Statement (Un-audited)

For The Six Months Period Ended June 30, 2017

Note	June 30, 2017	June 30, 2016
 Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(15,765,012)	(2,130,339)
Adjustment for non-cash items		
Depreciation	826,457	910,354
Gratuity expense	298,596	232,588
Finance cost	5,032,510	7,049,175
Profit on bank account/return on investment	(35,643)	(20,192)
Financial charges on leased assets	11,343	72,512
Gain on disposal of property and equipment	(545,867)	(2,670,014)
Provision for potential lease losses	908,510	(2,131,051)
Provision for loans and receivables	1,610,964	205,428
Total adjustment for non-cash items	8,106,870	3,648,800
Operating profits before working capital changes	(7,658,142)	1,518,461
Working capital changes		
(Increase)/ decrease in operating assets		
Other receivable / Interest accrued	(244,302)	(78,342)
Deposits, prepayments and other receivables	349,907	(1,881,391)
Decrease in net investment in leases	42,486,865	8,871,439
Long-term deposits and prepayments	(284,942)	-
Loans and advances	(56,593)	(287,996)
	42,250,935	6,623,710
Decrease in operating liabilities		
Trade and other payables	(638,530)	(2,054,377)
Long term deposits received	(14,311,259)	(6,145,659)
Provision for compensated absences	(322,439)	(156,435)
	(15,272,228)	(8,356,471)
Total working capital changes	26,978,707	(1,732,761)
Cash generated /(used in) from operations after working capital changes	19,320,565	(214,300)
(Increase) in loans and receivables	(177,721)	(614,201)
Mark-up expense paid	(5,155,176)	(7,051,807)
Mark-up income received	35,643	20,192
Gratuity paid	(303,600)	(331,533)
Taxes paid	(128,196)	(198,194)
	(5,729,050)	(8,175,544)
Net cash generated /(used in) from operating activities	13,591,515	(8,389,844)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(111,129)	(745,226)
Accrued Interest on loans	(244,302)	(78,342)
Proceeds from disposal of fixed assets	1,056,021	6,650,000
Net cash generated from investing activities	700,590	5,826,432
CASH FLOW FROM FINANCING ACTIVITIES		
Decrease in long-term finance	-	-
Lease rentals paid	(601,306)	(639,045)
Net cash used in financing activities	(601,306)	(639,045)
Net increase / (decrease) in cash and cash equivalents	13,690,799	(3,202,457)
Cash and cash equivalents at beginning of the period	20 (102,319,486)	(125,951,315)
Cash and cash equivalents at end of the period	20 (88,628,687)	(129,153,772)

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


Bilal Mustafa
Director


Mir Javed Hashmat
Chief Executive Officer

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

For The Six Months Period Ended June 30, 2017

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, 2016 - restated	320,000,000	10,000,000	28,019,277	10,447,052	(198,196,367)	3,103,091	173,373,053
Total comprehensive loss for the period ended June 30, 2016							
Loss for the period	-	-	-	-	(2,316,609)	-	(2,316,609)
Other comprehensive Income							
Surplus on revaluation of available-for-sale-investments	-	-	-	-	-	(820,518)	(820,518)
Balance as at June 30, 2016	<u>320,000,000</u>	<u>10,000,000</u>	<u>28,019,277</u>	<u>10,447,052</u>	<u>(200,512,976)</u>	<u>2,282,573</u>	<u>170,235,926</u>
Balance as at January 01, 2017	320,000,000	10,000,000	28,019,277	10,447,052	(211,510,762)	-	156,955,567
Total comprehensive loss for the period ended June 30, 2017							
Loss for the period	-	-	-	-	(15,878,688)	-	(15,878,688)
Other comprehensive Income							
Deficit on revaluation of available-for-sale-investments	-	-	-	-	-	-	-
Balance as at June 30, 2017	<u>320,000,000</u>	<u>10,000,000</u>	<u>28,019,277</u>	<u>10,447,052</u>	<u>(227,389,450)</u>	<u>-</u>	<u>141,076,879</u>

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



Bilal Mustafa
Director



Mir Javed Hashmat
Chief Executive Officer



Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2017

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, 2016: 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-ul-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, 2017, the Company has incurred a loss of Rs. 15.878 million and the accumulated losses amount to Rs. 227.389 million as at the period end. Further, the net assets of the Company amounting to Rs. 141.076 million includes non-performing leases and loans and finances, net of provisions amounting to Rs. 308.869 million.

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 a 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. 93.245 million has been utilised as at June 30, 2017. The said facility can be extended to the extent of Rs. 300 million as per the stand-by agreement for finance facility. 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, the 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. 22.5 million has been recovered. Further, subsequent to the period ended June 30, 2017, approximately Rs. 5.2 million has been recovered in respect of the non-performing loans till the end of July 2017;
- 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

For The Six Months Period Ended June 30, 2017

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, 2017 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.

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, 2016, 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, 2016.

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
IAS 7 - Disclosure Initiative (Amendments to IAS 7)	January 1, 2017
IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
IFRS 12 - Annual Improvements to IFRS 2014-2016	January 1, 2017

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended June 30, 2017 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 January 01, 2016 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

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

Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2017

Standard or Interpretation	Effective Date
IFRS 9 - Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	January 1, 2018
IFRS 1 and IAS 28 - Annual Improvements to IFRS 2014-2016	January 1, 2018
IFRS 15 - Clarifications to IFRS 15 'Revenue from Contracts with Customers'	January 1, 2018

Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

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	January 1, 2016
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
IFRS 9 - Financial Instruments (2014)	January 1, 2018
IFRS 16 - Leases	January 1, 2019

3 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as applied in preparation of the financial statements of the Company as at and for the year ended December 31, 2016.

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 applied to the financial statements of the Company for the year ended December 31, 2016.

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, 2016.

Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2017

Note	(Un-Audited) June 30, 2017	(Audited) December 31, 2016
6 CASH AND BANK BALANCES		
		Rupees
Cash in hand	66,412	56,412
With State Bank of Pakistan in current account	21,642	23,431
With banks:		
- in current accounts	4,448,806	2,300,218
- in saving accounts	6.1 80,375	139,384
	4,617,235	2,519,445

6.1 These carry profit rate of 4% per annum (December 31, 2016: 4% per annum).

Note	(Un-Audited) June 30, 2017	(Audited) December 31, 2016
7 LOANS AND ADVANCES - considered good		
		Rupees
Advances to:		
- employees	666,175	719,487
- others	2,058,537	1,948,632
	2,724,712	2,668,119
8 CURRENT MATURITY OF NON CURRENT ASSET		
Current portion of:		
- Long term finances and loans	9 74,560,049	73,034,569
- Net investment in leases	10 315,508,111	334,945,397
	390,068,160	407,979,966
9 LONG TERM FINANCES AND LOANS - Secured		
Related Parties - Considered good		
-Employees	1,994,739	1,361,073
Others		
-Customers		
Considered good	20,506,542	17,873,824
Considered doubtful	67,013,292	70,101,955
	87,519,834	87,975,779
Less: Provision	(10,660,297)	(9,049,333)
	76,859,537	78,926,446
	78,854,276	80,287,519
Less: Current maturity		
Related parties - Employees	(390,984)	(250,000)
Other customers	(74,169,065)	(72,784,569)
	8 (74,560,049)	(73,034,569)
	4,294,227	7,252,950

Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2017

	Note	(Un-Audited) June 30, 2017	(Audited) December 31, 2016
..... Rupees			
10 NET INVESTMENT IN FINANCE LEASES			
Minimum lease payments receivable	10.1	376,993,954	411,595,179
Add: Residual value of leased assets	10.1 & 10.2	206,104,442	220,415,701
Lease contract receivable	10.1	583,098,396	632,010,880
Less: Unearned lease income	10.1	(70,097,520)	(76,622,854)
Less: Provision for potential lease losses	10.1	(149,364,501)	(148,455,991)
		(219,462,021)	(225,078,845)
Net investment in leases		363,636,375	406,932,035
Less: Current maturity of net investment in leases	8	(315,508,111)	(334,945,397)
Net investment in leases		48,128,264	71,986,638

10.1 Net investment in leases

Particulars	June 30, 2017 (Un-audited)			December 31, 2016 (Audited)		
	Later than one year & less than Five years	Not later than One year	Total	Later than one year & less than Five years	Not later than One year	Total
..... Rupees						
Minimum Lease Payments	24,629,408	352,364,546	376,993,954	48,955,152	362,640,027	411,595,179
Add: Residual value of leased assets	25,689,006	180,415,436	206,104,442	31,314,005	189,101,696	220,415,701
Gross investment in lease	50,318,414	532,779,982	583,098,396	80,269,157	551,741,723	632,010,880
Unearned lease income	(2,190,150)	(12,634,682)	(14,824,832)	(8,282,519)	(11,333,465)	(19,615,984)
Mark up held in in suspense account	-	(55,272,688)	(55,272,688)	-	(57,006,870)	(57,006,870)
	(2,190,150)	(67,907,370)	(70,097,520)	(8,282,519)	(68,340,335)	(76,622,854)
Provision for potential lease losses	48,128,264	464,872,612	513,000,876	71,986,638	483,401,388	555,388,026
	-	(149,364,501)	(149,364,501)	-	(148,455,991)	(148,455,991)
Net investment in finance lease	48,128,264	315,508,111	363,636,375	71,986,638	334,945,397	406,932,035

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

Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2017

	Note	(Un-Audited) June 30, 2017	(Audited) December 31, 2016
..... Rupees			
11 Fixed Assets			
Property and equipment		6,994,623	8,100,442
Intangible assets		427,243	547,284
		7,421,866	8,647,726
11.1 Addition			
-Owned			
Furniture and fixtures		88,495	468,700
Computers		22,634	93,282
Office equipment & others		-	18,810
Vehicles		2,143,000	1,732,500
		2,254,129	2,313,292
Software		-	700,000
		2,254,129	3,013,292
Disposal			
-Owned			
Building improvements		-	34,036
Furniture and fixtures		-	774,531
Computers		-	336,671
Office equipment & others		-	168,849
Vehicles		1,664,100	364,534
		1,664,100	1,678,621
-Leased Assets			
Vehicles		2,143,000	-
		3,807,100	1,678,621
12 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Current maturity of:			
Long term finance		373,233	373,233
Liabilities against assets subject to finance lease		-	601,306
Long term deposits	12.1	180,415,436	189,101,696
		180,788,669	190,076,235

12.1 These represent interest free security deposits received from lessees under lease contracts and are adjustable against residual values of the related leased assets on expiry of the respective lease periods of these contracts. The amount is net of security deposit held against matured leases amounting to Rs. 139.82 million (December 31, 2016 : 147.31 million)

Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2017

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There are no contingencies as at end of the period June 30, 2017 (December 31, 2016: Nil).

13.2 Commitments

Lease disbursements

Note	(Un-Audited) June 30, 2017	(Audited) December 31, 2016
 Rupees	
15.2.1	10,560,000	<u>2,300,000</u>

15.2.1 This represent 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

(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2016	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2016
----- (Rupees) -----			

14 INCOME FROM OPERATIONS

Income from finance lease operations
Gain on termination of leases

Income on finances and loans to customers

8,864,204	15,789,817	4,162,531	6,738,420
-	-	-	-
8,864,204	15,789,817	4,162,531	6,738,420
2,503,440	2,837,135	1,491,341	1,455,244
11,367,644	<u>18,626,952</u>	5,653,872	<u>8,193,664</u>

15 OTHER OPERATING INCOME

Income from investments
Income from financial assets
Gain from non-financial assets

2,719	11,657	1,462	6,681
32,924	8,535	8,415	3,382
545,867	2,670,014	-	-
581,510	<u>2,690,206</u>	9,877	<u>10,063</u>

Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2017

	Six months period ended		Three Months period ended	
	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2016	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2016
----- (Rupees) -----				
16 ADMINISTRATIVE AND OPERATING EXPENSES				
Salaries, allowances and other benefits	11,902,039	11,098,511	5,941,885	5,581,252
Directors' fee	360,000	210,000	180,000	90,000
Rent	1,512,760	1,267,427	693,690	682,895
Electricity, gas and water	485,253	340,672	307,049	226,058
Telephone and postage	400,792	515,749	236,280	269,681
Repairs and maintenance	250,236	239,154	129,049	123,791
Books and periodicals	13,862	16,628	7,114	9,063
Vehicle running	286,758	95,847	256,748	63,313
Advertising	246,550	180,853	161,280	135,265
Training and development	-	6,300	-	6,300
Travelling, conveyance and entertainment	745,929	534,091	319,911	330,979
Printing and stationery	558,861	551,406	436,042	438,395
Auditors' remuneration	74,000	213,325	50,000	103,000
Depreciation and amortization	826,457	910,354	437,867	479,785
Legal and professional	1,591,098	1,448,643	790,867	479,942
Insurance	455,923	379,775	219,699	190,670
Miscellaneous	337,405	226,502	106,446	107,883
Commission and brokerage charges	102,916	16,196	23,200	16,196
	20,150,839	18,251,433	10,297,127	9,334,468

	Six months period ended		Three Months period ended	
	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2016	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2016
----- (Rupees) -----				
17 FINANCE COST				
Mark-up on:				
Long term finance from banking companies and financial institutions	-	-	-	-
Short term borrowings	4,898,888	6,967,179	2,321,333	3,538,585
	4,898,888	6,967,179	2,321,333	3,538,585
Lease finance charges	11,343	72,512	-	31,353
Bank charges	133,622	81,996	96,301	74,239
	5,043,853	7,121,687	2,417,634	3,644,177

Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2017

	Six months period ended		Three Months period ended	
	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2016	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2016
----- (Rupees) -----				
18 LOSS PER SHARE - BASIC AND DILUTED				
Loss after taxation attributable to ordinary shareholders (Rupees)	(15,878,690)	(2,316,609)	(6,651,342)	(2,900,805)
Weighted average number of outstanding ordinary shareholders	32,000,000	32,000,000	32,000,000	32,000,000
Loss per share (Rupees)	(0.50)	(0.07)	(0.21)	(0.09)

19 TRANSACTIONS WITH RELATED PARTIES

The related parties of the company include SME Bank Limited (Parent Company), Staff provident fund, directors, key management personnel and non executive directors:

	Note	(Un-Audited) June 30, 2017	(Audited) December 31, 2016
..... Rupees			
Balances			
SME Bank Limited (Parent Company)			
Short term borrowings		93,245,922	104,838,931
Staff Provident Fund			
(Payable) from staff provident fund		(84,848)	(111,520)
..... Rupees			
Transactions			
SME Bank Limited (Parent Company)			
Markup expense for the period		4,898,888	6,967,179
(Utilization) / Repayment of short term borrowings		11,593,010	(4,107,088)
Rent expense		207,303	207,303
Key management personnel			
Key management remuneration		3,607,170	2,641,400
Staff Provident Fund			
Company's Contribution towards provident fund		37,408	44,688

Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2017

	Note	(Un-Audited) June 30, 2017	(Un-Audited) June 30, 2016	(Audited) December 31, 2016
----- (Rupees) -----				
20 CASH AND CASH EQUIVALENTS				
Cash and bank balances	6	4,617,235	4,019,840	2,519,445
Short term borrowings		(93,245,922)	(133,173,612)	(104,838,931)
		(88,628,687)	(129,153,772)	(102,319,486)

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.

Particulars	June 30, 2017 (Un-audited)				Total
	Finance Lease	Loans and Receivable	Investment	Others	
Segment Revenue	8,864,204	2,503,440	-	581,510	11,949,154
Segment Profit	7,955,694	892,476	-	581,510	9,429,680
Segment Result					9,429,680
Unallocated Cost					
Finance Cost					5,043,853
Administrative & selling expenses					20,150,841
					25,194,694
Profit / (Loss) before Income Tax					(15,765,014)
Income Tax Expense					(113,676)
Profit / Loss for the year					(15,878,690)
Other Information					
Segment Assets	363,636,375	76,859,537	-	-	440,495,912
Unallocated Assets	-	-	-	19,650,073	19,650,073
Total Assets					460,145,985
Segment Liabilities	208,976,900	-	-	-	208,976,900
Unallocated Liabilities	-	-	-	110,092,208	110,092,208
Total Liabilities					319,069,108
Net Assets					141,076,877
Capital Expenditure				111,129	111,129

Notes To The Condensed Interim Financial Information

For The Six Months Period Ended June 30, 2017

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.

Particulars	June 30, 2016 (Un-audited)				
	Finance Lease	Loans and Receivable	Investment	Others	Total
Segment Revenue	15,789,817	2,837,135	11,657	2,678,549	21,317,158
Segment Profit	17,920,868	2,631,707	11,657	2,678,549	23,242,781
Segment Result					23,242,781
Unallocated Cost					
Finance Cost					7,121,687
Administrative & selling expenses					18,251,433
					25,373,120
Loss before Taxation					(2,130,339)
Taxation					(186,270)
Profit for the period after Taxation					(2,316,609)

Particulars	December 31, 2016 (Audited)				
	Finance Lease	Loans and Receivable	Investment	Others	Total
Other Information					
Segment Assets	406,932,035	78,926,446	-	-	485,858,481
Unallocated Assets	-	-	-	17,908,548	17,908,548
Total Assets					503,767,029
Segment Liabilities	223,733,484	-	-	-	223,733,484
Unallocated Liabilities				123,077,978	123,077,978
Total Liabilities					346,811,462
Net Assets					156,955,567
Capital Expenditure				1,280,792	1,280,792

22 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on 23rd August, 2017 by the Board of Directors of the Company.



Bilal Mustafa
Director



Mir Javed Hashmat
Chief Executive Officer

Branch Network

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