

SME Leasing Limited
Half Yearly Report 30 June 2021

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Javed Mehmood, Chairman
Mr. Dilshad Ali Ahmad
Mr. Tahir Saeed Effendi
Mr. Muhammad Mubeen Mufti
Mr. Bilal Mohy Ud Din

CHIEF EXECUTIVE OFFICER (OFFICIATING)

Mr. Asghar Maqsood

AUDIT COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Muhammad Mubeen Mufti
Mr. Bilal Mohy Ud Din

RISK MANAGEMENT COMMITTEE

Mr. Javed Mehmood, Chairman
Mr. Muhammad Mubeen Mufti
Mr. Bilal Mohy Ud Din

HUMAN RESOURCE COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Dilshad Ali Ahmad
Mr. Muhammad Mubeen Mufti
Mr. Asghar Maqsood

PROCUREMENT COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Dilshad Ali Ahmad
Mr. Bilal Mohy Ud Din

NOMINATION COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Dilshad Ali Ahmad
Mr. Muhammad Mubeen Mufti

COMPANY SECRETARY & CFO

Mr. M Shahzad

EXTERNAL AUDITORS

BDO Ebrahim & Co, Chartered Accountants

INTERNAL AUDITOR (ACTING)

Mr. Sohail Imran

TAX CONSULTANTS

EY Ford Rhodes, Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Co., Advocate & Legal Consultant

CREDIT RATING

Long Term: B- (B Minus) Short Term: A4

REGISTERED OFFICE

56-F, Nazim-ud-Din Road, F-5/1, Blue Area, Islamabad

MAIN OFFICE

Office No.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 CERTIFICATE

Corptec Associates (Pvt.) Limited
503-E, Johar Town, Lahore

BANKS AND LENDING INSTITUTIONS

SME Bank Limited
Meezan Bank Limited

Directors' Review Report

The Board of directors of SME Leasing Limited (the Company) is pleased to present the un-audited condensed interim financial statements for the period ended June 30, 2021.

The company remained focused on recoveries and enhancing its performing portfolio by writing fresh new business. During the period under review, fresh business of Rs 4.203 Million was written while total recoveries from the portfolio aggregated Rupees 34.723 Million.

The Company continued to follow up for early settlements of non-performing portfolio through legal process and negotiations. Provisions for non-performing portfolio recorded a net reversal of Rupees 12.3 million while reversal of income tax provision recorded a reversal of Rs 7.9 million. Revenues recorded a decrease of Rupees 4.167 Million when compared with the corresponding period last year. Overall administrative expenses recorded increase of Rs 1.376 million. Financial charges decreased by 2.887 million. The loss after tax during the period under review was Rs. 5.721 Million as compared to loss of Rs. 22.394 Million in the corresponding period last year. Funding constraint remained a major obstacle in converting the company into a profit-making institution.

The Net equity of the Company amounted to Rs 13.839 Million as at June 30, 2021 against the minimum prescribed equity requirement of Rs.50 million for non-deposit leasing companies. The current liabilities decreased by Rs. 16.220 million and non-current liabilities decreased by Rs 1.184 million whereas the total assets recorded a net decrease of Rs. 23.125 Million. Going forward, the efforts for recoveries from the portfolio and exploring of new avenues of funding would be continued.

The Auditors have expressed qualified conclusion in respect of net-reversal of income tax provision amounting to Rs 7.979 million as they could not perform the procedures considered necessary by them.

On 06 April 2021, PACRA downgraded the entity ratings, which are as under:

- Long term “B-”
- Short term “A4”
- Outlook Negative

The matter of privatization of SME Bank, majority shareholder is at advanced stage. We shall keep our shareholders informed of development, in this regard.

The election of Directors of the Company was held on July 26, 2021, wherein Mr Javed Mahmood and Ms Darakhshan Sheikh Vohra were re-elected as independent Directors. In place of Mr Bilal Mustafa, former Chairman of the Company, Mr Tahir Saeed Effendi joined as an independent Director. Ms Sameena Gul, nominated Director resigned in July 2021. The Board would like to acknowledge and record its appreciation for the meritorious services rendered by Mr Bilal Mustafa and Ms Sameena Gul as Directors of the Company.

The Board recognises and appreciates the continued support of all stakeholders.

Asghar Maqsood
Chief Executive Officer
(Officiating)

Director

Dated: October 27, 2021

ڈائریکٹرز کی جائزہ رپورٹ

ایس ایم ای لیزنگ لمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز 30 جون 2021ء کی اختتامی مدت کیلئے غیر آڈٹ شدہ مجموعی مالیاتی حسابات پیش کر رہے ہیں۔

دوران مدت کمپنی کی توجہ ریکوریز اور نئے کاروبار لکھ کر اپنے پورٹ فولیو کی کارکردگی میں اضافے پر مرکوز رکھی۔ زیر جائزہ مدت کے دوران مبلغ 4.203 ملین روپے کا نیا کاروبار لکھا گیا جبکہ پورٹ فولیو سے مجموعی طور پر مبلغ 34.723 ملین روپے کی وصولی ہوئی۔

کمپنی نے قانونی عمل اور گفت و شنید کے ذریعے نان پرفارمنگ پورٹ فولیو کے جلد از جلد تصفیے کے لیے فالو اپ جاری رکھا۔ نان پرفارمنگ پورٹ فولیو کے حساب میں مبلغ 12.3 ملین روپے کا خالص ریورسل ہوا جبکہ انکم ٹیکس پروویژن کے ریورسل میں مبلغ 7.9 ملین روپے کا ریورسل ہوا۔ گزشتہ سال کی اسی مدت کے مقابلے میں محصولات میں مبلغ 4.167 ملین روپے کی کمی ہوئی۔ انتظامی اخراجات میں مجموعی طور پر مبلغ 1.376 ملین روپے کا اضافہ ریکارڈ کیا گیا۔ مالیاتی چارجز میں مبلغ 2.887 ملین روپے کی کمی ہوئی۔ زیر جائزہ مدت کے دوران مبلغ 5.721 ملین روپے بعد از ٹیکس نقصان ہوا جو کہ گزشتہ سال کی اسی مدت میں مبلغ 22.394 ملین روپے تھا۔ فنڈنگ کی رکاوٹ کمپنی کو منافع بخش ادارے میں تبدیل کرنے میں ایک بڑی رکاوٹ رہی۔

30 جون 2021ء تک کمپنی کی خالص ایکویٹی مبلغ 13.839 ملین روپے رہی جو کہ نان ڈپازٹ لیزنگ کمپنیوں کے لیے 50 ملین روپے کی کم از کم تجویز کردہ ایکویٹی کی ضروریات کے برعکس ہے۔

موجودہ قرضہ جات میں مبلغ 16.220 ملین روپے اور نان کرنٹ قرضہ جات میں مبلغ 1.184 ملین روپے کی کمی ہوئی جبکہ کل اثاثہ جات میں مبلغ 23.125 ملین روپے کی خالص کمی ہوئی۔ مزید یہ کہ پورٹ فولیو سے وصولی اور فنڈنگ کی نئی راہیں تلاش کرنے کی کوششیں جاری رکھی جائیں گی۔

آڈیٹرز نے انکم ٹیکس پروویژن کے حساب میں مبلغ 7.979 ملین روپے خالص ریورسل کے سلسلے میں اپنی ماہرانہ رائے کا اظہار کیا ہے۔

PACRA نے 06 اپریل 2021ء کو کمپنی کی پچھلی ریٹنگ کو ڈاؤن گریڈ کیا ہے جو کہ درج ذیل ہے:

- طویل مدتی ریٹنگ "B"
- مختصر مدتی "A4"
- آؤٹ لک "منفی"

اکثریتی شیئر ہولڈرز کے حامل ایس ایم ای بینک کی نجکاری کا معاملہ ایڈوانسڈ مراحل میں ہے۔ ہم اپنے شیئر ہولڈرز کو اس سلسلے میں پیشرفت سے آگاہ کرتے رہیں گے۔

کمپنی کے ڈائریکٹرز کے انتخابات مورخہ 26 جولائی 2021ء کو منعقد ہوئے جس میں جناب جاوید محمود اور محترمہ درخشاں شیخ و ہرہ کو آزاد ڈائریکٹرز کے طور پر دوبارہ منتخب کیا گیا۔ کمپنی کے سابق چیئرمین جناب بلال مصطفیٰ کی جگہ طاہر سعید آفندی کو ایک آزاد ڈائریکٹر کے طور پر شامل کیا گیا۔ نامزد ڈائریکٹر محترمہ شمینہ گل، جولائی 2021 میں مستعفی ہو گئیں۔ بورڈ جناب بلال مصطفیٰ اور محترمہ شمینہ گل کی جانب سے بطور کمپنی ڈائریکٹرز قابل تحسین خدمات پیش کرنے پر ان کا متعرف ہے۔

بورڈ اپنے تمام اسٹیک ہولڈرز کی جانب سے کئے جانے والے مستقل تعاون پر بے حد مشکور ہے۔

جاوید محمود
چیئرمین

اصغر مقصود
چیف ایگزیکٹو آفیسر (آفیشیٹنگ)

مورخہ: 27 اکتوبر 2021ء

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **SME LEASING LIMITED** ("the Company") as at June 30, 2021 and the related condensed interim statement of profit or loss, the condensed interim statement of comprehensive income, the condensed interim statement of cash flows, the condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after referred as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

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

Basis for Qualified Conclusion

Net reversal of income tax provision amounting to Rs. 7.979 million was recorded in the current period. In order to ascertain the same, we requested the supporting documents and the management was unable to provide us with sufficient and appropriate audit evidence. Consequently, we were unable to perform the procedures we considered necessary.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present fairly, in all material aspects, (or do not give a true and fair view of) the financial position of **SME Leasing Limited** ("the Company") as at June 30, 2021, and (of) its financial performance and cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

Without modifying our conclusion, we draw attention to the following;

- a) Note 1.2 to the condensed interim financial statements which fully explain the status of the application filed with the Securities and Exchange Commission of Pakistan for renewal of license to operate as a leasing company;
- b) Note 1.3 to the condensed interim financial statements which indicates that the Company failed to maintain minimum equity requirement; and

- c) Note 1.3 and note 1.4 to the condensed interim financial statements which indicates that the Company has reported a loss of Rs. 5.721 million which has increased accumulated losses to Rs. 354.627 million as at period ended June 30, 2021.

These conditions, along with the other matters as set forth in the above referred note indicate the existence a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Other matters


The figures for the quarters ended June 30, 2021 and June 30, 2020 in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The financial statements of the Company for the year ended December 31, 2020 were audited and the condensed interim financial information for the half year ended June 30, 2020 were reviewed by another firm of chartered accountants who have expressed a modified opinion and unmodified conclusion thereon vide their report dated March 04, 2021 and September 03, 2020, respectively.

The engagement partner on the audit resulting in this independent auditor's review report is Zulfikar Ali Causer.

KARACHI

DATED: 27 OCT 2021



CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

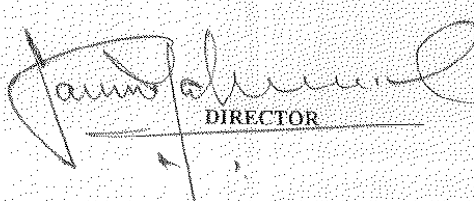
SME LEASING LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

		June 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
	Note	Rupees	
ASSETS			
NON - CURRENT ASSETS			
Property and equipment	6	3,566,506	3,903,811
Right-of-use assets	7	8,171,812	7,770,109
Intangible assets	8		
Net investment in finance leases	9	198,010,598	187,152,253
Long term finances and loans - secured	10	52,744,346	47,385,562
Long term loans to employees - secured	11	446,355	323,196
Long term deposits and prepayments	12	787,222	870,538
		263,726,839	247,405,489
CURRENT ASSETS			
Advances	13	3,279,876	5,007,025
Prepayments and other receivables	14	1,184,007	1,496,938
Current maturity of assets subject to finance lease	9	103,881,701	136,216,126
Current maturity of non-current assets	15	9,444,897	13,866,092
Cash and bank balances	16	975,166	1,626,307
		118,765,647	158,212,488
TOTAL ASSETS		382,492,486	405,617,977
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2020: 100,000,000) Ordinary shares of Rs 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital 32,000,000 (2020: 32,000,000) Ordinary shares of Rs 10 each		320,000,000	320,000,000
Capital reserves		38,019,277	38,019,277
		358,019,277	358,019,277
REVENUE RESERVES			
Reserve against future losses		10,447,052	10,447,052
Accumulated losses		(354,627,019)	(348,905,989)
		(344,179,967)	(338,458,937)
		13,839,310	19,560,340
NON - CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	17	5,796,930	7,214,310
Long-term deposits		143,893,395	144,177,595
Defined benefit obligation		9,682,094	9,164,855
		159,372,419	160,556,760
CURRENT LIABILITIES			
Trade and other payables		4,691,174	5,040,042
Mark-up accrued on borrowings		4,200,412	4,211,211
Short term borrowings - secured	18	145,246,736	144,790,638
Current maturity of non-current liabilities	19	48,716,913	57,381,913
Current maturity of liabilities against assets subject to finance lease	17	3,367,334	2,913,768
Provision for compensated absences		2,890,285	2,959,558
Taxation - net		167,903	8,203,747
		209,280,757	225,500,877
TOTAL EQUITY AND LIABILITIES		382,492,486	405,617,977
CONTINGENCIES AND COMMITMENTS			
	20		

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE OFFICER
(Approving)


CHIEF FINANCIAL OFFICER


DIRECTOR

SME LEASING LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2021

	Note	Half Year Ended		Quarter Ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
REVENUE					
Finance leases		3,731,016	8,060,789	645,513	3,152,677
Finance and loans		2,010,576	1,848,981	939,520	1,065,853
Other income	21	24,643	39,139	12,664	14,386
		<u>5,766,235</u>	<u>9,948,909</u>	<u>1,597,697</u>	<u>4,232,916</u>
EXPENSES					
Administrative and general expenses	22	22,557,499	21,181,254	12,742,056	11,819,568
Finance cost	23	9,160,915	12,047,188	4,873,687	5,558,643
		<u>31,718,414</u>	<u>33,228,442</u>	<u>17,615,743</u>	<u>17,378,211</u>
Operating loss before reversal		<u>(25,952,179)</u>	<u>(23,279,533)</u>	<u>(16,018,046)</u>	<u>(13,145,295)</u>
Potential lease losses written back		10,110,154	967,160	(3,540,914)	1,452,224
Reversal of income tax provision		7,979,392		7,979,392	
Credit losses on loans and receivables reversal		2,213,373	48,066	(154,329)	95,323
		<u>20,302,919</u>	<u>1,015,226</u>	<u>4,284,149</u>	<u>1,547,547</u>
Loss for the period before taxation		<u>(5,649,260)</u>	<u>(22,264,307)</u>	<u>(11,733,897)</u>	<u>(11,597,748)</u>
Taxation	24	71,770	130,225	9,422	61,374
NET LOSS FOR THE PERIOD		<u>(5,721,030)</u>	<u>(22,394,532)</u>	<u>(11,743,319)</u>	<u>(11,659,122)</u>
Loss per share - basic and diluted	25	(0.18)	(0.70)	(0.37)	(0.36)

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

Dyhan
CHIEF EXECUTIVE OFFICER

(Siddhant)

M. Khan
CHIEF FINANCIAL OFFICER

Janoo
DIRECTOR

SME LEASING LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2021

	Half Year Ended		Quarter Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	-----Rupees-----			
Loss after taxation for the period	(5,721,030)	(22,394,532)	(11,743,319)	(11,659,122)
Other comprehensive income				
Total comprehensive loss for the period	<u>(5,721,030)</u>	<u>(22,394,532)</u>	<u>(11,743,319)</u>	<u>(11,659,122)</u>

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE OFFICER
(officiating)


CHIEF FINANCIAL OFFICER


DIRECTOR

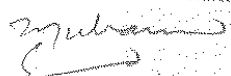
SME LEASING LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2021

	Half year ended	
	June 30, 2021	June 30, 2020
Note	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation		
Adjustment for:	(5,649,260)	(22,264,307)
Depreciation and amortization	22 1,755,603	1,851,720
Provision of gratuity	829,089	595,037
Provision for compensated absences	923,318	837,351
Finance cost	23 9,160,915	12,047,188
Interest income	(24,643)	(26,266)
Income from saving account		(6,873)
Gain on disposal of property and equipment		(6,000)
Potential lease losses written back	(10,110,154)	(967,160)
Reversal of income tax provision	(7,979,392)	
Credit losses on loans and receivables reversal	(2,213,373)	(48,066)
Operating loss before working capital changes	(7,658,637)	14,276,931
	(13,307,897)	(7,987,376)
Decrease in current assets:		
Net investment in finance leases		
Long term finances and loans - secured	31,586,234	14,440,632
Long term loans to employees - secured	1,357,382	5,629,797
Prepayments and other receivables	(204,757)	180,436
Long term deposits and prepayments	312,931	(394,625)
Advances	83,336	166,848
	1,727,149	274,580
	34,862,275	20,297,668
Decrease in operating liabilities:		
Long term deposits	(8,949,200)	(1,362,707)
Trade and other payables	(348,868)	(472,404)
	(9,298,068)	(1,835,111)
Cash generated from operations	12,256,310	10,475,181
Financial charges paid	(8,260,639)	(11,680,517)
Interest income received	24,643	33,139
Gratuity paid	(311,850)	
Benefits paid	(992,591)	(713,612)
Taxes paid	(128,222)	(155,904)
	(9,668,659)	(12,516,894)
Net cash flows generated from / (used in) operating activities	2,587,651	(2,041,713)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment		
Proceeds from disposal of property and equipment	(25,000)	(48,800)
		6,000
Net cash used in investing activities	(25,000)	(42,800)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease rentals paid		
Net cash used in financing activities	(3,669,890)	(2,122,122)
	(3,669,890)	(2,122,122)
Net decrease in cash and cash equivalents	(1,107,239)	(4,206,635)
Cash and cash equivalents at beginning of the period	(143,164,331)	(141,368,641)
Cash and cash equivalents at end of the period	(144,271,570)	(145,575,273)

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The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE OFFICER
(officer)



CHIEF FINANCIAL OFFICER


DIRECTOR


SME LEASING LIMITED
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
 FOR THE PERIOD ENDED JUNE 30, 2021

	Capital reserves			Revenue reserves		Total shareholder equity
	Issued, subscribed and paid-up capital	Share premium	Statutory reserve	Reserve against future losses	Unappropriated profit	
	Rupees					
Balance at January 01, 2020 - audited	320,000,000	10,000,000	28,019,277	10,447,052	(291,358,265)	77,108,064
Loss after taxation					(22,394,532)	(22,394,532)
Balance at June 30, 2020	320,000,000	10,000,000	28,019,277	10,447,052	(313,752,797)	54,713,532
Balance at January 01, 2021 - audited	320,000,000	10,000,000	28,019,277	10,447,052	(348,905,989)	19,560,340
Loss after taxation					(5,721,030)	(5,721,030)
Balance at June 30, 2021 - unaudited	320,000,000	10,000,000	28,019,277	10,447,052	(354,627,019)	13,839,310

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.


 CHIEF EXECUTIVE OFFICER
 (operating)


 CHIEF FINANCIAL OFFICER


 DIRECTOR

SME LEASING LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2021

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 (the Parent 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 Pakistan 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. The PACRA Credit Rating Agency has assigned a long term rating of B- (2020: B) and a short term rating of A4 (2020: B) to the Company in the month of April 2021.
- 1.2 The license of the Company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via application reference # SMEL/MO/2019 dated April 16, 2019 for its renewal in the manner so required by the NBFC rules, 2003. However, renewal of license was in progress till the release date of these condensed interim financial statements.
- 1.3 The Company obtained license of non deposit taking NBFC and as per section 4 (Schedule D) of NBFC Regulations 2008, a non deposit taking NBFC shall have minimum equity of Rs. 50 million. The Company being non deposit taking NBFC has not complied with said requirement of NBFC Regulations 2008 of maintaining minimum capital requirement.
- 1.4 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, 2021 the Company has reported a loss of Rs. 5.721 million (June 30, 2020, Loss of Rs. 22.39 million) which has increased accumulated losses to Rs. 354.627 million (December 31, 2020: increased to Rs. 348.906 million) as at the half year end. Further, the net assets of the Company amounts to Rs. 13.839 million (December 31, 2020: Rs. 19.560 million). The Company has negative cash and cash equivalent of Rs. 144.272 million (December 31, 2020: Rs. 143.164 million) which comprise of running finance facility from SME Bank Limited and as of that date the Company's current liabilities exceed its current assets by Rs. 90.515 million (2020: Rs. 67.288 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, SBP vide its letter BPRD/BA&CPD/646/332/20 dated January 06, 2020 had granted the Parent Company relaxation of the aforesaid requirement, which has expired on December 31, 2019.

During the financial year 2021, the Parent Company has requested SBP to allow exemption from related party exposure limit till December 31, 2021 and correspondence regarding this was in progress till the current period end. However, no intimation has so far been received from SBP in this regard.

These factors along with other 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 realize its assets and discharge its liabilities in the normal course of business. However, these condensed interim 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. 145.247 million has been utilized as at June 30, 2021 (December 31, 2020: Rs. 144.791 million). 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 will not call off the said amount till June 30, 2022 and the holding company will facilitate, assist and support the Company in arrangement of finance from external sources as and when required by the Company.
- The management of the Company has prepared cash flow projections which reflect that based on financial support by the Parent Company the Company will be able to continue its business on going concern basis in the foreseeable future.
- Concerted efforts are being made for the recovery of non-performing leases and loans and finances and in this respect during the period ended June 30, 2021 Rs. 19.328 million (December 31, 2020: Rs. 25.048 million) have been recovered.
- Efforts are also being made by the management to reduce the overall cost of operations 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 going concern status of the Company and therefore, has prepared these condensed interim financial statements on a going concern basis of accounting.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements of the Company for the six-months period ended June 30, 2021 have been prepared in accordance with requirement of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Act, 2017, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), and 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 Act, 2017, NBFC Rules, 2003 and NBFC Regulations, 2008 shall prevail.

These condensed interim financial statements does not include all the disclosure required in the annual financial statements. Accordingly, the condensed interim financial statements should be read in conjunction with annual financial statements for the year ended December 31, 2020.

2.2 New and amended standards and interpretations to published accounting and reporting standards that are effective in the current period

There are certain amendments to the published accounting and reporting standards that are mandatory for the Company's accounting period beginning on January 1, 2021. However, these do not have any significant impact on the Company's operations and, therefore, have not been detailed in these condensed interim financial statements.

2.3 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations followed for the preparation of these condensed interim financial statements are same as those applied in preparing the financial statements for the year ended December 31, 2020.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

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

In preparing these 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 are the same as applied to the financial statements of the company for the year ended December 31, 2020.

5 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financials statements of the Company as at and for the year ended December 31, 2020.

6 PROPERTY AND EQUIPMENT

The following is the cost of additions and disposals in the operating fixed assets during the current period.

Owned	June 30, 2021 (Un-Audited)		June 30, 2020 (Un-Audited)	
	Additions	Disposals	Addition	Disposal
Furniture and fixtures	25,000	-	6,800	-
Office equipment	-	-	25,000	17,500
Computers	-	-	17,000	-
	25,000	-	48,800	17,500

	Note	June 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
-----Rupees-----			
7 RIGHT-OF-USE ASSETS			
Balance as at January 1		7,770,109	12,053,712
Additions during the period/year		1,795,000	-
Disposal during the period/year		-	(1,455,872)
Depreciation charged for the period/year		(1,393,297)	(2,827,731)
		<u>8,171,812</u>	<u>7,770,109</u>
8 INTANGIBLE ASSETS			
Cost		1,507,142	1,507,142
Accumulated amortization		(1,507,142)	(1,507,142)
		<u>-</u>	<u>-</u>
9 NET INVESTMENT IN FINANCE LEASES			
Net investment in finance leases	9.1	301,892,299	323,368,379
Less: Current maturity of net investment in leases		(103,881,701)	(136,216,126)
		<u>198,010,598</u>	<u>187,152,253</u>

9.1 Net investment in finance leases

	June 30, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Total	Later than one year and less than five years	Not later than one year	Total	Later than one year and less than five years	Not later than one year
	(Rupees)					
Minimum lease payments	306,580,774	245,920,319	60,660,455	332,473,338	252,615,664	79,857,674
Add: Residual value of leased assets	192,237,075	143,893,395	48,343,680	201,186,275	144,177,595	57,008,680
Gross investment in leases	498,817,849	389,813,714	109,004,135	533,659,613	396,793,259	136,866,354
Less: Unearned lease income	(10,739,338)	(5,616,904)	(5,122,434)	(12,813,448)	(12,163,220)	(650,228)
Less: Markup held in suspense account	(47,482,986)	(47,482,986)	-	(48,664,406)	(48,664,406)	-
	(58,222,324)	(53,099,890)	(5,122,434)	(61,477,854)	(60,827,626)	(650,228)
Less: Provision for potential lease losses	440,595,525	336,713,824	103,881,701	472,181,759	335,965,633	136,216,126
Net investment in finance leases	(138,703,226)	(138,703,226)	103,881,701	(148,813,380)	(148,813,380)	-
	301,892,299	198,010,598	103,881,701	323,368,379	187,152,253	136,216,126

		June 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
		-----Rupees-----	
10	LONG TERM FINANCES AND LOANS - SECURED		
	Considered good	12,177,682	20,351,243
	Considered doubtful	58,634,235	51,818,056
	Less: Provision	70,811,917 (8,875,277)	72,169,299 (11,088,650)
	Less: Current maturity	61,936,640 (9,192,294)	61,080,649 (13,695,087)
		<u>52,744,346</u>	<u>47,385,562</u>
11	LONG TERM LOAN TO EMPLOYEES - SECURED		
	Vehicle loan	698,958	494,201
	Less: Current Maturity	698,958 (252,603)	494,201 (171,005)
		<u>446,355</u>	<u>323,196</u>
12	LONG TERM DEPOSITS AND PREPAYMENTS		
	Other deposits	787,222	787,222
	Long term prepayments	-	83,336
		<u>787,222</u>	<u>870,558</u>
13	ADVANCES		
	Considered good - unsecured		
	Employees	902,736	1,678,710
	Legal advisors	2,129,480	2,289,853
	Advance against lease vehicle	-	886,036
	SBP deposit	15,000	15,000
	Others	232,660	137,426
		<u>3,279,876</u>	<u>5,007,025</u>

13.1 This represents interest free advances given to employees against salaries. These are recovered through monthly deductions from salaries over a period of one year from the date of granting loans.

13.2 This represents advance payments made to the legal advisors of the Company for handling cases on behalf of the Company.

		June 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
	Note	Rupees	
14 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		1,024,639	780,668
Accrued interest on long term finances and loans		-	651,270
Receivable from provident fund		94,368	-
Other receivable		65,000	65,000
		<u>1,184,007</u>	<u>1,496,938</u>

15 CURRENT MATURITY OF NON-CURRENT ASSETS			
Current maturity of:			
Long term finances and loans	10	9,192,294	13,695,087
Long term loans to employees	11	252,603	171,005
		<u>9,444,897</u>	<u>13,866,092</u>

16 CASH AND BANK BALANCES			
Balances with banks in:			
in current accounts		908,754	1,466,000
in saving accounts	16.1	-	93,895
Cash in hand		908,754	1,559,895
		66,412	66,412
		<u>975,166</u>	<u>1,626,307</u>

16.1 Balances with banks carry a profit rate of nil (December 31, 2020: 5.5% to 11.25% per annum).

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	June 30, 2021 (Un-audited)		December 31, 2020 (Audited)	
	Minimum lease	Present value	Minimum lease	Present value
	Rupees		Rupees	
Upto one year	4,571,960	3,367,334	4,200,835	2,913,768
Later than one year but not later than five years	6,551,325	5,796,930	8,392,048	7,214,310
Total minimum lease payments	11,123,285	9,164,264	12,592,883	10,128,078
Less: Finance charges not due yet	(1,959,021)	-	(2,464,805)	-
Present value of minimum lease payments	9,164,264	9,164,264	10,128,078	10,128,078
Less: Current maturity	(3,367,334)	(3,367,334)	(2,913,768)	(2,913,768)
	<u>5,796,930</u>	<u>5,796,930</u>	<u>7,214,310</u>	<u>7,214,310</u>

18 SHORT-TERM BORROWING - SECURED

The facility for short-term running finance available from SME Bank Limited amounting to Rs. 150 million (December 31, 2020: Rs. 150 million). Mark-up is payable at rate ranging from 11.35% to 11.66% (December 31, 2020: from 11.35% to 17.33%) per annum. The finance are secured by way of hypothecation of the Company's leased assets and related receivables.

		June 30, 2021 (Un-Audited)	December 31, 2020 (Audited)
-----Rupees-----			
19	CURRENT MATURITY OF NON-CURRENT LIABILITIES		
	Long term finance	373,233	373,233
	Long term deposits	9.1 48,343,680	57,008,680
		<u>48,716,913</u>	<u>57,381,913</u>

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

There are no contingencies as at June 30, 2021 (2020: Nil).

20.2 Commitments

There are no commitments as at June 30, 2021 (2020: nil).

	Half year ended		Quarter ended	
	June 30, 2021 (Un-Audited)	June 30, 2020 (Un-Audited)	June 30, 2021 (Un-Audited)	June 30, 2020 (Un-Audited)
21	OTHER INCOME			
		6,873		6,873
	24,643	26,266	12,664	7,513
		6,000		
	<u>24,643</u>	<u>39,139</u>	<u>12,664</u>	<u>14,386</u>

22 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, allowances and other benefits	14,769,881	14,954,734	8,600,080	8,704,836
Directors' fee	360,000	155,000	180,000	155,000
Rent	220,215	95,855	118,287	40,826
Electricity, gas and water	357,528	381,060	168,745	175,327
Telephone and postage	462,599	421,741	228,005	211,652
Repairs and maintenance	266,791	187,785	136,576	79,608
Books and periodicals	17,390	13,340	7,045	5,525

	Half year ended		Quarter ended	
	June 30, 2021 (Un-Audited)	June 30, 2020 (Un-Audited)	June 30, 2021 (Un-Audited)	June 30, 2020 (Un-Audited)
Vehicle running	138,150	78,358	51,940	11,490
Advertising	154,862	-	154,862	-
Travelling, conveyance and entertainment	421,076	231,436	152,422	61,110
Printing and stationery	458,792	355,107	382,804	236,732
Auditors' remuneration	271,200	66,271	233,800	-
Depreciation	1,755,603	1,851,720	893,558	926,545
Staff training and development	10,500	-	10,500	-
Legal and professional	2,077,975	1,444,135	1,068,019	700,236
Insurance	502,989	646,316	199,490	334,880
Miscellaneous	311,948	298,396	155,923	155,801
	<u>22,557,499</u>	<u>21,181,254</u>	<u>12,742,056</u>	<u>11,819,568</u>

23 FINANCE COST

Mark-up on short term borrowings	8,148,526	10,977,754	4,200,412	4,990,444
Lease finance charges	911,075	961,797	586,546	478,398
Bank charges	101,314	107,637	86,729	89,801
	<u>9,160,915</u>	<u>12,047,188</u>	<u>4,873,687</u>	<u>5,558,643</u>

24 TAXATION

Minimum tax under Section 113 of the Income Tax Ordinance, 2001.

	June 30, 2021 (Un-Audited)	June 30, 2020 (Un-Audited)
	<u>71,770</u>	<u>130,225</u>

-----Rupees-----

25 LOSS PER SHARE - BASIC AND DILUTED

	Half year ended		Quarter ended	
	June 30, 2021 (Un-Audited)	June 30, 2020 (Un-Audited)	June 30, 2021 (Un-Audited)	June 30, 2020 (Un-Audited)
Loss after taxation attributable to ordinary shareholders (Rupees)	<u>(5,721,030)</u>	<u>(22,394,532)</u>	<u>(11,743,319)</u>	<u>(11,659,122)</u>
Weighted average number of ordinary shares outstanding during the period (Numbers)	<u>32,000,000</u>	<u>32,000,000</u>	<u>32,000,000</u>	<u>32,000,000</u>
Basic loss per share (Rupees per share)	(0.18)	(0.70)	(0.37)	(0.36)

26 **TRANSACTIONS WITH RELATED PARTIES**

The related party of the Company include SME Bank Limited (The Parent Company), Staff Provident fund, directors, key management personnel and companies in which directors are common or a hold office. Transactions with related parties and the balances outstanding at the period ended given below:

	June 30, 2021 (Un-audited)	December 31, 2020 (Audited)
26.1 BALANCES		
SME Bank Limited (Parent Company)		
Short term borrowings		
Opening balance	144,790,638	142,156,359
Borrowings used during the period- net	456,098	2,634,279
Closing balance	<u>145,246,736</u>	<u>144,790,638</u>
	June 30, 2021 (Un-audited)	June 30, 2020 (Un-audited)
26.2 TRANSACTIONS		
SME Bank Limited (Parent Company)		
Markup on Short term borrowings	8,148,526	10,977,754
Rent expense paid for Peshawar branch	275,136	275,136
Key Management Personnel		
Key management remuneration	4,109,294	3,310,000
Staff Provident Fund		
Contribution towards provident fund	380,749	357,261

All transactions with the Parent Company are carried out on commercial terms and on arm's length basis.

27 **SEGMENTAL 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 particular segment.

Particulars	June 30, 2021 (Un-audited)			Total
	Finance Lease	Loans and Receivable	Others	
Segment Revenue	3,731,016	2,010,576	24,643	5,766,235
Reversal of provision - net	10,110,154	2,213,373	-	12,323,527
Segment Results	13,841,170	4,223,949	24,643	18,089,762
Unallocated Cost				
Finance Cost	-	-	-	9,160,915
Administrative & selling expenses	-	-	-	22,557,499
Reversal of income tax provision	-	-	-	(7,979,392)
				23,739,022
Loss before income tax				(5,649,260)
Income tax expense				71,770
Loss for the period				(5,721,030)
Other Information				
Segment Assets	301,892,299	61,936,640	-	363,828,939
Unallocated Assets	-	-	18,663,547	18,663,547
Total Assets				382,492,486
Segment Liabilities	192,237,075	-	-	192,237,075
Unallocated Liabilities	-	-	176,416,101	176,416,101
Total Liabilities				368,653,176
Net Assets				13,839,310
Capital Expenditure			25,000	25,000

Particulars	June 30, 2020 (Un-audited)			Total
	Finance Lease	Loans and Receivable	Others	
Segment Revenue	8,060,789	1,848,981	39,139	9,948,909
Reversal of provision - net	967,160	48,066	-	1,015,226
Segment Results	9,027,949	1,897,047	39,139	10,964,135
Unallocated Cost				
Finance Cost	-	-	-	12,047,188
Administrative & selling expenses	-	-	-	21,181,254
				33,228,442
Loss before Income Tax				(22,264,307)
Income tax expense				130,225
Loss for the period				(22,394,532)
Other Information				
Segment Assets	369,628,650	68,986,999	-	438,615,649
Unallocated Assets	-	-	25,312,299	25,312,299
Total Assets				463,927,948

Particulars	June 30, 2020 (Un-audited)			
	Finance Lease	Loans and Receivable	Others	Total
Segment Liabilities	222,395,275	-	-	222,395,275
Unallocated Liabilities	-	-	-	-
Total Liabilities	-	-	186,819,141	186,819,141
				409,214,416
Net Assets	-	-	-	54,713,532
Capital Expenditure	-	-	48,800	48,800

- 27.1 Revenue reported above represents revenue from external customers. There are no intersegment sales.
- 27.2 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 includes gain on disposal of investment.

28 FAIR VALUE AND RISK MANAGEMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value of underlying financial assets are determined based on requirements of Regulation 66 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and directives if any, issued by the Securities and Exchange Commission of Pakistan.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorized into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1 Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
- Level 3 Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

As at June 30, 2021, the Company held the following classes of financial instruments measured at fair value:

June 30, 2021	Carrying amount			Fair value				
	Fair value through profit and loss	Loans and receivables	Other assets and liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash and bank balance	-	975,166	-	975,166	-	-	-	-
Advances	-	-	3,279,876	3,279,876	-	-	-	-
Prepayments and other receivables	-	-	1,184,007	1,184,007	-	-	-	-
Long term finances and loans and accrued interest thereon	-	61,936,640	-	61,936,640	-	-	-	-
Net investment in finance leases	-	301,892,299	-	301,892,299	-	-	-	-
	-	364,804,105	4,463,883	369,267,988	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payable	-	-	4,680,374	4,680,374	-	-	-	-
Accrued mark-up on borrowings	-	-	4,200,412	4,200,412	-	-	-	-
Short term borrowings	145,246,736	-	-	145,246,736	-	-	-	-
Provision for compensated absences	-	-	2,890,285	2,890,285	-	-	-	-
Long term finances	-	-	373,233	373,233	-	-	-	-
Long term deposits	-	-	192,237,075	192,237,075	-	-	-	-
Defined benefit obligation	-	-	9,682,094	9,682,094	-	-	-	-
Lease liabilities	-	-	9,164,264	9,164,264	-	-	-	-
	145,246,736	-	223,227,737	368,474,473	-	-	-	-

December 31, 2020 (Audited)	Carrying amount			Fair value				
	Fair value through profit and loss	Loans and receivables	Other assets and liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash and bank balance	-	1,626,307	-	1,626,307	-	-	-	-
Advances	-	-	5,007,025	5,007,025	-	-	-	-
Prepayments and other receivables	-	-	1,496,938	1,496,938	-	-	-	-
Long term finances and loans and accrued interest thereon	-	61,080,649	-	61,080,649	-	-	-	-
Net investment in finance leases	-	323,368,379	-	323,368,379	-	-	-	-
	-	386,075,335	6,503,963	392,579,298	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payable	-	-	5,016,513	5,016,513	-	-	-	-
Accrued mark-up on borrowings	-	-	4,211,211	4,211,211	-	-	-	-
Short term borrowings	144,790,638	-	-	144,790,638	-	-	-	-
Provision for compensated absences	-	-	2,959,558	2,959,558	-	-	-	-
Long term finances	-	-	373,233	373,233	-	-	-	-
Long term deposits	-	-	201,186,275	201,186,275	-	-	-	-
Defined benefit obligation	-	-	9,164,855	9,164,855	-	-	-	-
Lease liabilities	-	-	10,128,078	10,128,078	-	-	-	-
	144,790,638	-	233,039,723	377,830,361	-	-	-	-

- 28.1 The Company has not disclosed the fair values for these financial instruments, because their carrying amounts are reasonable approximation of fair value.
- 28.2 For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the period ended June 30, 2021 there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

		June 30, 2021	December 31, 2020
		Un-Audited	Audited
		-----Rupees-----	
29 CASH AND CASH EQUIVALENTS	Note		
Cash and bank balances	16	975,166	1,626,307
Short term borrowings	18	(145,246,736)	(144,790,638)
		<u>(144,271,570)</u>	<u>(143,164,331)</u>

30 IMPACT OF COVID-19 IN FINANCIAL STATEMENTS


On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the COVID-19 outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. The evolution of COVID-19 as well as its impact on the global and the local economy is difficult to predict at this stage. As of the release date of these financial statements, there has been no specifically material quantifiable impact of COVID-19 on the Company's financial condition or results of operations except those disclosed in relevant notes to the financial statements.

31 GENERAL

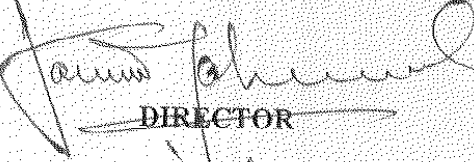
The figures are rounded off to the nearest rupee.

32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on October 27, 2021 by the Board of Directors of the Company.


CHIEF EXECUTIVE OFFICER
(affirming)


CHIEF FINANCIAL OFFICER


DIRECTOR