



Quarterly Report
(Un-audited) March 31

2009



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

Contents

Corporate Information	2
Directors' Report	3
Balance Sheet	4
Profit and Loss Account	5
Cash Flow Statement	6
Statement of Changes in Equity	7
Notes to the Financial Statements	8
Branch Network	12

Corporate Information

BOARD OF DIRECTORS

Mr. S.M. Naseem	Chairman
Mr. R.A. Chughtai	Director
Mrs. Arjumand A. Qazi	Director/CEO
Sardar Usman Rashid	Director
Mr. Bashir A. Nadeem	Director
Mr. M.A. Ghazali Marghoob	Director
Mr. Hussain Ahmad Ozgen	Director

AUDIT COMMITTEE

Mr. S.M. Naseem	(Non-Executive Director)
Chairman	
Mr. M.A. Ghazali Marghoob	(Non-Executive Director)
Member	
Sardar Usman Rashid	(Non-Executive Director)
Member	
Ms. Shafque Akhtar	Committee Secretary

EXECUTIVE CREDIT COMMITTEE

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

MANAGEMENT COMMITTEE

Mrs. Arjumand A. Qazi
Mr. Tanveer Ul Bari
Mr. Shaheen Akhtar

COMPANY SECRETARY & CFO

Mr. Tanveer Ul Bari

EXTERNAL AUDITORS

Anjum Asim Shahid Rahman, Chartered Accountants

INTERNAL AUDITORS

Ford Rhodes Sidat Hyder & Company, Chartered Accountants

TAX CONSULTANT

A.F. Ferguson & Co., Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company, Advocate & Legal Consultant

CREDIT RATING

Long-term: A- Short-term: A-2

REGISTERED OFFICE

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

MAIN OFFICE

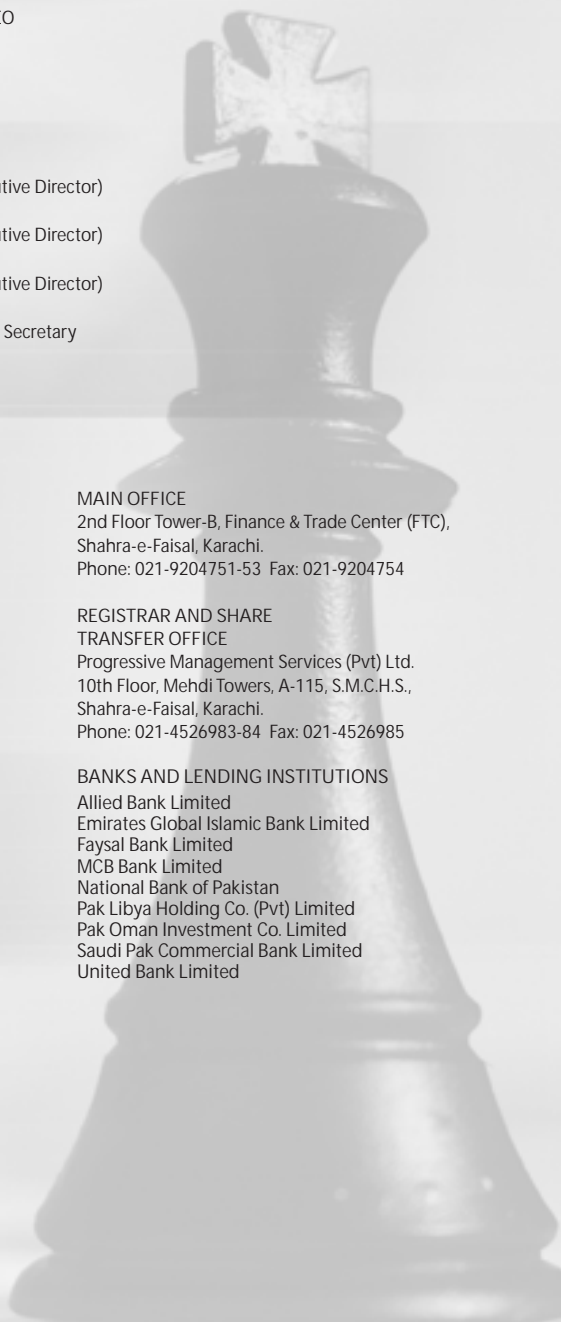
2nd Floor Tower-B, Finance & Trade Center (FTC),
Shahra-e-Faisal, Karachi.
Phone: 021-9204751-53 Fax: 021-9204754

REGISTRAR AND SHARE TRANSFER OFFICE

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

BANKS AND LENDING INSTITUTIONS

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





The Board of Directors of SME Leasing Limited is pleased to present its report for the quarter ended March 31, 2009.

The economic conditions have started to show some signs of improvement, however, the overall business activities remained slow during the period under review. Despite improvement in liquidity situation, resulting from the measures adopted by the State Bank of Pakistan, the NBFC sector remained under pressure due to scarcity of funds as lending institutions remain diffident in taking further exposure. This has held back the business capacity of the NBFCs and has impacted the sector significantly.

Although the business model of your company is unique and distinctive from the rest, nevertheless being an NBFC, your company as a sector participant had to bear the brunt of the liquidity crises that surrounds the whole sector resulting in loss during the period under review. Low disbursements due to cautious business approach, availability of limited funds, rise in interest rates are the main factors and change in regulations for classification of overdues are the main reasons for this situation. The gross revenue for the period decreased to Rs. 33.39 million as compared to Rs. 44.55 million of the corresponding period. The financial charges have gone up by Rs. 8.34 million despite decline in the long-term borrowing, which is attributable to the rise in the interest rates.

Investments held as available for sales have been dealt with in accordance with SRO 150(I)/2009 dated February 13, 2009. Impairment loss as of March 31, 2009 has been worked out at Rs. 6.76 million and a quarterly charge of Rs. 1.690 million has been recognized in the profit and loss account while the balance of Rs. 5.07 million has been treated as unrealized loss which shall be recognized in the remaining quarters of the year 2009.

The lending capacity of the company is largely dependent on the availability of fresh funds, however, the management has taken suitable steps for smooth continuity of the activities in this challenging situation. The company will continue with its strategy to build and maintain a quality portfolio with reasonable and secure returns, wherever required a more conservative approach will also be applied to meet the changing market challenges and to safeguard the company's investments.

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

S.M. Naseem
Chairman

Karachi-April 23, 2009

Condensed Interim Balance Sheet

as at March 31, 2009 (Un-Audited)



	Note	March 31, 2009 Rupees	December 31, 2008 Rupees
ASSETS			
Current assets			
Cash and bank balances		27,697,819	33,963,839
Placements with financial institutions			-31,307,857
Mark-up accrued		1,574,084	905,519
Loans and advances		5,425,507	4,332,693
Deposits, prepayments and other receivables		3,203,211	3,130,304
Investments - available-for-sale	4	22,239,656	20,216,663
Current maturity of loans and receivables	5	80,289,171	70,985,032
Current maturity of net investment in leases	6	580,551,807	593,112,620
Total current assets		720,981,255	757,954,527
Non-current assets			
Loans and receivables	5	57,046,588	60,697,958
Net investment in leases	6	1,121,903,548	1,146,981,289
Long-term loans		2,938,576	3,339,432
Long-term deposits and prepayments		897,360	907,195
Property and equipment	7	9,462,660	10,028,252
		1,192,248,731	1,221,954,126
Total assets		1,913,229,986	1,979,908,653
LIABILITIES			
Current liabilities			
Trade and others payable		19,336,716	19,417,771
Mark-up accrued		18,162,840	18,081,719
Short-term borrowings		106,787,260	67,041,428
Certificates of Investment		1,740,000	
Current maturity of long-term finances	8	321,448,294	353,464,639
Current maturity of liabilities against assets subject to finance lease		1,223,527	1,345,762
Current maturity of long-term deposits		213,435,123	204,768,493
Provision for compensated absences		630,708	630,708
Taxation payable		8,622,534	8,668,494
Total current liabilities		691,387,002	643,672,014
Non-current liabilities			
Long-term finances	8	246,782,794	307,854,688
Liabilities against assets subject to finance lease		1,001,678	1,229,814
Long-term deposits		573,723,690	580,906,614
Deferred liabilities		4,907,446	5,918,387
		826,415,608	895,906,503
Total liabilities		1,517,802,610	1,569,328,517
NET ASSETS		395,427,376	410,580,136
FINANCED BY			
Authorised share capital			
100,000,000 (2008: 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
Unappropriated profit		32,031,305	50,897,144
		400,497,634	419,363,473
Unrealized loss on available-for-sale investments		(5,070,258)	(8,783,337)
Total shareholders' equity		395,427,376	410,580,136
Contingencies and commitments	9		

The annexed notes 1 to 13 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note no. 4.1.

Arjumand A. Qazi
Chief Executive Officer

Sardar Usman Rashid
Director

Condensed Interim Profit and Loss Account

for the Quarter ended March 31, 2009 (Un-Audited)



	Quarter ended March 31, 2009 Rupees	Quarter ended March 31, 2008 Rupees
REVENUE		
Income from operations	33,081,729	44,397,820
Other operating income	306,467	150,466
Total revenue	33,388,196	44,548,286
EXPENSES		
Administrative	10,896,499	10,136,339
Finance cost	29,551,546	21,213,830
Total expenses	40,448,045	31,350,169
Operating (loss)/profit before provisions	(7,059,849)	13,198,117
PROVISIONS		
Provision for potential lease losses	10,862,317	1,255,081
Provision for loans and receivables	152,763	(50,855)
Provision for impairment on available-for-sale investments	1,690,086	-
Total provisions	12,705,166	1,204,226
(Loss)/Profit before taxation	(19,765,015)	11,993,891
TAXATION		
- Current	-	787,108
- Deferred	(899,176)	1,580,462
	(899,176)	2,367,570
(Loss)/Profit for the period	(18,865,839)	9,626,321
Earnings per share - basic and diluted	(0.59)	0.30

The annexed notes 1 to 13 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note no. 4.1.

Arjumand A. Qazi
Chief Executive Officer

Sardar Usman Rashid
Director

Condensed Interim Cash Flow Statement

for the quarter ended March 31, 2009 (Un-Audited)



	Note	March 31, 2009 Rupees	March 31, 2008 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	10	19,970,374	44,506,440
(Increase)/Decrease in net investment in leases		26,776,237	31,665,388
(Increase)/Decrease in loans and receivables		(5,805,532)	(5,130,913)
Mark-up paid		(28,523,921)	(24,916,084)
Mark-up received on loans to employees		54,020	117,796
Mark-up received		252,448	38,890
Financial charges paid		(81,689)	(104,498)
Gratuity paid		(111,765)	(412,506)
Taxes paid		(45,960)	(18,764)
Long-term deposits received		1,483,706	8,321,175
Net cash used in operating activities		<u>13,967,918</u>	<u>54,066,924</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		-	(70,855)
(Increase)/Decrease in short-term placements		31,307,857	-
(Increase)/Decrease in long-term loans and advances		400,856	1,785,246
(Increase) in long-term deposits and prepayments		9,835	65,834
Net cash from / (used-in) investing activities		<u>31,718,548</u>	<u>1,780,225</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in long-term finance		(93,088,239)	(90,478,804)
Increase in Certificates of Investment		1,740,000	-
Lease rentals paid		(350,079)	(222,098)
Net cash from financing activities		<u>(91,698,318)</u>	<u>(90,700,902)</u>
Net increase / (decrease) in cash and cash equivalents		<u>(46,011,852)</u>	<u>(34,853,753)</u>
Cash and cash equivalents at beginning of the year		(33,077,589)	15,148,588
Cash and cash equivalents at end of the period	11	<u>(79,089,441)</u>	<u>(19,705,165)</u>

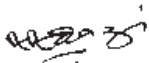
The annexed notes 1 to 13 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note no. 4.1.

Condensed Interim Statement of Changes in Equity

for the quarter ended March 31, 2009 (Un-Audited)

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves			Total shareholders' equity
		Share premium	Statutory reserve	Reserve against future losses	Un-appropriated profit	Deficit on revaluation of available-for-sale investments	
Rupees							
Balance as at January 1, 2008	320,000,000	10,000,000	26,477,094	8,354,766	70,820,696	(412,500)	435,240,056
Unrealized gain on re-measurement of available-for-sale investment	-	-	-	-	-	262,500	262,500
Profit for the period	-	-	-	-	9,626,321	-	9,626,321
Transferred to statutory reserve	-	-	1,925,264	-	(1,925,264)	-	-
Transferred to reserve against future losses	-	-	-	100,000	(100,000)	-	-
Balance as at March 31, 2008	<u>320,000,000</u>	<u>10,000,000</u>	<u>28,402,358</u>	<u>8,454,766</u>	<u>78,421,753</u>	<u>(150,000)</u>	<u>445,128,877</u>
Balance as at January 1, 2009	320,000,000	10,000,000	28,019,277	10,447,052	50,897,144	(8,783,337)	410,580,136
Unrealised gain on re-measurement of available-for-sale investment	-	-	-	-	-	2,022,993	2,022,993
Provision against impairment loss on of available-for-sale investment	-	-	-	-	-	1,690,086	1,690,086
Loss for the period	-	-	-	-	(18,865,839)	-	(18,865,839)
Balance as at March 31, 2009	<u>320,000,000</u>	<u>10,000,000</u>	<u>28,019,277</u>	<u>10,447,052</u>	<u>32,031,305</u>	<u>(5,070,258)</u>	<u>395,427,376</u>

The annexed notes 1 to 13 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note no. 4.1.



Arjumand A. Qazi
Chief Executive Officer



Sardar Usman Rashid
Director

Notes to the Condensed Interim Financial Statements

for the quarter ended March 31, 2009



1. THE COMPANY AND ITS OPERATIONS

SME Leasing Limited was incorporated in Pakistan on July 12, 2002 as an unlisted public company and acquired the status of a listed company on December 13, 2006. The company is a subsidiary of SME Bank Limited, who holds 73.14% (2008: 73.14%) of the shareholding of the company. At the time of incorporation, the company was a wholly owned subsidiary of SME Bank Limited, whereby under an arrangement the assets and liabilities of the leasing division of SME Bank Limited were transferred to the company on January 28, 2003. The company is listed on Lahore Stock Exchange and its registered office is situated at 40 Jang Building, A.K. Fazal-ul-Haq Road, Blue Area, Islamabad. The core objective of the company is to extend lease and working capital financing facilities to small and medium enterprises of the country.

The company is registered with the Securities and Exchange Commission of Pakistan as a leasing company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. These rules were amended vide SRO 1131 (I)/2007 on November 21, 2007 whereby Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) were issued. Subsequently NBFC Regulations were amended vide SRO 1203 (1)/2008 on November 21, 2008, whereby Non-Banking Finance Companies and Notified Regulations, 2008 were issued.

2. STATEMENT OF COMPLIANCE

These un-audited financial statements are being presented and submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and has been presented in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" as applicable in Pakistan.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations followed for the preparation of these accounts are same as those applied in preparing the annual accounts for the year ended December 31, 2008.

4. INVESTMENTS - Available-for-Sale

	March 31, 2009 Rupees	December 31, 2008 Rupees
- Open end	26,500,000	26,500,000
- Close end	2,500,000	2,500,000
	<u>29,000,000</u>	<u>29,000,000</u>
Less: Unrealised loss on revaluation	(5,070,258)	(8,783,337)
Provision for impairment loss	4.1 (1,690,086)	-
	<u>(6,760,344)</u>	<u>(8,783,337)</u>
Fair value at the end of the period	<u>22,239,656</u>	<u>20,216,663</u>

4.1. Securities and Exchange Commission of Pakistan (SECP) vide SRO 150 (1)/2009 dated February 13, 2009 has allowed that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as "Available-for-Sale".

The impairment loss based on the net assets values as at March 31, 2009 has been worked out at Rs. 6,760,344 (December 31, 2008: Rs. 8,783,337). First quarter charge of Rs. 1,690,086 has been duly provided in the profit and loss account and the balance Rs. 5,070,258 has been treated as unrealised loss and the same shall be recognised after taken into account any adjustment, effect for price movements, during remaining quarters of the year ending December 31, 2009.

The recognition of unrecognised impairment loss based on the market values as at March 31, 2009 would have had the following effect on these financial statements:

Increase in 'Impairment Loss' in Profit and Loss Account	5,070,258	8,783,337
(Increase in loss)/Decrease in profit for the period/year - after tax	(5,070,258)	8,783,337
Decrease in earnings per share - after tax	0.16	0.27
Decrease in deficit on revaluation of available-for-sale investments	5,070,258	8,783,337
Decrease in unappropriated profit	5,070,258	8,783,337

Notes to the Condensed Interim Financial Statements

for the quarter ended March 31, 2009 (Un-Audited)



	March 31, 2009 Rupees	December 31, 2008 Rupees
5. LOANS AND RECEIVABLES - Secured		
Loans to customers - considered good	94,954,003	97,137,442
Loans to customers - considered doubtful	42,845,613	34,856,642
Less: Provision for doubtful loans and receivables	463,857	311,094
	42,381,756	34,545,548
	137,335,759	131,682,990
Less: Current maturity of loans and receivables	80,289,171	70,985,032
	<u>57,046,588</u>	<u>60,697,958</u>
6. NET INVESTMENT IN LEASES		
Minimum lease payments receivable	1,151,476,789	1,195,584,398
Add: Residual value of leased assets	787,158,813	785,675,107
Lease contract receivable	1,938,635,602	1,981,259,505
	210,784,585	226,632,251
Less: Unearned lease income	25,395,662	14,533,345
Less: Provision for potential lease losses	236,180,247	241,165,596
Net investment in leases	1,702,455,355	1,740,093,909
Less: Current maturity of net investment in leases	580,551,807	593,112,620
Net investment in leases	<u>1,121,903,548</u>	<u>1,146,981,289</u>

7. PROPERTY AND EQUIPMENTS

The following is the detail of additions/disposals in the operating assets during the current period.

	March 31, 2009		December 31, 2008	
	Additions	Deletions	Additions	Deletions
Owned				
Office premises	-	-	-	-
Building improvements	-	-	46,290	-
Furniture and fixtures	-	-	106,885	-
Office equipment & others	-	-	78,950	-
Computers	-	-	41,750	-
Vehicles	-	-	669,943	(239,553)
Computer Software	-	-	361,430	-
	-	-	1,305,248	(239,553)
Leased Assets				
Vehicles	-	-	1,605,353	(1,482,184)
	-	-	<u>2,910,601</u>	<u>(1,721,737)</u>

8. LONG-TERM FINANCES

Long-term Loans		
SME Bank Limited (holding company) - related party	-	5,847,258
Other financial institutions	276,564,420	334,638,735
	276,564,420	340,485,993
Privately Placed Term Finance Certificates	291,666,668	320,833,334
	568,231,088	661,319,327
Less: Current maturity - Long-term loans	204,781,627	213,884,305
Current maturity - Privately placed term finance certificates	116,666,667	139,583,334
	321,448,294	353,467,639
	<u>246,782,794</u>	<u>307,854,688</u>

Notes to the Condensed Interim Financial Statements

for the quarter ended March 31, 2009 (Un-Audited)



	March 31, 2009 Rupees	March 31, 2008 Rupees
9. CONTINGENCIES AND COMMITMENTS		
Contingencies		
None	<u>-</u>	<u>-</u>
Commitments		
Lease disbursements	<u>51,246,815</u>	<u>47,600,000</u>
10. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES		
(Loss)/Profit before income tax expense	(19,765,015)	11,993,891
Adjustment for non-cash charges and other items		
Depreciation	565,300	678,672
Gratuity expense	-	250,000
Mark-up expense	28,605,042	21,016,861
Mark-up income	(252,447)	(38,889)
Financial charges on leased assets	81,689	104,498
Interest income on loans to employees	(54,020)	(111,577)
Provision for potential lease losses	10,862,317	1,255,081
Provision for loans and receivables	152,763	(50,855)
Provision for impairment on available-for-sale investments	1,690,086	-
Total adjustments for non-cash charges and other items	<u>41,650,730</u>	<u>23,103,791</u>
Cash generated from operations before working capital changes	<u>21,885,715</u>	<u>35,097,682</u>
Working capital changes		
(Increase)/Decrease in current assets		
Mark-up accrued	(668,565)	337,034
Deposits, prepayments and other receivables	(72,907)	(465,098)
Loans and advances	(1,092,814)	285,426
	<u>(1,834,286)</u>	<u>157,362</u>
Increase/(Decrease) in current liabilities		
Trade and other payables	(81,055)	9,287,304
Provision for compensated absences	-	(35,908)
	<u>(81,055)</u>	<u>9,251,396</u>
	<u>(1,915,341)</u>	<u>9,408,758</u>
Cash generated from operations after working capital changes	<u>19,970,374</u>	<u>44,506,440</u>
11. CASH AND CASH EQUIVALENTS		
Cash and bank balances	27,697,819	26,357,369
Short-term borrowings	<u>(106,787,260)</u>	<u>(46,062,534)</u>
	<u>(79,089,441)</u>	<u>(19,705,165)</u>

Notes to the Condensed Interim Financial Statements

for the quarter ended March 31, 2009 (Un-Audited)



12. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises SME Bank Limited and key management personnel. The aggregate transactions with related parties during the period under review are as follows:

	March 31, 2009		December 31, 2008	
	Key management personnel	SME Bank Limited (Holding Company)	Key management personnel	SME Bank Limited (Holding Company)
Borrowings				
Balance as at January 1	-	5,847,251	-	52,654,781
Add: Borrowings during the year	-	30,000,000	-	-
Less: Repayments during the year	-	(5,847,251)	-	(46,807,530)
Balance as at March 31, 2009	-	30,000,000	-	5,847,251
Loans and advances				
Balance as at January 1	120,834	-	4,644,391	-
Add: Advances given during the year	150,000	-	220,000	-
Less: Repayments during the year	(92,499)	-	(4,743,557)	-
Balance as at March 31, 2009	178,335	-	120,834	-
Mark-up expense for the period	-	1,129,563	-	2,498,102
Mark-up income for the period	-	-	314,133	-
Other transactions				
Lease facility provided to holding company	-	26,559,066	-	24,781,881
Deposit margin (50%) by holding company for the lease facility	-	13,561,223	-	13,579,223
Total rentals receivables (for the entire lease period)	-	16,137,388	-	7,806,230
Total rentals received during the period	-	1,035,978	-	8,388,775
Rent expense	-	100,665	-	302,550
Remuneration and salaries paid	1,407,000	-	4,328,187	-

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

13. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 23, 2009 by the Board of Directors of the company.

Arjumand A. Qazi
Chief Executive Officer

Sardar Usman Rashid
Director

Branches

Network

BRANCHES

KARACHI

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

F.B. Area Branch
Ground Floor, Gulshan-e-Amin Plaza,
Block-21, F.B. Area.
Phone: 021-9246458, 6807584
Fax: 021-6806940

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

LAHORE

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

Iqbal Town Branch
Office No. 17, 2nd Floor, Sky Centre,
Karim Block, Allama Iqbal Town Road.
Phone: 042-5295423
Fax: 042-5295424

ISLAMABAD

Office No. 2, 1st Floor, Rehmat Centre,
I-8 Markaz.
Phone: 051-9257524
Fax: 051-9257520

SIALKOT

Small Industrial Estate Uggoki Road,
Shahabpura.
Phone: 052-3257138
Fax: 052-3257138

PESHAWAR

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

MARDAN

The Mall Office No. 26,
Adjacent Allied Bank Limited,
Mardan Cantt.
Phone: 0937-9230800
Fax: 0937-9230800

MIRPURKHAS

Office No. 403/2, New Town.
Phone: 0233-9290411
Fax: 0233-9290411



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

Main Office:
2nd Floor, Tower "B", Finance & Trade Centre,
Shahra-e-Faisal, Karachi.
Tel: (021) 9204751-53 Fax: (021) 9204754
Website: www.smelease.com