INDEPENDENT AUDITOR'S REPORT

To the members of Primus Leasing Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Primus Leasing Limited** (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Salman Hussain.

A. F. Ferguson & Co
Chartered Accountants
Karachi
Dated: March 8, 2021

PRIMUS
LEASING LIMITED

Directors' Report

The Board of Directors of Primus Leasing Limited is pleased to present the third annual report together with Audited Financial Statements for the year ended December 31, 2020.

The year under review was challenging for Pakistan. An economy that was already in the early stages of recovering from FY2019's slowdown, faced a greater challenge in the form of COVID-19. The pandemic had a broad based impact on every sector. Industrial production faced a massive contraction while services sector also recorded a slump. Overall, for the first time in decades, Pakistan's economy recorded a negative growth. Thankfully, government, SBP and SECP responded in a timely manner by deferment and/or restructuring of redemption for a year without classification of existing financing facilities. Federal government, additionally, announced multiple relief measures, including a massive construction sector package, while the Central Bank also provided many relaxations pertaining to subsidized funding arrangements and decrease in the policy rate. The combined result of these measures was that the real GDP contraction in Pakistan was significantly lower as compared to other economies. Going forward, it is expected that economy will gradually start recovering from the productivity shock. Inflation and interest rates are expected to remain subdued in the near future, which should support the recovery of commodity producing sector.

Despite above detailed challenges, the performance of the Company remained excellent as summarized below:

(Figures in Rs.)

	2020	2019
Profit before taxation	94,295,239	94,258,202
Taxation	27,733,212	27,985,335
Profit for the period after taxation	66,562,027	66,272,867
Earnings per share	0.666	0.663

Due to the adverse economic conditions prevailing in the country during the period, initially due to economic compression in the first quarter and later, due to COVID 19 pandemic in the second quarter, PLL followed a cautious approach and remained very selective in terms of disbursements and stopped fresh disbursements for nearly four months. Major focus remained on targeting the sectors falling under the ambit of essential services, a strategy that proved very beneficial in these trying times. To facilitate clients experiencing cash flow difficulties during the period, PLL selectively offered restructuring/ rescheduling in the light of SECP guidelines to deserving clients. Accordingly, only 22% of the portfolio was restructured/ rescheduled which made a positive impact on the cash flow position and future business potential with the performing clients. As at Dec 31, 2020, complete portfolio of the Company was performing with no income suspended account. The prime objective, in these trying times, is to keep portfolio performing and be very prudent in future lending. Operations returned to normalcy in the last quarter of the year and good business was executed due to which portfolio sized improved over last year.

Total revenues earned during the period stood at Rs. 151.9 million (Dec 2019: Rs. 151.7 million) with 83% contribution from leasing/ financing operations. PLL was able to reach a PBT of Rs. 94.3 million (Dec 2019: Rs. 94.3 million) and PAT of Rs. 66.6 million (Dec 2019: Rs. 66.3 million). In order to further safeguard the company against any potential default situation from its clients, a general provision of Rs. 8.0 million (Dec 2019: Rs.4.6 million) was provided during the year as a matter of prudence and IFRS 9 Expected Credit Loss requirement at year end was met.

PRIMUS
LEASING LIMITED

During the year, PLL also started Term Finance product for its existing clients against mortgage of property and intends to build a collateralized portfolio also which will prove beneficial in difficult times. PLL will continue applying strong follow up to keep its portfolio clean and follow the practice of targeting sectors falling under essential services. Improving penetration in the existing markets and increasing geographic outreach will be the key focus of the Company for FY2021.

The Company is committed to continue improvements in the governance structure, policies and procedures to have a strong internal control system. Policies and procedures are continuously being reviewed for gaps and updated for regulatory and other changes in business processes.

The Board wishes to place its appreciation for the support and guidance of regulatory authorities.

On Behalf of the Board,

Chief Executive Officer
February 24, 2021

Director

PRIMUS LEASING LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

2020	2019		Note	2020	2019
---------- (US Dollars) ---------				----------------- (Rupees) -----------------	
		ASSETS			
		Non-current assets			
98,066	64,564	Property and equipment	4	15,670,952	9,996,691
15,550	33,608	Intangible assets	5	2,484,967	5,203,647
3,495,530	3,828,780	Net investment in finance lease	6	558,585,765	592,824,166
736,807	347,018	Long term finances and loans	7	117,741,839	53,730,155
2,938	3,197	Long-term loans to employees	8	469,555	494,970
4,224	484	Long-term deposits		675,000	75,000
4,353,115	4,277,651			695,628,078	662,324,629
		Current assets			
1,289	4,546	Accrued mark-up	9	205,909	703,820
3,200,519	2,241,647	Current maturity of non current assets	10	511,442,935	347,082,538
832,179	1,679,221	Investments	11	132,982,190	260,000,000
1,788	3,659	Prepayments and other receivables	12	285,580	566,545
159,897	121,318	Bank balances	13	25,551,482	18,784,129
4,195,672	4,050,391			670,468,096	627,137,032
8,548,787	8,328,042	**Total assets**		1,366,096,174	1,289,461,661
		EQUITY AND LIABILITIES			
		Share capital and reserves			
		Authorised share capital			
		100,000,000 (2019: 100,000,000) ordinary shares			
6,257,822	6,458,542	of Rs. 10 each		1,000,000,000	1,000,000,000
6,257,822	6,458,542	Issued, subscribed and paid-up capital	14	1,000,000,000	1,000,000,000
149,076	79,184	Reserve		23,822,354	12,260,327
6,406,898	6,537,726	**Total equity**		1,023,822,354	1,012,260,327
		Non-current liabilities			
1,320,773	1,461,422	Long-term deposits	15	211,059,472	226,277,408
35,145	-	Lease liability against right-of-use assets	19	5,616,121	-
91,537	94,716	Deferred taxation	16	14,627,683	14,665,185
1,447,455	1,556,138			231,303,276	240,942,593
		Current liabilities			
604,517	160,269	Current maturity of long term deposits	15	96,601,699	24,815,000
16,202	8,462	Payable to Holding Company	17	2,589,070	1,310,207
47,361	58,822	Accrued expenses and other liabilities	18	7,568,254	9,107,608
		Current portion of lease liability against			
19,460	2,657	right-of-use assets	19	3,109,741	411,460
6,894	3,968	Taxation - net		1,101,780	614,466
694,434	234,178			110,970,544	36,258,741
2,141,889	1,790,316	**Total liabilities**		342,273,820	277,201,334
8,548,787	8,328,042	**Total equity and liabilities**		1,366,096,174	1,289,461,661
		CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PRIMUS LEASING LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020

2020 (US Dollars)	2019 (US Dollars)		Note	2020 (Rupees)	2019 (Rupees)
		INCOME			
667,857	545,655	Income from leasing operations	21	106,723,551	84,485,829
120,349	96,700	Income from finances and loans		19,231,708	14,972,367
788,206	642,355			125,955,259	99,458,196
		EXPENSES			
296,201	337,571	Administrative and general expenses	22	47,332,846	52,267,361
12,041	2,079	Provision for Provincial Workers Welfare Fund		1,924,200	321,971
2,086	1,096	Finance cost	23	333,494	169,810
(310,328)	(340,746)			(49,590,540)	(52,759,142)
162,570	337,258	Other income	24	25,978,685	52,218,952
640,448	638,867	**Profit for the year before provision and taxation**		102,343,404	98,918,006
(50,364)	(30,096)	Allowance for potential lease and other loan losses	25	(8,048,165)	(4,659,804)
590,084	608,771	**Profit for the year before taxation**		94,295,239	94,258,202
(173,550)	(180,744)	Taxation	26	(27,733,212)	(27,985,335)
416,534	428,027	**Profit for the year after taxation**		66,562,027	66,272,867

The annexed notes 1 to 36 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

DIRECTOR

PRIMUS LEASING LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

2020	2019		2020	2019
---------- (US Dollars) ---------			---------------- (Rupees) ---------------	
416,534	428,027	**Profit for the year after taxation**	66,562,027	66,272,867
-	-	Other comprehensive income	-	-
416,534	428,027	**Total comprehensive income for the year**	66,562,027	66,272,867

The annexed notes 1 to 36 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

DIRECTOR

PRIMUS LEASING LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Issued, subscribed and paid-up capital	Revenue reserve Unappropriated profit	Total
	-----------------------------(Rupees)-----------------------------		
Balance as at January 1, 2019	1,000,000,000	10,987,460	1,010,987,460
Total comprehensive income for the year ended December 31, 2019			
Profit for the year after taxation	-	66,272,867	66,272,867
Other comprehensive income	-	-	-
	-	66,272,867	66,272,867
Transactions with owners directly recorded in equity			
Interim cash dividend @ Rs. 0.65 per share for the year ended December 31, 2019	-	(65,000,000)	(65,000,000)
Balance as at December 31, 2019	1,000,000,000	12,260,327	1,012,260,327
Total comprehensive income for the year ended December 31, 2020			
Profit for the year after taxation	-	66,562,027	66,562,027
Other comprehensive income	-	-	-
	-	66,562,027	66,562,027
Transactions with owners directly recorded in equity			
Interim cash dividend @ Rs. 0.55 per share for the year ended December 31, 2020	-	(55,000,000)	(55,000,000)
Balance as at December 31, 2020	1,000,000,000	23,822,354	1,023,822,354

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PRIMUS LEASING LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

2020 (US Dollars)	2019 (US Dollars)		Note	2020 (Rupees)	2019 (Rupees)
		CASH FLOWS FROM OPERATING ACTIVITIES			
590,084	608,771	Profit for the year before taxation		94,295,239	94,258,202
		Adjustments for non-cash and other items:			
28,741	24,070	Depreciation	22	4,592,744	3,726,836
16,919	17,478	Amortisation	22	2,703,680	2,706,185
(152,168)	(323,936)	Profit on letters of placement	24	(24,316,458)	(50,156,176)
1,200	472	Finance cost on lease liability against right-of-use assets		191,817	73,111
(120,349)	(96,700)	Income from finances and loans		(19,231,708)	(14,972,367)
50,364	30,096	Provision for potential lease and loan losses	25	8,048,165	4,659,804
414,791	260,251			66,283,479	40,295,595
		(Increase) / decrease in assets			
(535,191)	(2,787,205)	Net investment in finance lease		(85,523,447)	(431,553,307)
(729,868)	(224,370)	Long-term finances, loans and loans to employees		(116,632,983)	(34,740,018)
(1,903)	554	Deposit, prepayments and other receivables		(304,035)	85,782
(1,266,962)	(3,011,021)			(202,460,465)	(466,207,543)
		Increase / (decrease) in liabilities			
353,997	789,281	Security deposits		56,568,763	122,207,341
8,003	(47,692)	Payable to Holding Company		1,278,863	(7,384,259)
(9,633)	41,487	Accrued expenses and other liabilities		(1,539,354)	6,423,556
352,367	783,076			56,308,272	121,246,638
(499,804)	(1,967,694)			(79,868,714)	(304,665,310)
(170,735)	(102,326)	Income tax paid		(27,283,400)	(15,843,528)
(670,539)	(2,070,020)	**Net cash used in operating activities**		(107,152,114)	(320,508,838)
		CASH FLOWS FROM INVESTING ACTIVITIES			
(1,289)	(2,059)	Fixed capital expenditure incurred		(206,020)	(318,846)
		Proceeds against redemption of			
10,578,400	29,209,619	Letters of Placement		1,690,428,301	4,522,633,374
(9,783,545)	(27,122,386)	Investments made in Letters of Placement		(1,563,410,491)	(4,199,459,402)
275,633	443,296	Profit received on Letters of Placement and finance and loans		44,046,077	68,637,218
1,069,199	2,528,470	**Net cash generated from investing activities**		170,857,867	391,492,344
		CASH FLOWS FROM FINANCING ACTIVITIES			
(344,181)	(419,805)	Dividend paid		(55,000,000)	(65,000,000)
(12,130)	(3,069)	Repayment of lease liability against right-of-use assets		(1,938,400)	(475,200)
(356,311)	(422,874)	**Net cash used in financing activities**		(56,938,400)	(65,475,200)
42,349	35,576	**Net increase in cash and cash equivalents**		6,767,353	5,508,306
117,548	85,742	Cash and cash equivalents at the beginning of the year		18,784,129	13,275,823
159,897	121,318	**Cash and cash equivalents at the end of the year**	13	25,551,482	18,784,129

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Primus Leasing Limited ("the Company") was incorporated in Pakistan as a public unlisted company on July 13, 2017 under the Companies Act, 2017. The registered office of the Company is situated at Horizon Vista, Commercial-10, Block-4, Scheme-5, Clifton, Karachi. The Company is licensed to carry out leasing business as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP).

The principal objective of the Company is to carry on and undertake the business of leasing of movable property for any purpose whatsoever including but not being limited to industrial, commercial, agricultural and other development purposes on such terms, covenants and conditions and at such rentals as may be deemed fit.

1.2 Primus Leasing Limited is a wholly owned subsidiary of Pak Brunei Investment Company Limited (Holding Company).

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standard (IFRSs), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Provisions of and directives issued under 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).

Where provisions of and directives issued under the Companies Act, 2017, the NBFC Rules or the NBFC Regulations differ from the IFRSs, the provisions of and the directives issued under the Companies Act, 2017, the NBFC Rules or the NBFC Regulations prevail.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.3 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year:

2.3.1 During the year, the SECP vide its notification dated March 31, 2020 has specified that after the adoption and implementation of IFRS 9, the requirements of IFRS 9 related to provsioning shall be applicable as fuly disclosed in note 3.1.

2.3.2 There are other certain amendments to the published accounting and reporting standards that are mandatory for the Company's annual accounting period beginning on January 1, 2020. However, these do not have any significant impact on the Company's operations and, therefore, have not been detailed in these financial statements.

2.4 Standards, interpretations and amendments to published 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 period beginning on or after January 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 financial statements.

2.5 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with accounting and reporting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of the Company's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in the application of accounting policies are as follows:

i) classification, valuation and impairment of financial assets (note 3.2.1);
ii) determination of residual values and useful lives of property and equipment (notes 3.3 and 4);
iii) contingent assets and contingent liabilities (note 3.8);
iv) provision for taxation (notes 3.11, 16 and 26); and
v) Lease liability and right-of-use assets (notes 3.3.2, 4 and 19).

2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements have been presented in Pakistani Rupees, which is the functional and presentational currency of the Company.

The US dollar amounts shown in the Statement of Financial Position, Statement of Profit or Loss, Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows are stated as additional information solely for the convenience of readers and are not audited. For the purpose of conversion to US Dollars, the rate of Rs. 159.80 to US Dollars has been used as it was the prevalent rate as on December 31, 2020.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented except for the change mentioned in note 3.1 to these financial statements.

3.1 Allowance for potential lease and other loan losses

IFRS 9: "Financial Instruments" had became applicable effective for accounting periods beginning on or after July 1, 2018. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach.

Upto December 31, 2019, the Company had recognised allowance for potential lease and other loans losses as the higher of provisioning requirements as specified under the NBFC Regulations and IFRS 9. During the year, the SECP vide its notification dated March 31, 2020 has specified that after the adoption and implementation of IFRS 9, the requirements of IFRS 9 shall be applicable.

Accordingly, the Company has applied provisioning requirements as specified under IFRS 9 for the purposes of calculation of allowance for potential lease and other loans losses in the financial statements of the Company for the year ended December 31, 2020. Impact of above change is not material to the financial statements.

3.2 Financial instruments

3.2.1 Financial assets

3.2.1.1 Initial recognition

Financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the statement of profit or loss.

3.2.1.2 Classification and subsequent measurement

The Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- at amortised cost;
- at fair value through other comprehensive income (FVOCI); and
- at fair value through profit or loss (FVPL).

The classification requirements for debt instruments are described below:

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and puttable instruments like units of open-ended mutual funds.

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments in one of the following three measurement categories:

a) At amortised cost:

The Company measures financial assets at amortised cost if the financial asset is held within a business model with an objective to hold and collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.2.1.3. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

b) Fair value through other comprehensive income (FVOCI):

The Company measures financial assets at FVOCI if the financial asset is held within a business model with an objective of both holding to collect contractual cash flows and selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment losses or reversals, recognised and measured as described in note 3.2.1.3, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of profit or loss.

c) Fair value through profit or loss (FVPL):

Assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in Statement of Profit or Loss in the period in which it arises.

3.2.1.3 Impairment

The Company assesses on a forward-looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company applies the IFRS 9 simplified approach to measure expected credit losses for leases. For all other financial assets, a life time ECL is recorded in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and for financial assets which are credit impaired as on reporting date. A 12 months ECL is recorded for all other financial assets which do not meet the criteria for SICR or "credit impaired" as at reporting date.

3.2.1.4 Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

(i) the Company transfers substantially all the risks and rewards of ownership; or

(ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

3.2.1.5 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Company commits to purchase or sell the asset.

3.2.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are subsequently measured at amortised cost except for:

- Financial liabilities at fair value through profit and loss; and
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer.

3.2.2.1 Derecognition

Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the statement of profit or loss.

3.2.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 Property and equipment

3.3.1 Owned assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the statement of profit or loss using the straight line method at the rates stated in note 4.1. Depreciation is charged from the date when the asset is available for use while no depreciation is charged from the date the asset is disposed off.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss in the financial year in which these are

Residual values and useful lives are reviewed at each reporting date and adjusted if the impact on depreciation is considered significant. Gain / loss on disposal of fixed assets is recognised in the statement of profit or loss in the period in which disposal is made.

3.3.2 Right-of-use assets and their related lease liability

Right-of-use assets

On initial recognition, right-of-use assets is measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or the site on which it is located.

Right-of-use assets is subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and is adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenure.

Right-of-use assets is depreciated over the expected useful life using the straight-line method. Depreciation on additions (new leases) is charged from the month in which leases are entered into. No depreciation is charged in month in which the leases mature or are terminated.

Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also measured to reflect any remeasurement or change in lease terms. These remeasurement of lease liabilities are recognised as an adjustment to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the statement of profit or loss as financial charges over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3.4 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 5.1. The residual values and useful life are reviewed and adjusted, if appropriate at each reporting date.

Amortisation is charged from the date when the asset is available for use and no amortisation is charged from the date when the asset is disposed off.

3.5 Capital work-in-progress

Capital work-in-progress is stated at cost impairment in value, if any. These are transferred to specific assets as and when assets are available for use.

3.6 Net investment in finance lease

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the fair value of leased asset, including any guaranteed residual value which are included in the financial statements as "net investment in finance lease".

3.7 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand, balances with banks in current and savings accounts.

3.8 Contingent assets and contingent liabilities

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable.

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arise from past events but it is not probable that an outflow of resources embodying benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.9 Staff retirement benefits

3.9.1 Defined contribution plan

During the year, the Company established a recognised provident fund for its employees under the provisions of a Trust Deed. The Fund has been approved by the Commissioner of Income Tax.

Equal monthly contributions are made to the Fund by the Company and the employees in accordance with the rules of the Fund. The Fund is governed under the Trust Act 1882, Trust Deed and Rules of the Fund, the Companies Act, 2017, Income Tax Ordinance, 2001 and Income Tax Rules, 2002. The Company has no further payment obligation once the contributions have been paid. The contributions made by the Company are recognised as employee benefit expense when they are due.

3.10 Revenue recognition

- The Company follows the 'financing method' in accounting for recognition of finance lease. The total unearned finance income i.e. the excess of aggregate instalment contract receivables plus residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a systematic return on the net investment in finance leases.
- Front-end fee and other lease related income is recognised as income on a receipt basis.
- Profit on savings accounts and letters of placement is recognised on an accrual basis.
- Income from government securities is recognised using the effective interest method.
- Realised capital gains / (losses) arising on sale of investments are included in the statement of profit or loss on the date at which the transaction takes place.

3.11 Taxation

3.11.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under the final tax regime. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

3.11.2 Deferred

Deferred taxation is recognised using the balance sheet method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period.

3.12 Proposed dividends and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

4 PROPERTY AND EQUIPMENT	Note	2020	2019
		(Rupees)	
Operating fixed assets	4.1	15,670,952	9,996,691

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4.1 Operating fixed assets

2020								
Description	Cost			Accumulated depreciation			Net book value	Depreciation rate (% per annum)
	As at January 1, 2020	Additions / (disposals) during the year	As at December 31, 2020	As at January 1, 2020	Charge for the year / (reversal on disposal)	As at December 31, 2020	As at December 31, 2020	
	Rupees							
Leasehold improvements	4,632,035	-	4,632,035	1,852,814	926,409	2,779,223	1,852,812	20%
Furniture, fittings and office equipment	4,145,924	-	4,145,924	1,523,167	829,181	2,352,348	1,793,576	20%
Computers and accessories	1,913,304	206,020	2,119,324	1,246,597	672,555	1,919,152	200,172	33%
Motor vehicles	4,502,000	-	4,502,000	963,081	1,012,953	1,976,034	2,525,966	25%
Right-of-use assets	813,549	10,060,985	10,874,534	424,462	1,151,646	1,576,108	9,298,426	33.33%-36.36%
	16,006,812	10,267,005	26,273,817	6,010,121	4,592,744	10,602,865	15,670,952	

2019								
Description	Cost			Accumulated depreciation			Net book value	Depreciation rate (% per annum)
	As at January 1, 2019	Additions / (disposals) during the year	As at December 31, 2019	As at January 1, 2019	Charge for the year / (reversal on disposal)	As at December 31, 2019	As at December 31, 2019	
	Rupees							
Leasehold improvements	4,632,035	-	4,632,035	926,407	926,407	1,852,814	2,779,221	20%
Furniture, fittings and office equipment	3,925,678	220,246	4,145,924	720,988	802,179	1,523,167	2,622,757	20%
Computers and accessories	1,814,704	98,600	1,913,304	626,557	620,040	1,246,597	666,707	33%
Motor vehicles	64,000	4,438,000	4,502,000	9,333	953,748	963,081	3,538,919	25%
Right-of-use assets	813,549	-	813,549	-	424,462	424,462	389,087	87%
	11,249,966	4,756,846	16,006,812	2,283,285	3,726,836	6,010,121	9,996,691	

4.2 The cost of fully depreciated fixed assets which are still in the Company's use as at December 31, 2020 amounted to Rs 1.781 million (2019: Nil).

5 INTANGIBLE ASSETS

	Note	2020	2019
		(Rupees)	
Computer software and license	5.1	2,484,967	5,188,647
Capital work-in-progress		-	15,000
		2,484,967	5,203,647

5.1 Following is a statement of intangible assets:

2020								
Description	Cost			Accumulated amortisation			Net book value	Amortisation rate (% per annum)
	As at January 1, 2020	Additions / (disposals)	As at December 31, 2020	As at January 1, 2020	Charge for the year / (reversal of charge on disposals)	As at December 31, 2020	As at December 31, 2020	
	Rupees							
Computer software and license	8,118,569	-	8,118,569	2,929,922	2,703,680	5,633,602	2,484,967	33%

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Description	Cost			Accumulated amortisation			Net book value	Amortisation rate (% per annum)
	As at January 1, 2019	Additions / (disposals)	As at December 31, 2019	As at January 1, 2019	Charge for the year / (reversal of charge on disposals)	As at December 31, 2019	As at December 31, 2019	
	Rupees							
Computer software and license	8,118,569	-	8,118,569	223,737	2,706,185	2,929,922	5,188,647	33%

5.2 The cost of fully amortised intangible assets which are still in the Company's use as at December 31, 2020 amounted to Rs 0.209 million (2019: Nil).

6 NET INVESTMENT IN FINANCE LEASE

	Note	2020	2019
		(Rupees)	
Net investment in finance lease	6.1	972,909,919	893,180,335
Less: current maturity	6.1 & 10	(414,324,154)	(300,356,169)
		558,585,765	592,824,166

6.1 Details of investment in finance lease:

	Note	2020			
		Not later than one year	Later than one year and less than five years	Over five years	Total
		(Rupees)			
Minimum lease payments		394,302,960	396,795,157	-	791,098,117
Add: residual value of leased assets		96,601,699	211,059,472	-	307,661,171
Gross investment in finance lease		490,904,659	607,854,629	-	1,098,759,288
Less: unearned finance income		(70,271,000)	(40,762,482)	-	(111,033,482)
		420,633,659	567,092,147	-	987,725,806
Less: allowance for potential lease losses	25	(6,309,505)	(8,506,382)	-	(14,815,887)
		414,324,154	558,585,765	-	972,909,919

	Note	2019			
		Not later than one year	Later than one year and less than five years	Over five years	Total
		(Rupees)			
Minimum lease payments		371,141,070	432,334,771	-	803,475,841
Add: residual value of leased assets		24,815,000	226,277,408	-	251,092,408
Gross investment in finance lease		395,956,070	658,612,179	-	1,054,568,249
Less: unearned finance income		(92,566,000)	(59,799,890)	-	(152,365,890)
		303,390,070	598,812,289	-	902,202,359
Less: allowance for potential lease losses	25	(3,033,901)	(5,988,123)	-	(9,022,024)
		300,356,169	592,824,166	-	893,180,335

6.2 The net investment in finance lease is secured against leased assets and security deposit amounting to Rs 307.661 million (2019: Rs 251.092 million). The above security deposit averages about 20.49% (2019: 21.59%) of the cost of leased asset. The implicit rate of return on lease ranges between 10.66% and 21.00% per annum (2019: 11.03% - 21.00% per annum).

6.3 Lease rentals received during the year were Rs 344.129 million (December 31, 2019: 255.893 million) and no income was suspended as at December 31, 2020.

7 LONG TERM FINANCES AND LOANS

	Note	2020	2019
		(Rupees)	
Considered good			
Vehicle finance / term loan- secured	7.1	217,607,653	100,981,321
Less: allowance for potential loan losses	25	(3,264,115)	(1,009,813)
		214,343,538	99,971,508
Less: current maturity	10	(96,601,699)	(46,241,353)
		117,741,839	53,730,155

7.1 This represents vehicle finance / term loan offered to various customers on a mark-up basis. The mark-up on these loans ranges from 10.56% to 19.90% (2019: 14.75% to 20.08%) per annum. These are secured against personal guarantees and lien over vehicles along with post dated cheques.

8 LONG-TERM LOANS TO EMPLOYEES

	Note	2020	2019
		(Rupees)	
Loans to Key management personnel		922,887	871,250
Other employees		63,750	108,736
	8.1	986,637	979,986
Less: current maturity			
Loans to Key management personnel		(472,082)	(440,016)
Other employees		(45,000)	(45,000)
	10	(517,082)	(485,016)
		469,555	494,970

8.1 These represent interest free loans provided to employees of the Company for meeting their emergent expenditure. The loans are unsecured and are recoverable from three to five years.

8.2 Reconciliation of carrying amount of loans to Key management personnels and employees:

Particulars	Opening balance as at January 1, 2020	Disbursements	Repayments	Closing balance as at December 31, 2020
	Rupees			
Employees	979,986	500,000	493,349	986,637

8.3 The maximum aggregate amount due from the employees at the end of any month during the year was Rs. 1.027 million (2019: Rs. 1.225 million).

9 ACCRUED MARK-UP

	Note	2020	2019
		(Rupees)	
Mark-up accrued on:			
- Letters of placement		51,007	181,643
- Finances and loans		154,902	522,177
		205,909	703,820

10 CURRENT MATURITY OF NON CURRENT ASSETS

	Note	2020	2019
Current maturity of:			
Net Investment in finance lease	6	414,324,154	300,356,169
Long term finances and loans	7	96,601,699	46,241,353
Long-term loans to employees	8	517,082	485,016
		511,442,935	347,082,538

11 INVESTMENTS

	Note	2020	2019
At amortised cost			
Letters of placement	11.1	132,982,190	260,000,000

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11.1 These have been issued by the Holding Company, carrying mark-up at the rate of 7.0% (2019: 12.75%) per annum and are due to mature latest by January 29, 2021.

	Note	2020	2019
		(Rupees)	
12 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		247,146	438,681
Other receivables		38,434	127,864
		285,580	566,545
13 BANK BALANCES			
Balances with banks in:			
Current accounts		10,077,707	7,269,805
Savings accounts	13.1	15,473,775	11,514,324
		25,551,482	18,784,129

13.1 These carry mark-up at the rates ranging between 5% - 6% per annum (2019: 8% - 12% per annum).

14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020	2019		Note	2020	2019
Number of shares				(Rupees)	
100,000,000	100,000,000	ordinary shares of Rs. 10 each fully paid in cash	14.1	1,000,000,000	1,000,000,000

14.1 As at December 31, 2020, the Holding Company and its nominee directors own 100% of the issued, subscribed and paid-up capital of the Company.

	Note	2020	2019
		(Rupees)	
15 LONG-TERM DEPOSITS			
Security deposit on finance lease	15.1	307,661,171	251,092,408
Less: repayable / adjustable within 12 months		96,601,699	24,815,000
		211,059,472	226,277,408

15.1 These represent deposits received from lessees under finance lease contracts which are adjustable at the expiry of the lease period.

	Note	2020	2019
		(Rupees)	
16 DEFERRED TAX			
Deferred tax assets arising on deductible temporary differences			
- Allowance for potential lease and other loan losses		5,243,201	2,616,387
- Preliminary expenses		684,171	1,368,342
- Lease liability against right-of-use assets		2,530,500	119,323
- Accelerated tax depreciation and amortisation		539,105	23,334
- Excess of Alternate Corporate Tax over corporate tax		-	12,091,384
		8,996,977	16,218,770
Deferred tax liabilities arising on taxable temporary differences			
- Right-of-use assets		2,696,544	112,835
- Net investment in finance lease		20,928,116	30,771,120
		23,624,660	30,883,955
		14,627,683	14,665,185
17 PAYABLE TO HOLDING COMPANY			
Rent expense incurred on behalf of the Company		42,800	587,300
Other payables	17.1	2,546,270	722,907
		2,589,070	1,310,207

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17.1 This includes amounts payable in respect of service level agreement, other general and administrative expenses paid by Holding Company on behalf of the Company and advance rentals received from Holding Company. The balance is net of payments made by the Company on behalf of Holding Company.

		2020	2019
18	**ACCRUED EXPENSES AND OTHER LIABILITIES**	(Rupees)	
	Accrued expenses	4,387,641	7,845,541
	Provision for Provincial Workers' Welfare Fund	2,728,566	804,366
	Advance tax on purchase of motor vehicles	354,861	334,110
	Withholding taxes payable	12,986	5,818
	Other payables	84,200	117,773
		7,568,254	9,107,608
19	**LEASE LIABILITY AGAINST RIGHT-OF-USE ASSETS**		
	Lease liability against right-of-use assets - property	8,725,862	411,460
	Present value of minimum lease payments	8,725,862	411,460
	Less: current portion	(3,109,741)	(411,460)
		5,616,121	-

20 CONTINGENCIES AND COMMITMENTS

There were no material contingencies and commitments as at December 31, 2020 and December 31, 2019.

		Note	2020	2019
21	**INCOME FROM LEASING OPERATIONS**		(Rupees)	
	Lease finance income		102,981,522	82,015,318
	Front-end fee		845,788	1,549,557
	Documentation charges		926,241	805,988
	Others		1,970,000	114,966
			106,723,551	84,485,829
22	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries and other allowances	22.1 & 22.2	31,716,484	35,532,887
	Rent and utility		1,809,857	2,455,271
	Insurance		758,315	695,636
	Communication		982,700	1,240,182
	Legal and professional charges		1,099,287	2,377,176
	Depreciation	4.1	4,592,744	3,726,836
	Amortisation	5.1	2,703,680	2,706,185
	Travelling		143,462	341,624
	Auditors' remuneration	22.3	323,433	310,150
	Vehicle running expenses		1,625,452	1,437,919
	Printing and stationery		88,908	98,759
	Repairs and maintenance		515,735	378,600
	Office general expenses		572,789	566,136
	Directors' fee for attending meetings		400,000	400,000
			47,332,846	52,267,361
22.1	Salaries and benefits		30,843,830	34,738,855
	Contribution to defined contribution plan	22.1.1	872,654	794,032
			31,716,484	35,532,887

22.1.1 Defined contribution plan - provident fund

During the year an amount of Rs. 872,654 (2019: Rs. 794,032) has been charged to the statement profit or loss in respect of the Company's contributions to the employees provident fund.

The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

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22.2 These include Rs. 8.602 million (2019: Rs. 9.306 million) allocated to the Company in respect of employees of finance, internal audit, research, credit risk management and other departments of Holding Company utilised by the Company under the Service Level Agreement entered into between the two entities.

22.3 Auditors' remuneration

	Note	2020 (Rupees)	2019 (Rupees)
Annual audit fee		181,500	165,000
Half yearly review fee		90,750	82,500
Fee for other certifications		-	15,000
Sales tax on audit fee and other services		23,958	22,900
Out of pocket expenses		27,225	24,750
		323,433	310,150

23 FINANCE COST

	2020	2019
Finance cost on lease liability against right-of-use assets	191,817	73,111
Others	141,677	96,699
	333,494	169,810

24 OTHER INCOME

	2020 (Rupees)	2019 (Rupees)
Profit on bank balances	1,420,227	2,062,776
Income on Letters of Placement issued by the Holding Company	24,316,458	50,156,176
Other	242,000	-
	25,978,685	52,218,952

25 ALLOWANCE FOR POTENTIAL LEASE AND OTHER LOAN LOSSES

	2020		
	Finance leases	Finances and loans	Total
	Rupees		
Balance at beginning of the year	9,022,024	1,009,813	10,031,837
Provision made during the year	5,793,863	2,254,302	8,048,165
Reversal made during the year	-	-	-
	5,793,863	2,254,302	8,048,165
Write-offs	-	-	-
Balance at the end of the year	14,815,887	3,264,115	18,080,002

	2019		
	Finance leases	Finances and loans	Total
	Rupees		
Balance at beginning of the year	4,706,491	665,542	5,372,033
Provision made during the year	4,315,533	344,271	4,659,804
Reversal made during the year	-	-	-
	4,315,533	344,271	4,659,804
Write-offs	-	-	-
Balance at the end of the year	9,022,024	1,009,813	10,031,837

26 TAXATION

	Note	2020 (Rupees)	2019 (Rupees)
Current		27,770,714	16,078,629
Prior year charge		-	245,015
Deferred		(37,502)	11,661,691
	26.1 & 26.2	27,733,212	27,985,335

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26.1 Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented for the comparative year as the provision for income tax for the year ended 2019 had been made under the provisions of Alternate Corporate Tax under Section 113C of the Income Tax Ordinance, 2001. Reconciliation between tax expense and accounting profit for the current year is as follows:

	2020
	---- (Rupees) ---
Accounting profit before tax	94,295,239
Tax rate	29%
Tax on accounting profit	27,345,619
Tax effect of:	
Others	387,593
	27,733,212

26.2 The returns of income for tax year 2018, 2019 and 2020 have been filed and are treated to be deemed assessment under the provisions of section 120 of the Income Tax Ordinance, 2001. Till date no tax year has been opened for assessment by the tax authorities.

27 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year in respect of the remuneration and benefits to the Chief Executive, Directors and executives are as follows:

	2020			
	Chief Executive Officer *	Directors	Executives **	Total
	Rupees			
Managerial remuneration	4,290,000	-	-	4,290,000
Other allowances	3,510,000	-	-	3,510,000
Bonus and incentives	2,404,305	-	-	2,404,305
Fee for attending Board meetings	-	400,000	-	400,000
	10,204,305	400,000	-	10,604,305
Number of persons	1	5	-	6

	2019			
	Chief Executive Officer *	Directors	Executives **	Total
	Rupees			
Managerial remuneration	4,290,000	-	-	4,290,000
Other allowances	3,510,000	-	-	3,510,000
Bonus and incentives	2,425,989	-	-	2,425,989
Fee for attending Board meetings	-	400,000	-	400,000
	10,225,989	400,000	-	10,625,989
Number of persons	1	5	-	6

* The Chief Executive Officer is provided with a Company maintained car and mobile phone as per the terms of employment.

** Executives are on the payroll of the Holding Company and their cost is charged to the the Company under service level agreement.

28 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprises of Holding Company, directors and key management personnel of the Company, entities under common control and other state-owned entities.

The details of transactions carried out with related parties during the year and balances outstanding with them as at the year end are as follows:

28.1 Transactions with related parties during the year

	2020	2019
	(Rupees)	
Holding Company		
Salaries and allowances incurred on behalf of the Company	8,602,209	9,306,528
Rent and maintenance expense incurred on behalf of Company	2,527,819	2,650,285
Expenses paid by the Company on behalf of Holding Company	1,081,450	727,752
Investments encashed during the year	1,690,428,301	4,522,633,374
Investments purchased by the Company	1,563,410,491	4,199,459,402
Mark-up received on Letters of placements	24,447,094	53,968,879
Dividend paid by the Company	55,000,000	65,000,000
Payment made against intra company balance with Holding Company	10,074,918	18,613,319
Directors and key management personnel		
Remuneration of Chief Executive Officer and Executive	10,204,305	10,225,989
Fee for attending board meetings *	400,000	400,000

*These directors hold one nominee share each

28.2 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

S. No.	Name of related party	Basis of association / relationship	Aggregate % of shareholding
1	Pak Brunei Invesment Company Limited	Holding Company	100%
2	Primus Leasing Limited staff provident fund	Staff retirement plan	N/A
3	Mr. Irfan Ahmed	Chief Executive Officer	N/A
4	Mr. Zafar Iqbal Sobani	Director	N/A
5	Mr. Ayyaz Ahmad	Director	N/A

28.4 Amounts due to and from related parties have been disclosed separately in the statement of financial position and in the respective notes to the financial statements.

29 STAFF STRENGTH

	2020	2019
	Number of staff	
Total number of employees at the end of the year	10	10
Average number of employees during the year	10	10

30 FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	2020		
	At fair value through profit or loss	Amortised cost	Total
	Rupees		
Financial assets			
Net investment in finance lease	-	972,909,919	972,909,919
Finances and loans	-	214,343,538	214,343,538
Loans to employees	-	986,637	986,637
Long-term deposits	-	675,000	675,000
Accrued mark-up	-	205,909	205,909
Investments	-	132,982,190	132,982,190
Bank balances	-	25,551,482	25,551,482
	-	1,347,654,675	1,347,654,675

Particulars	2020		
	At fair value through profit or loss	Amortised cost	Total
	Rupees		
Financial liabilities			
Payable to Holding Company	-	2,589,070	2,589,070
Lease liability against right-of-use assets	-	8,725,862	8,725,862
Accrued expenses and other liabilities	-	4,471,841	4,471,841
	-	15,786,773	15,786,773

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Particulars	2019 At fair value through profit or loss	2019 Amortised cost	2019 Total
	Rupees		
Financial assets			
Net investment in finance lease	-	893,180,335	893,180,335
Finances and loans	-	99,971,508	99,971,508
Loans to employees	-	979,986	979,986
Long-term deposits	-	75,000	75,000
Accrued mark-up	-	703,820	703,820
Investments	-	260,000,000	260,000,000
Bank balances	-	18,784,129	18,784,129
	-	1,273,694,778	1,273,694,778

Particulars	2019 At fair value through profit or loss	2019 Amortised cost	2019 Total
	Rupees		
Financial liabilities			
Payable to Holding Company	-	1,310,207	1,310,207
Lease liability against right-of-use assets	-	411,460	411,460
Accrued expenses and other liabilities	-	7,963,314	7,963,314
	-	9,684,981	9,684,981

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks which mainly include market risk, credit risk and liquidity risk. The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

31.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices (e.g. foreign exchange rates, interest rates, equity prices, etc.). The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimizing returns to shareholders.

Market risk comprises three types of risks: currency risk, yield / interest rate risk and other price risk.

31.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present, is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

31.1.2 Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's floating interest rates financial assets. Financial instruments include balances of Rs. 1.327 billion (2019: 1.265 billion) which are subject to interest rate risk.

a) Sensitivity analysis for variable rate financial instruments

The Company has extended KIBOR based leases and finances to various counter parties that expose the Company to cash flow interest risk. In case of increase / decrease in KIBOR by 100 basis points on the last repricing date with all other variables held constant, the profit before tax for the year ended December 31, 2020 would have been higher / lower by Rs. 11.872 million (2019: Rs. 9.932 million).

b) Sensitivity analysis for fixed rate financial instruments

As at December 31, 2020, the Company maintains balances with banks in savings accounts which are interest bearing and holds fixed rate letters of placements issued by the Holding Company which expose the Company to fair value interest rate risk. The income from these financial assets is substantially independent of changes in market interest rates except for changes, if any, arising as a result of fluctuations in their respective fair values.

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The yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of the contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

The maturity analysis and interest rate profile of the Company's financial instruments are as follows:

	2020							
	Effective yield / interest rate %	Exposed to yield / interest rate risk					Not exposed to yield / interest rate risk	Total
		Upto one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years		
		---------- Rupees ----------						
On-balance sheet financial instruments								
Financial assets								
Net investment in finance lease	10.66% to 21%	31,007,689	48,972,450	334,344,015	558,585,765	-	-	972,909,919
Finances and loans	10.56% to 19.90%	39,910,709	20,900,879	35,790,111	117,430,625	-	-	214,343,538
Loans to employees	-	-	-	-	-	-	986,637	986,637
Long-term deposits	-	-	-	-	-	-	675,000	675,000
Accrued mark-up	-	-	-	-	-	-	205,909	205,909
Investments	7.00%	132,982,190	-	-	-	-	-	132,982,190
Bank balances	5.0% to 6.0%	15,473,775	-	-	-	-	10,077,707	25,551,482
Total		219,374,363	69,873,329	370,134,126	676,016,390	-	11,945,253	1,347,654,675
Financial liabilities								
Payable to Holding Company		-	-	-	-	-	2,589,070	2,589,070
Lease liability against right-of-use assets		37,390	1,373,953	1,698,398	5,616,121	-	-	8,725,862
Accrued expenses and other liabilities		-	-	-	-	-	4,471,841	4,471,841
		37,390	1,373,953	1,698,398	5,616,121	-	7,060,911	15,786,773
On-balance sheet gap (a)		219,336,973	68,499,376	368,435,728	670,400,269	-	4,884,342	1,331,867,902
Off-balance sheet financial instruments		-	-	-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)		219,336,973	68,499,376	368,435,728	670,400,269	-		
Cumulative interest rate sensitivity gap		219,336,973	287,836,349	656,272,077	1,326,672,346	1,326,672,346		

	2019							
	Effective yield / interest rate %	Exposed to yield / interest rate risk					Not exposed to yield / interest rate risk	Total
		Upto one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years		
		---------- Rupees ----------						
On-balance sheet financial instruments								
Financial assets								
Net investment in finance lease	11.03% to 21%	31,007,689	48,972,450	220,376,030	592,824,166	-	-	893,180,335
Finances and loans	14.75% to 20.08%	20,133	-	46,221,220	53,730,155	-	-	99,971,508
Loans to employees	-	-	-	-	-	-	979,986	979,986
Long-term deposits	-	-	-	-	-	-	75,000	75,000
Accrued mark-up	-	-	-	-	-	-	703,820	703,820
Investments	12.75%	260,000,000	-	-	-	-	-	260,000,000
Bank balances	8.0% to 12.0%	11,514,324	-	-	-	-	7,269,805	18,784,129
Total		302,542,146	48,972,450	266,597,250	646,554,321	-	9,028,611	1,273,694,778
Financial liabilities								
Payable to Holding Company		-	-	-	-	-	1,310,207	1,310,207
Lease liability against right-of-use assets		35,640	72,313	303,507	-	-	-	411,460
Accrued expenses and other liabilities		-	-	-	-	-	7,963,314	7,963,314
		35,640	72,313	303,507	-	-	9,273,521	9,684,981
On-balance sheet gap (a)		302,506,506	48,900,137	266,293,743	646,554,321	-	(244,910)	1,264,009,797
Off-balance sheet financial instruments		-	-	-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)		302,506,506	48,900,137	266,293,743	646,554,321	-		
Cumulative interest rate sensitivity gap		302,506,506	351,406,643	617,700,386	1,264,254,707	1,264,254,707		

31.1.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

Currently, the Company does not have any instruments which expose it to price risk.

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk is generally limited to principal amounts and accrued profit thereon, if any. The Company has established procedures to manage credit exposure including credit approval limit, credit exposure limits, collateral and guarantee requirements. These procedures incorporate both internal guidelines as well as the requirements of the NBFC Rules and the NBFC Regulations. The Company also manages credit risk through an independent credit department which evaluates customers' credit worthiness and obtains adequate securities where applicable.

All investing transactions are settled / paid for upon delivery. The Company's policy is to enter into financial instrument contracts by following internal guidelines for approval.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. As at December 31, 2020, the assets which were subject to credit risk amounted to Rs. 1,347.655 million (2019: Rs 1,273.695 million). The maximum exposure to credit risk at the reporting date is the carrying amount of these financial assets. None of these assets are past due or impaired.

The Company controls the credit quality of receivables through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For such purpose, the Company has established exposure limits for single lessees and industrial sectors. The Company has an effective rental monitoring system which allows it to evaluate customers' credit worthiness and identify potential problem accounts. An allowance for potential lease losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease portfolios that can be reasonably anticipated. The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history.

The credit quality of the Company's bank balances and investment portfolio is assessed with reference to external credit ratings which in all cases are above the minimum investment grade rating.

Particulars	Long-term rating	Short-term rating	Rating agency	As at December 31, 2020
				-----Rupees----
Bank balances				
Bank Alfalah Limited	AA+	A-1+	VIS	1,532,933
United Bank Limited	AAA	A-1+	VIS	24,008,549
State Bank of Pakistan	Unrated	Unrated	-	10,000
Letters of placement				
Pak Brunei Investment Company Limited	AA+	A-1+	VIS	132,982,190

The Company does not hold any other financial assets which are rated.

31.2.1 Credit rating and probability of default (PD) estimation process

The Company's PD estimation process is based on the probability of default assigned to each customer according to their external credit ratings and the related historical credit losses experience, adjusted for forward-looking information.

Net investment in finance lease

Days past due	Gross Carrying amount
Not yet due	797,841,379
1-29 days	175,809,766
30-60 days	4,412,394
61-90 days	9,662,267

Finances and loans

Obligor risk ratings	Gross carryying amount
3	1,751,305
4	164,641,349
5	51,214,999

31.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as these fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarises the Company's financial liabilities into relevant maturity groupings based on the remaining period at reporting date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2020				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
	Rupees				
Payable to Holding Company	2,589,070	2,589,070	2,589,070	-	-
Lease liability against right-of-use assets	8,725,862	8,725,862	1,411,343	1,698,398	5,616,121
Accrued expenses and other liabilities	4,471,841	4,471,841	4,471,841	-	-
	15,786,773	15,786,773	8,472,254	1,698,398	5,616,121

	2019				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
	Rupees				
Payable to Holding Company	1,310,207	1,310,207	1,310,207	-	-
Lease liability against right-of-use assets	411,460	411,460	107,953	303,507	-
Accrued expenses and other liabilities	7,963,314	7,963,314	7,963,314	-	-
	9,684,981	9,684,981	9,381,474	303,507	-

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31.4 Impacts of COVID-19

The World Health Organisation declared COVID-19 a global pandemic in March 2020. Like other parts of the world, Pakistan also went into lockdown to reduce the spread of pandemic. The lockdown globally impacted the economies and businesses in different facets. In Pakistan, the financial sector encountered an overall increase in credit risk pertaining to their lease and finances and loans portfolio in certain sectors, reduced income due to slowdown in business activity, operational issues such as preventing spread of virus at work place and managing cyber security threat, etc. The major aspects of COVID-19 on the Company's risk management policies are discussed below along with measures and controls adopted to mitigate those risks.

31.4.1 Credit risk

Similar to the financial relief offered by the State Bank of Pakistan (SBP) to the customers of financial institutions governed by it, the Securities and Exchange Commission of Pakistan (SECP) vide its Circular (the Circular) dated March 31, 2020 allowed NBFCs to defer customers' principal repayments on their finance obligations by upto one year along with relaxing other regulatory criteria related to restructuring / rescheduling of financing limits. As per the Circular, the customers were required to apply by June 30, 2020 to avail the deferment. SECP subsequently extended the deadline for application till September 30, 2020. The Company has processed all the eligible deferment requests received and agreed with its customers. A total of 12 customers availing finance lease arrangements with an aggregate balance of Rs. 181.099 million have been allowed deferment / restructuring as per the treatment prescribed in the Circular. All necessary legal and procedural arrangements were executed to ensure the timely processing of eligible deferment requests. Furthermore, the recovery status and credit risk of financing exposures under both regular and deferred arrangements are being closely monitored amid changing economic and overall situation in the country due to COVID-19. The Company has further strengthened its credit review procedures after COVID-19 outbreak with respect to granting of fresh credit limits to its customers. In addition, the Company has also reassessed the credit risk of its entire portfolio at the year-end.

31.4.2 Liquidity risk

The liquidity position and future cash flows are being continuously monitored by the Credit Committee of the Company and due precautionary measures are taken where needed. As a result, the Company maintained sufficient liquidity to meet all its financial obligations on timely basis as these became due. The Company conducted various stress testing on its liquidity position and is confident that the liquidity buffer being maintained is sufficient to cater to any adverse movement in cash flow maturity profile.

31.4.3 Operational risk

After the outbreak of COVID-19, the Company has invoked necessary measures to ensure the safety and health of its staff and an uninterrupted service to its customers. These include implementing mandatory adherence to the recommended standard operating procedures within the Company including social distancing among employees, wearing of face masks, improvement to office ventilation, managing control over visitors to the offices and provision of remote working facilities to critical staff, etc. The remote work capabilities for critical staff have been assessed to make sure they are fully protected using virtual private network ("VPN") connections.

31.4.4 Other impacts / risks

The Company's operations were not significantly disrupted due to the circumstances arising from COVID-19. As a result, management assessed the accounting implications of these developments, including but not limited to provisioning requirements on financing and going concern assumption used for the preparation of these financial statements. The management do not foresee any going concern risk in the Company and maintained sufficient provision coverage as per accounting and reporting standards. The estimated financial impact of COVID-19 on the carrying amounts of assets and liabilities or items of income and expenses cannot be made with sufficient certainty. Management has made disclosures related to the impact of COVID-19 and its financial risk management addressing the credit risk, liquidity risk and operational risk in the above notes.

32 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholders' value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. As at the reporting date, the Company is primarily financed through equity.

The Company is subject to externally imposed minimum equity requirement laid down under the NBFC Rules, 2003 and the NBFC Regulation, 2008 for providing leasing services and, being a non-deposit taking NBFC, is required to maintain minimum equity of Rs 50 million at all times. The Company has maintained and complied with this minimum equity requirement throughout the current year.

33 FAIR VALUE MEASUREMENT

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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all financial assets and liabilities is considered not to be significantly different from book values as the items are either short-term in nature or are periodically repriced.

Fair value hierarchy

As per the requirements of IFRS 13 "Fair Value Measurement", the Company shall classify fair value instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2020, the Company does not hold any financial asset at fair value.

34 CORRESPONDING FIGURES

Corresponding figures have been reclassified and rearranged in these financial statements, wherever necessary, for the purpose of better presentation. No significant rearrangements or reclassifications were made in these financial statements.

35 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on ____________________ by the Board of Directors of the Company.

36 GENERAL

Figures have been rounded off to the nearest Rupee unless otherwise stated.

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CHIEF EXECUTIVE OFFICER

DIRECTOR