

## Directors' Report

The Board of Directors of Primus Leasing Limited is pleased to present the second annual report, together with audited Financial Statements of the Company, for the period ended December 31, 2018.

Primus Leasing Limited (PLL / the Company) was incorporated in July 2017 as a wholly owned subsidiary of Pak Brunei Investment Company Limited. The Company is licensed to carry out leasing business as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan. The Company started its operations from December 2017 and has so far established 2 offices (2017: 1 office), one located at Karachi and the other at Lahore.

The financial results of the Company are summarized below: (Figures in Rs.)

	2018	2017
Profit before taxation	41,781,786	1,972,215
Taxation	12,174,877	591,664
Profit for the period after taxation	29,606,909	1,380,551
Earnings per share	0.296	0.014

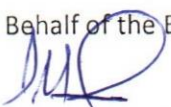
The year 2018 was a difficult year for the economy of the country as it witnessed adverse economic measures, including major currency devaluation, extraordinary rise in discount rate and slowdown of PSDP. All these challenges were more intensifying for PLL being in its first year of operations. However, with concerted team work and support of parent company, PLL has been able to make an impressive start. PLL managed to penetrate deep down in the SME sector of the economy and succeeded in generating business from 7 cities of Punjab. Particularly, PLL has been able to make strong presence in Lahore and Multan regions while making inroads in the Faisalabad region. PLL will continue its strategy to increase outreach by exploring markets/ industrial sectors offering high growth potential, focus on diversified lease portfolio in other geographic locations with significant emphasis on SME sector of the economy.

Despite above mentioned challenges, PLL achieved disbursements of Rs. 578 million during the first complete year. Total revenues stood at Rs. 84.9 million (2017: Rs. 21.5 million) with 33% contribution from leasing/ financing operations. PLL was able to reach a PBT of Rs. 41.8 million (2017: Rs. 1.9 million) and PAT of Rs. 29.6 million (2017: Rs. 1.3 million).

The Company is committed to continuous improvements in the governance structure, policies and procedures to have a strong internal control system. Policies and procedures are continuously 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 12, 2019

  
Director



**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, 2018, and the statement of profit or loss, the statement of 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, the statement of profit or loss, the statement of 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, 2018 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 or other document, 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.

**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.

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A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>



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 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 handwritten signature in blue ink, appearing to read 'A. F. Ferguson &amp; Co.', is written above the printed name.

A. F. Ferguson & Co  
Chartered Accountants  
Karachi  
Dated: March 15, 2019

PRIMUS LEASING LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2018

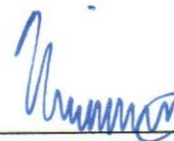
2018 --- (US \$) ---	2017 --- (US \$) ---		Note	2018 -- Rupees --	2017 -- Rupees --
<b>ASSETS</b>					
<b>Non-current assets</b>					
91,323	17,677	Property and equipment	4	12,681,132	2,454,668
56,963	1,484	Intangible assets	5	7,909,832	206,058
2,480,775	89,258	Net investment in finance lease	6	344,480,451	12,394,351
289,499	-	Long-term finances and loans	7	40,199,806	-
3,039	-	Long-term loans to employees	8	422,082	-
-	14,875	Deferred tax asset	9	-	2,065,531
540	540	Long-term deposits		75,000	75,000
<u>2,922,139</u>	<u>123,834</u>			<u>405,768,303</u>	<u>17,195,608</u>
<b>Current assets</b>					
30,336	17,713	Accrued mark-up	10	4,212,495	2,459,589
1,061,472	24,937	Current maturity of non-current assets	11	147,395,969	3,462,810
4,199,726	7,155,394	Short-term investments - net	12	583,173,972	993,597,945
4,698	2,915	Advances, prepayments and other receivables	13	652,327	404,761
95,606	60,264	Bank balances	14	13,275,823	8,368,205
5,391,838	7,261,223			748,710,586	1,008,293,310
<u>8,313,977</u>	<u>7,385,057</u>	<b>Total assets</b>		<u>1,154,478,889</u>	<u>1,025,488,918</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Share capital and reserves</b>					
7,201,498	7,201,498	Authorised share capital 100,000,000 (2017: 100,000,000) ordinary shares of Rs 10 each		1,000,000,000	1,000,000,000
7,201,498	7,201,498	Issued, subscribed and paid-up capital	15	1,000,000,000	1,000,000,000
79,126	9,942	Reserves		10,987,460	1,380,551
7,280,624	7,211,440	<b>Total equity</b>		1,010,987,460	1,001,380,551
<b>Non-current liabilities</b>					
928,165	28,806	Long-term deposits	16	128,885,067	4,000,000
<b>Current liabilities</b>					
62,613	126,349	Payable to Pak Brunei Investment Company Limited - related party	17	8,694,466	17,544,858
19,329	15,362	Accrued expenses and other liabilities	18	2,684,052	2,133,137
21,630	-	Deferred tax liability	9	3,003,493	-
1,616	3,100	Taxation - provisions less payments		224,351	430,372
1,033,353	173,617	<b>Total liabilities</b>		143,491,429	24,108,367
<u>8,313,977</u>	<u>7,385,057</u>	<b>Total equity and liabilities</b>		<u>1,154,478,889</u>	<u>1,025,488,918</u>
<b>CONTINGENCIES AND COMMITMENTS</b>					
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The annexed notes 1 to 34 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

PRIMUS LEASING LIMITED  
 STATEMENT OF PROFIT OR LOSS  
 FOR THE YEAR ENDED DECEMBER 31, 2018

2018	2017		Note	For the year ended December 31, 2018	For the period from July 13, 2017 to December 31, 2017
--- (US \$) ---				-----Rupees-----	
		<b>INCOME</b>			
178,122	773	Income from leasing operations	20	24,734,080	107,334
20,965	-	Income from finances and loans		2,911,268	-
<u>199,087</u>	<u>773</u>			<u>27,645,348</u>	<u>107,334</u>
		<b>EXPENSES</b>			
269,217	139,498	Administrative and general expenses	21	37,383,442	19,370,747
3,474	-	Provision for Sindh Workers' Welfare Fund		482,395	-
320	12	Finance cost		44,410	1,635
<u>(273,011)</u>	<u>(139,510)</u>			<u>(37,910,247)</u>	<u>(19,372,382)</u>
412,347	154,094	Other income - net	22	57,258,545	21,397,436
<u>338,423</u>	<u>15,357</u>	<b>Profit for the year / period before provision and taxation</b>		<u>46,993,646</u>	<u>2,132,388</u>
(37,533)	(1,153)	Allowance for potential lease and other loan losses	23	(5,211,860)	(160,173)
<u>300,890</u>	<u>14,204</u>	<b>Profit for the year / period before taxation</b>		<u>41,781,786</u>	<u>1,972,215</u>
(87,677)	(4,261)	Taxation	24	(12,174,877)	(591,664)
<u>213,213</u>	<u>9,943</u>	<b>Profit for the year / period after taxation</b>		<u>29,606,909</u>	<u>1,380,551</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

PRIMUS LEASING LIMITED  
 STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED DECEMBER 31, 2018

2018		2017		For the year ended December 31, 2018	For the period from July 13, 2017 to December 31, 2017
--- (US \$) ---				-----Rupees-----	
213,213	9,943		Profit for the year / period after taxation	29,606,909	1,380,551
-	-		Other comprehensive income	-	-
<u>213,213</u>	<u>9,943</u>		<b>Total comprehensive income for the year / period</b>	<u>29,606,909</u>	<u>1,380,551</u>

The annexed notes 1 to 34 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, 2018

	Issued, subscribed and paid-up capital	Revenue reserves	Total
		Unappropriated profit	
------(Rupees)-----			
Issue of share capital during the period	1,000,000,000	-	1,000,000,000
<b>Total comprehensive income for the period</b>			
Profit for the period after taxation	-	1,380,551	1,380,551
Other comprehensive income	-	-	-
	-	1,380,551	1,380,551
<b>Balance as at December 31, 2017</b>	<u>1,000,000,000</u>	<u>1,380,551</u>	<u>1,001,380,551</u>
<b>Total comprehensive income for the year</b>			
Profit for the year after taxation	-	29,606,909	29,606,909
Other comprehensive income	-	-	-
	-	29,606,909	29,606,909
Interim cash dividend of Rs. 20,000,000	-	(20,000,000)	(20,000,000)
<b>Balance as at December 31, 2018</b>	<u><u>1,000,000,000</u></u>	<u><u>10,987,460</u></u>	<u><u>1,010,987,460</u></u>

The annexed notes 1 to 34 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

**PRIMUS LEASING LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

2018	2017		For the year ended December 31, 2018	For the period from July 13, 2017 to December 31, 2017
--- (US \$) ---			-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
300,891	14,203	Profit for the year / period before taxation	41,781,786	1,972,215
<b>Adjustments for non-cash and other items:</b>				
16,196	247	Depreciation	4.1 2,249,009	34,276
1,593	18	Amortisation	5.1 221,226	2,511
-	-	Unrealised loss on remeasurement of financial assets		
-	311	at fair value through profit or loss - net	22 -	43,250
125	195	Capital loss on sale of government securities - net	22 17,348	27,132
(11,828)	(17,713)	Income on Term Deposit Receipts	22 (1,642,461)	(2,459,589)
(175,834)	-	Income on Certificates of Investment	22 (24,416,341)	-
(113,271)	-	Income on Letters of Placement	22 (15,728,774)	-
(20,965)	-	Income from finances and loans	22 (2,911,268)	-
(100,262)	-	Income from government securities	22 (13,922,393)	-
32,740	-	Provision for potential lease losses	23 4,546,318	-
4,793	1,153	Provision for potential loan losses	23 665,542	160,173
(65,822)	(1,586)		(9,140,008)	(220,032)
<b>Increase in operating assets</b>				
(3,274,029)	(115,349)	Net investment in finance lease - net	(454,631,718)	(16,017,334)
(479,290)	-	Long-term finances and loans - net	7 (66,554,207)	-
-	(540)	Long-term deposits	-	(75,000)
(4,804)	-	Long-term loans to employees	(667,082)	-
(1,783)	(2,915)	Advances, prepayments and other receivables	13 (247,566)	(404,761)
(3,759,906)	(118,804)		(522,100,573)	(16,497,095)
<b>Increase / (decrease) in operating liabilities</b>				
899,360	28,806	Long-term deposits	16 124,885,067	4,000,000
(63,736)	126,349	Payable to Pak Brunei Investment Company - related party	17 (8,850,392)	17,544,858
3,967	15,362	Accrued expenses and other liabilities	18 550,915	2,133,137
839,591	170,517		116,585,590	23,677,995
(2,986,137)	50,127		(414,654,991)	6,960,868
(52,656)	(16,036)	Income tax paid	(7,311,874)	(2,226,823)
(3,038,793)	34,091	<b>Net cash (used in) / generated from operating activities</b>	(421,966,865)	4,734,045
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(146,914)	(19,426)	Fixed capital expenditure incurred	(20,400,473)	(2,697,513)
-	7,201,498	Proceeds against issue of share capital	-	1,000,000,000
7,852,687	-	Proceeds against sale of Treasury Bills	1,090,424,121	-
21,018,887	-	Proceeds against sale of Certificate of investments and Letter of Placements	2,918,682,581	-
(13,768,231)	-	Investments made in Letter of Placement	(1,911,856,554)	-
(11,450,382)	-	Investments made in Certificates of Investment	(1,590,000,000)	-
(7,653,534)	(99,523)	Investments made in Treasury Bills - net	(1,062,769,745)	(13,819,712)
309,275	-	Interest received	42,945,938	-
(3,838,212)	7,082,549	<b>Net cash (used in) / generated from investing activities</b>	(532,974,132)	983,482,775
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
(144,030)	-	Dividend paid	(20,000,000)	-
(7,021,035)	7,116,640	<b>Net (decrease) / increase in cash and cash equivalents</b>	(974,940,997)	988,216,820
7,116,640	-	Cash and cash equivalents at the beginning of the year / period	988,216,820	-
95,605	7,116,640	<b>Cash and cash equivalents at the end of the year / period</b>	26 13,275,823	988,216,820

The annexed notes 1 to 34 form an integral part of these financial statements.

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**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

**PRIMUS LEASING LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**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 Company has 2 offices with (2017: 1 office) one located in Karachi and the other in Lahore.

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 During the year, the Company has significantly expanded its operations and has entered into 48 (2017: 1) new lease and 8 new (2017: nil) loan agreements. Details of exposure under these agreements are given in note 6 and 7 respectively.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

2.1.2 The Companies Act, 2017 (the Act) has also brought certain changes with regard to the preparation and presentation of financial statements of the Company. These changes also include changes in respect of surplus on revaluation of property, plant and equipment, change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the Fifth schedule to the Act have also been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements and the incorporation of significant additional disclosures.

Keeping in view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except that financial assets classified as at fair value through profit or loss are measured at fair value.

**2.3 New and amended standards, interpretations, amendments to published approved accounting standards and other changes in accounting policies that are effective in the current year**

There are certain new and amended standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

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## 2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to approved accounting standards would be effective from the date mentioned below against the respective standards, amendments or interpretations:

- IFRS 9 'Financial instruments' (effective for annual periods beginning on or after July 1, 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and at fair value through Profit and Loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Company is yet to assess the full impact of the standard.
- IFRS 15 'Revenue from contracts with customers' (effective from accounting period beginning on or after July 1, 2018) - This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Company is yet to assess the full impact of the standard.
- IFRS 16 'Leases' (effective for accounting periods beginning on or after January 1, 2019) - This Standard requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. However, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Company is yet to assess the full impact of the standard.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2019 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 judgements

The preparation of financial statements in conformity with approved accounting 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 (notes 3.1.1, 6, 7, 8, 10, 11, 12, 13 and 14);
- ii) determination of residual values and useful lives of property and equipment (notes 3.3.1 and 4);
- iii) estimation of amortisation methods of intangible assets (3.3.2 and 5);
- iv) allowances for potential lease and other loan losses (notes 3.6, 6, 7 and 23);
- v) impairment of non-financial assets (note 3.4); and
- vi) provision for taxation (notes 3.11, 9 and 24).

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## 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, the profit or loss, the statement of comprehensive income and the statement of cash flows are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 138.86 to US Dollars has been used as it was the prevalent rate as on December 31, 2018.

## 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 unless otherwise stated.

### 3.1 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial instruments carried on the statement of financial position mainly include net investment in finance lease, investments, security deposits, accrued profit on bank deposits, loans and advances, bank balances, receivable and payable from related parties, accrued expenses and other liabilities.

#### 3.1.1 Financial assets

##### 3.1.1.1 Classification

The management determines the appropriate classification of the Company's financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' at the time of purchase of these financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. Currently, the financial assets of the Company are categorised as follows:

##### a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss'.

##### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

##### c) Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity with the Company having positive intent and ability to hold to maturity.

##### d) Available-for-sale financial assets

These are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

##### 3.1.1.2 Initial recognition and measurement

Financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the assets. Financial assets 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 values while the transaction costs associated with these financial assets are taken directly to the statement of profit or loss.

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### 3.1.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

#### a) Financial assets 'at fair value through profit or loss'

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried on the statement of financial position at fair values. Net gains and losses arising on changes in fair values of these financial assets are taken to the statement of profit or loss in the period in which these arise.

#### b) 'Loans and receivables' and 'held-to-maturity investments'

These are carried at amortised cost using the effective interest method.

#### c) Available-for-sale financial assets

Subsequent to initial recognition, net gains and losses arising on changes in fair value of available-for-sale financial assets are taken to other comprehensive income until these are derecognised. At this time, the cumulative gain or loss, previously shown under other comprehensive income, is transferred to the statement of profit or loss as capital gain / loss.

### 3.1.1.4 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty or default in payments, the probability that they will enter bankruptcy, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

### 3.1.2 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

### 3.1.3 Derecognition

Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. 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.

### 3.1.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

### 3.2 Advances, deposits, prepayments and other receivables

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each reporting date to determine whether there is an objective evidence that a financial asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount.

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### 3.3 Fixed assets

#### 3.3.1 Property and equipment

##### 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 incurred.

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.

##### Leased assets

Assets held under finance lease are accounted for by recording the assets and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and are subsequently stated net of accumulated depreciation.

Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding finance lease liability.

Depreciation is charged on leased assets on a basis similar to that of owned assets.

#### 3.3.2 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.

#### 3.3.3 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.

### 3.4 Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognised in the statement of profit or loss.

### 3.5 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 present value of the minimum lease payments, including any guaranteed residual value which are included in the financial statements as "net investment in finance lease".

### 3.6 Allowance for potential lease and other loan losses

The allowance for potential lease losses is maintained at a level which, in the judgment of the management, is adequate to provide for potential losses on lease portfolio which can be reasonably anticipated. The allowance is increased by provisions charged to income and is decreased by charge-offs, net of recoveries.

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Calculating the allowance for potential lease losses is subject to numerous judgments and estimates. In evaluating the adequacy of allowance, the management considers various factors, including the requirements of the NBFC Regulations, the nature and characteristics of the obligor, current economic conditions, credit concentrations or deterioration in collateral, historical loss experience and delinquencies. Lease receivables are charged off, when in the opinion of management, the likelihood of any future collection is believed to be minimal.

### 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 and other short-term highly liquid investments with original maturities of three months or less which are subject to insignificant risk of changes in value.

### 3.8 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### 3.9 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

### 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. Accrual of income is suspended when rent is past due by ninety days or more.
- Front-end fee and other lease related income is recognised as income on an accrual basis.
- Profit on savings accounts and term deposit receipts 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 liability 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.

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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.

	Note	2018	2017
		-----Rupees-----	
<b>4 PROPERTY AND EQUIPMENT</b>			
Operating fixed assets	4.1	8,153,132	2,454,668
Capital work-in-progress	4.2	4,528,000	-
		<u>12,681,132</u>	<u>2,454,668</u>

### 4.1 Operating fixed assets

For the year ended December 31, 2018								
Description	Cost			Accumulated depreciation			Net book value	Depreciation rate (% per annum)
	As at January 01, 2018	Additions / (disposals) during the year	As at December 31, 2018	As at January 01, 2018	Charge for the year / (reversal on disposal)	As at December 31, 2018	As at December 31, 2018	
	-----Rupees-----							
Leasehold improvements	-	4,632,035	4,632,035	-	926,407	926,407	3,705,628	20%
Furniture, fittings and office equipment	707,000	3,218,678	3,925,678	7,856	713,132	720,988	3,204,690	20%
Computers and accessories	1,781,944	32,760	1,814,704	26,420	600,137	626,557	1,188,147	33%
Motor vehicles	-	64,000	64,000	-	9,333	9,333	54,667	25%
	<u>2,488,944</u>	<u>7,947,473</u>	<u>10,436,417</u>	<u>34,276</u>	<u>2,249,009</u>	<u>2,283,285</u>	<u>8,153,132</u>	

For the period from July 13, 2017 to December 31, 2017								
Description	Cost			Accumulated depreciation			Net book value	Depreciation rate (% per annum)
	As at July 13, 2017	Additions / (disposals) during the year	As at December 31, 2017	As at July 13, 2017	Charge for the period / (reversal on disposal)	As at December 31, 2017	As at December 31, 2017	
	-----Rupees-----							
Furniture, fittings and office equipment	-	707,000	707,000	-	7,856	7,856	699,144	20%
Computers and accessories	-	1,781,944	1,781,944	-	26,420	26,420	1,755,524	33%
	<u>-</u>	<u>2,488,944</u>	<u>2,488,944</u>	<u>-</u>	<u>34,276</u>	<u>34,276</u>	<u>2,454,668</u>	

4.2 This represents advance given against purchase of motor vehicles.

	Note	2018	2017
		-----Rupees-----	
<b>5 INTANGIBLE ASSETS</b>			
Computer software and license	5.1	7,894,832	206,058
Capital work-in-progress	5.2	15,000	-
		<u>7,909,832</u>	<u>206,058</u>

5.1 Following is a statement of intangible assets:

-----'For the year ended December 31, 2018 -----								
Description	Cost			Accumulated amortisation			Net book value	Amortisation rate (% per annum)
	As at January 01, 2018	Additions / (disposals) (Note 5.1.1)	As at December 31, 2018	As at January 01, 2018	Charge for the year / (reversal of charge on disposals)	As at December 31, 2018	As at December 31, 2018	
-----Rupees-----								
Computer software and license	208,569	7,910,000	8,118,569	2,511	221,226	223,737	7,894,832	33%

-----'For the period from July 13, 2017 December 31, 2017 -----								
Description	Cost			Accumulated amortisation			Net book value	Amortisation rate (% per annum)
	As at July 13, 2017	Additions / (disposals)	As at December 31, 2017	As at July 13, 2017	Charge for the period / (reversal of charge on disposals)	As at December 31, 2017	As at December 31, 2017	
-----Rupees-----								
Computer software and license	-	208,569	208,569	-	2,511	2,511	206,058	33%

5.1.1 Additions made during the year represents purchase of Lease Management System (LMS) software.

5.2 This represents advance paid against purchase of trademark.

	Note	2018	2017
-----Rupees-----			
<b>6 NET INVESTMENT IN FINANCE LEASE</b>			
Net investment in finance lease	6.1	465,942,561	15,857,161
Less: Current maturity	6.1 & 11	(121,462,110)	(3,462,810)
		<u>344,480,451</u>	<u>12,394,351</u>

6.1 Details of investment in finance lease

					2018				
					Not later than one year	Later than one year and less than five years	Over five years	Total	
					-----Rupees-----				
	Note								
Minimum lease payments		163,592,000	248,352,802	-	-	-	411,944,802		
Add: Residual value of leased assets		-	128,885,067	-	-	-	128,885,067		
Gross investment in finance lease		163,592,000	377,237,869	-	-	-	540,829,869		
Less: Unearned finance income		(40,903,000)	(29,277,817)	-	-	-	(70,180,817)		
		<u>122,689,000</u>	<u>347,960,052</u>	-	-	-	<u>470,649,052</u>		
Less: Allowance for potential lease and other loan losses	6.4 & 23	(1,226,890)	(3,479,601)	-	-	-	(4,706,491)		
		<u>121,462,110</u>	<u>344,480,451</u>	-	-	-	<u>465,942,561</u>		

					2017				
					Not later than one year	Later than one year and less than five years	Over five years	Total	
					-----Rupees-----				
	Note								
Minimum lease payments		4,851,960	9,703,920	-	-	-	14,555,880		
Add: Residual value of leased assets		-	4,000,000	-	-	-	4,000,000		
Gross investment in finance lease		4,851,960	13,703,920	-	-	-	18,555,880		
Less: Unearned finance income		(1,354,172)	(1,184,374)	-	-	-	(2,538,546)		
		<u>3,497,788</u>	<u>12,519,546</u>	-	-	-	<u>16,017,334</u>		
Less: Allowance for potential lease and other loan losses	6.4 & 23	(34,978)	(125,195)	-	-	-	(160,173)		
		<u>3,462,810</u>	<u>12,394,351</u>	-	-	-	<u>15,857,161</u>		

6.2 The net investment in finance lease is secured against the leased assets and the security deposit amounting to Rs.128.89 million (2017: Rs. 4 million) averaging 23.48% (2017: 25.00%) of the cost of leased asset. The implicit rate of return on lease ranges between 11% and 18% per annum (2017: 13% per annum).

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6.3 Lease rentals received during the year amounted to Rs 72.14 million (2017: Nil) and no income was suspended as at December 31, 2018.

6.4 This represents general provision made against potential lease losses at 1 percent of the outstanding amount.

	Note	2018	2017
		----- (Rupees) -----	
<b>7 LONG-TERM FINANCES AND LOANS</b>			
<b>Considered good</b>			
Vehicle finance - secured	7.2	66,554,207	-
Less: Allowance for potential loan losses	7.1 & 23	(665,542)	-
		65,888,665	-
Less: Current maturity	11	(25,688,859)	-
		<u>40,199,806</u>	<u>-</u>

7.1 This represents general provision made against finances and loans at 1 percent of the outstanding amount.

7.2 This represents vehicle finance offered to small and medium enterprises on a mark-up basis. The mark-up on these loans ranges from 11.97% to 16% per annum. These are secured against personal guarantees and lien over vehicles along with post dated cheques.

	Note	2018	2017
		----- (Rupees) -----	
<b>8 LONG-TERM LOANS TO EMPLOYEES</b>			
Loans to employees	8.1	667,082	-
Less: Current maturity	11	(245,000)	-
		<u>422,082</u>	<u>-</u>

8.1 These represent interest free loans provided to employees of the Company for meeting their personal use. The loans are unsecured and are recoverable within three years.

	Note	2018	2017
		----- (Rupees) -----	
<b>9 DEFERRED TAX (LIABILITY) / ASSET</b>			
<b>Deferred tax assets arising on deductible temporary differences</b>			
- Allowance for potential lease and other loan losses		1,557,890	48,052
- Preliminary expenses		2,052,513	2,831,052
- Unused tax losses		-	116,707
- Excess of Alternate Corporate Tax over corporate tax		587,959	339,889
		<u>4,198,362</u>	<u>3,335,700</u>
<b>Deferred tax liabilities arising on taxable temporary differences</b>			
- Accelerated tax depreciation and amortisation		(7,201,855)	(325,731)
- Short-term investments - net		-	(944,438)
		<u>(7,201,855)</u>	<u>(1,270,169)</u>
		<u>(3,003,493)</u>	<u>2,065,531</u>

**10 ACCRUED MARK-UP**

Mark-up accrued on:			
- Letters of placement		3,994,347	-
- Term deposit receipts		-	2,459,589
- Vehicle finance		218,148	-
		<u>4,212,495</u>	<u>2,459,589</u>

**11 CURRENT MATURITY OF NON-CURRENT ASSETS**

Current maturity of:			
Net investment in finance lease	6.1	121,462,110	3,462,810
Long-term finances and loans	7	25,688,859	-
Long-term loans to employees	8	245,000	-
		<u>147,395,969</u>	<u>3,462,810</u>

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- 15.1 As at December 31, 2018, Pak Brunei Investment Company Limited (PBICL, the Holding Company which is a joint venture between the Government of Pakistan and the Brunei Investment Agency) together with its nominee directors held 100% of the issued, subscribed and paid-up capital of the Company.

	Note	2018	2017
-----Rupees-----			
<b>16 LONG-TERM DEPOSITS</b>			
Security deposit on finance lease	16.1	128,885,067	4,000,000
Less: Repayable / adjustable within 12 months		-	-
		<u>128,885,067</u>	<u>4,000,000</u>

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

	Note	2018	2017
-----Rupees-----			
<b>17 PAYABLE TO PAK BRUNEI INVESTMENT COMPANY LIMITED - RELATED PARTY</b>			
Purchase of assets by or on behalf of the Company	17.1	7,910,000	779,547
Preliminary expenses incurred on behalf of the Company		-	11,796,052
Salaries and allowances paid on behalf of the Company		-	3,573,744
Rent expense incurred on behalf of the Company		42,800	600,000
Other payables	17.2	741,666	795,515
		<u>8,694,466</u>	<u>17,544,858</u>

- 17.1 During the current year, the Company has purchased Lease Management System (LMS) from the Holding Company as disclosed in note 5.1.1.

- 17.2 These includes amounts payable in respect of legal and professional charges, and other general and administrative expenses paid by PBICL on behalf of the Company. This is net of the payments made by the Company on behalf of Pak Brunei Investment Company Limited.

	2018	2017
-----Rupees-----		
<b>18 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Accrued expenses	2,128,483	214,669
Provision for Sindh Workers' Welfare Fund	482,395	-
Advance tax on purchase of motor vehicles	55,360	
Withholding taxes payable	5,224	501
Other payables	12,590	1,917,967
	<u>2,684,052</u>	<u>2,133,137</u>

**19 CONTINGENCIES AND COMMITMENTS**

There were no outstanding contingencies or commitments as at December 31, 2018 and December 31, 2017.

	Note	For the year ended December 31, 2018	For the period from July 13, 2017 to December 31, 2017
-----Rupees-----			
<b>20 INCOME FROM LEASING OPERATIONS</b>			
Lease rental income		22,782,952	17,334
Front-end fee		1,129,130	80,000
Documentation charges		821,998	10,000
		<u>24,734,080</u>	<u>107,334</u>

		For the year ended December 31, 2018	For the period from July 13, 2017 to December 31, 2017
	Note	-----Rupees-----	
<b>21 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Preliminary expenses	21.1	-	11,796,052
Salaries and other allowances	21.2	27,085,907	4,524,657
Rent and utility		2,599,053	613,330
Insurance		146,254	-
Communication		814,120	16,818
Legal and professional charges		1,114,751	1,828,677
Depreciation	4.1	2,249,009	34,276
Amortisation	5.1	221,226	2,511
Travelling		463,551	34,200
Vehicle running expenses		627,395	35,043
Printing and stationery		319,351	853
Repairs and maintenance		893,200	179,720
Office general expenses		126,656	2,625
Directors' fee for attending meetings		400,000	100,000
Auditors' remuneration	21.3	322,969	201,985
		<u>37,383,442</u>	<u>19,370,747</u>
<b>21.1</b>	This includes expenses incurred in relation to the following:		
	Fee for licensing and incorporation paid to the SECP	-	5,264,839
	Consultancy fee	-	6,314,525
	Other regulatory fee	-	216,888
		<u>-</u>	<u>11,796,252</u>
<b>21.2</b>	These include Rs 10.184 million (2017: Rs. 1.096 million) allocated to the Company in respect of employees of finance, internal audit, research, credit risk management and other departments of PBICL utilised by the company under the Service Level Agreement entered into between the two entities.		
		For the year ended December 31, 2018	For the period from July 13, 2017 to December 31, 2017
		-----Rupees-----	
<b>21.3 Auditors' remuneration</b>			
	Annual audit fee	150,000	100,000
	Half yearly review fee	75,000	-
	Fee for other certifications	50,000	80,000
	Sales tax on audit fee and other services	35,750	14,400
	Out of pocket expenses	12,219	7,585
		<u>322,969</u>	<u>201,985</u>
<b>22 OTHER INCOME - NET</b>			
	<b>Income from financial assets</b>		
	Profit on bank deposits	1,565,924	8,065,363
	Income on Term Deposit Receipts	1,642,461	2,459,589
	Income on Certificates of Investment issued by the Holding Company	24,416,341	-
	Income on Letters of Placement issued by the Holding Company	15,728,774	-
	Income from government securities	13,922,393	10,942,866
	Unrealised loss on remeasurement of financial assets at fair value through profit or loss - net	-	(43,250)
	Capital loss on sale of government securities - net	(17,348)	(27,132)
		<u>57,258,545</u>	<u>21,397,436</u>

23 ALLOWANCES FOR POTENTIAL LEASE AND OTHER LOAN LOSSES

For the year ended December 31, 2018		
Finance leases	Finances and loans	Total
----- Rupees -----		
Balance at the beginning of the year	160,173	160,173
Provision made during the year	4,546,318	5,211,860
Balance at the end of the year	4,706,491	5,372,033

For the period from July 13, 2017 to December 31, 2017		
Finance leases	Finances and loans	Total
----- Rupees -----		
Balance at the beginning of the period	-	-
Provision made during the period	160,173	160,173
Balance at the end of the period	160,173	160,173

24 TAXATION	Note	2018	2017
		-----Rupees-----	
Current - for the year		7,105,853	2,657,195
Deferred		5,069,024	(2,065,531)
	24.1 & 24.2	12,174,877	591,664

24.1 Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as the provision for income tax for the current period has been made under the provisions of Alternate Corporate Tax under Section 113C of the Income Tax Ordinance, 2001.

24.2 The returns of income for tax year 2018 has been filed and is 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.

25 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:

	For the year ended December 31, 2018			
	Chief Executive	Directors	Executives	Total
----- Rupees -----				
Managerial remuneration	3,547,500	-	-	3,547,500
Vehicle allowance	-	-	-	-
Other allowances	2,910,300	-	-	2,910,300
Bonus and incentives	813,836	-	-	813,836
Fee for attending Board meetings	-	400,000	-	400,000
	7,271,636	400,000	-	7,671,636
Number of persons	1	2	-	3

	For the period from July 13, 2017 to December 31, 2017			
	Chief Executive	Directors	Executives (note 25.1)	Total
----- Rupees -----				
Managerial remuneration	1,379,312	-	-	1,379,312
Vehicle allowance	-	-	-	-
Other allowances	621,988	-	-	621,988
Fee for attending Board meetings	-	100,000	-	100,000
	2,001,300	100,000	-	2,101,300
Number of persons	1	2	-	3

25.1 The Companies Act, 2017 has revised the definition of "executive" whereby an "executive" means an employee (other than the chief executive and directors) whose basic salary exceeds Rs 1,200,000 in a financial year. Accordingly, comparative figures have been restated to reflect the change.

All in

26	CASH AND CASH EQUIVALENTS	Note	2018	2017
			-----Rupees-----	
Cash and cash equivalents comprise the following:				
	Treasury bills having original maturity of three months or less	12	-	229,848,615
	Term Deposit Receipts	12	-	750,000,000
	Bank balances	14	13,275,823	8,368,205
			<u>13,275,823</u>	<u>988,216,820</u>

## 27 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise Pak Brunei Investment Company Limited (the Holding Company), related group companies, directors and key management personnel of the Company, entities under common control and other state-owned entities.

The Company in the normal course of business carries out transactions with its related parties which are executed substantially on the same terms as those prevailing at the time of comparable transactions with unrelated parties.

### 27.1 The details of transactions carried out with related parties during the year / period are as follows:

Name of the related party, basis of relationship and percentage of shareholding	Nature of relationship	Year ended December 31, 2018	For the period from July 13, 2017 to December 31, 2017
-----Rupees-----			
Pak Brunei Investment Company Limited (Parent Company having 100% holding, including nominee holding)	Payment for purchase of fixed assets on behalf of the Company	7,238,435	779,547
	Purchase of fixed assets by the Company	7,910,000	-
	Preliminary expenses incurred on behalf of the Company	-	11,796,052
	Salaries and allowances paid on behalf of the Company	10,184,430	3,573,744
	Rent expense incurred by the Company	435,600	-
	Rent expense incurred on behalf of the Company	1,830,000	600,000
	Other general and administrative expenses incurred on behalf of the Company	169,528	808,940
	Expenses paid by the Company on behalf of Pak Brunei Investment Company Limited	1,363,675	13,425
	Investments encashed during the year	2,918,682,582	-
	Markup received against Investment made with Parent Company	36,150,770	-
	Dividend paid by the Company	20,000,000	-
	Payment made against intra company balance with Parent Company	35,251,110	-
	Investments purchased by the Company	3,501,856,554	1,000,000,000
	Investments sold by the Company	54,734,195	14,985,744
Irfan Ahmed (Chief Executive Officer)	Remuneration of Chief Executive	7,271,636	2,001,300
Zafar Sobani (director*)	Fee for attending board meetings	200,000	50,000
Ayyaz Ahmad (director*)	Fee for attending board meetings	200,000	50,000
Khalil Anwar (Team Lead Marketing)	Staff loans provided	225,000	-
	Remuneration for the year / period	1,042,645	76,774
Mohsin Siraj (Head of Operations)	Staff loans provided	180,000	-
	Remuneration for the year / period	1,778,410	600,000
Zia Mohiuddin (Chief Accountant)	Staff loans provided	330,000	-
	Remuneration for the year / period	1,594,092	482,656
Mohsin Javed (Zonal Head)	Remuneration for the year / period	1,894,092	-

\*These directors hold one nominee share each

*Ali*

27.2 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.

	For the year ended December 31, 2018	For the period from July 13, 2017 to December 31, 2017
28 <b>STAFF STRENGTH</b>	<b>Number of staff</b>	
Total number of employees at the end of the year / period	<u>9</u>	<u>5</u>
Average number of employees during the year / period	<u>7</u>	<u>3</u>

29 **FINANCIAL INSTRUMENTS BY CATEGORY**

----- As at December 31, 2018 -----

Particulars	At fair value through profit or loss	Loans and receivables	Total
----- Rupees -----			
<b>Financial assets</b>			
Net investment in finance lease	-	465,942,561	465,942,561
Finances and loans	-	65,888,665	65,888,665
Loans to employees	-	667,082	667,082
Long-term deposits	-	75,000	75,000
Accrued mark-up	-	4,212,495	4,212,495
Short-term investments - net	-	583,173,972	583,173,972
Bank balances	-	13,275,823	13,275,823
	<u>-</u>	<u>1,133,235,598</u>	<u>1,133,235,598</u>

----- As at December 31, 2018 -----

Particulars	At fair value through profit or loss	At amortised cost	Total
----- Rupees -----			
<b>Financial liabilities</b>			
Payable to Pak Brunei Investment Company Limited - related party	-	8,694,466	8,694,466
Accrued expenses and other liabilities	-	2,196,433	2,196,433
	<u>-</u>	<u>10,890,899</u>	<u>10,890,899</u>

----- As at December 31, 2017 -----

Particulars	At fair value through profit and loss	Loans and receivables	Total
----- Rupees -----			
<b>Financial assets</b>			
Net investment in finance lease	-	15,857,161	15,857,161
Long-term deposit	-	75,000	75,000
Accrued mark-up	-	2,459,589	2,459,589
Short-term investments - net	243,597,945	750,000,000	993,597,945
Advances	-	122,000	122,000
Bank balance	-	8,368,205	8,368,205
	<u>243,597,945</u>	<u>776,881,955</u>	<u>1,020,479,900</u>

----- As at December 31, 2017 -----

Particulars	At fair value through profit or loss	At amortised cost	Total
----- Rupees -----			
<b>Financial liabilities</b>			
Payable to Pak Brunei Investment Company Limited - related party	-	17,544,858	17,544,858
Accrued expenses and other liabilities	-	2,132,636	2,132,636
	<u>-</u>	<u>19,677,494</u>	<u>19,677,494</u>

30 **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.

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### 30.1 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.

#### 30.1.1 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.

#### 30.1.2 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 assets include balances of Rs. 1.128 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, 2018 would have been lower / higher by Rs. 1.239 million (2017: Rs. Nil).

##### b) Sensitivity analysis for fixed rate financial instruments

As at December 31, 2018, 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.

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:

For the year ended December 31, 2018								
Exposed to yield / interest rate risk							Not exposed to yield / interest rate risk	Total
Effective yield / interest rate %	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 -----								
<b>On-balance sheet financial instruments</b>								
<b>Financial assets</b>								
Net investment in finance lease	11% to 13%	9,443,555	19,300,018	92,718,537	344,480,451	-	-	465,942,561
Finances and loans	11.97% to 16%	1,896,070	4,602,078	20,967,486	38,423,031	-	-	65,888,665
Loans to employees	-	-	-	-	-	-	667,082	667,082
Long-term deposits	-	-	-	-	-	-	75,000	75,000
Accrued mark-up	-	-	-	-	-	-	4,212,495	4,212,495
Short-term investments - net	10.00%	-	583,173,972	-	-	-	-	583,173,972
Bank balances	6.5% to 8.5%	13,275,823	-	-	-	-	-	13,275,823
<b>Total</b>		<b>24,615,448</b>	<b>607,076,068</b>	<b>113,686,023</b>	<b>382,903,482</b>	<b>-</b>	<b>4,954,577</b>	<b>1,133,235,598</b>
<b>Financial liabilities</b>								
Payable to Pak Brunei Investment Company Limited - related party		-	-	-	-	-	8,694,466	8,694,466
Accrued expenses and other liabilities		-	-	-	-	-	2,196,433	2,196,433
		-	-	-	-	-	10,890,899	10,890,899
<b>On-balance sheet gap (a)</b>		<b>24,615,448</b>	<b>607,076,068</b>	<b>113,686,023</b>	<b>382,903,482</b>	<b>-</b>	<b>(5,936,322)</b>	<b>1,122,344,699</b>
<b>Off-balance sheet financial instruments</b>								
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a+b)</b>		<b>24,615,448</b>	<b>607,076,068</b>	<b>113,686,023</b>	<b>382,903,482</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>24,615,448</b>	<b>631,691,516</b>	<b>745,377,539</b>	<b>1,128,281,021</b>	<b>1,128,281,021</b>	<b>-</b>	<b>-</b>

ALL IN

For the period from July 13, 2017 to December 31, 2017

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 -----							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets</b>							
Net investment in finance lease	3%	268,459	552,988	2,641,363	12,394,351	-	15,857,161
Long-term deposits		-	-	-	-	75,000	75,000
Accrued mark-up		-	-	-	-	2,459,589	2,459,589
Short-term investments - net	5.98%-6.65%	993,597,945	-	-	-	-	993,597,945
Advances		-	-	-	-	122,000	122,000
Bank balance	3.75%	8,368,205	-	-	-	-	8,368,205
<b>Total</b>		<b>1,002,234,609</b>	<b>552,988</b>	<b>2,641,363</b>	<b>12,394,351</b>	<b>-</b>	<b>1,020,479,900</b>
<b>Financial liabilities</b>							
Payable to Pak Brunei Investment Company Limited - related party		-	-	-	-	17,544,858	17,544,858
Accrued expenses and other liabilities		-	-	-	-	2,132,636	2,132,636
		-	-	-	-	19,677,494	19,677,494
<b>On-balance sheet gap (a)</b>		<b>1,002,234,609</b>	<b>552,988</b>	<b>2,641,363</b>	<b>12,394,351</b>	<b>-</b>	<b>(17,020,905)</b>
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-	-
<b>Total interest rate sensitivity gap (a+b)</b>		<b>1,002,234,609</b>	<b>552,988</b>	<b>2,641,363</b>	<b>12,394,351</b>	<b>-</b>	<b>-</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>1,002,234,609</b>	<b>1,002,787,597</b>	<b>1,005,428,960</b>	<b>1,017,823,311</b>	<b>1,017,823,311</b>	

### 30.1.3 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.

### 30.2 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, 2018, the assets which were subject to credit risk amounted to Rs. 1,133.236 million (2017: Rs 776.882 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.

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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, 2018
				-----Rupees-----
<b>Bank balances</b>				
Bank Alfalah Limited	AA+	A-1+	JCR-VIS	850,316
United Bank Limited	AAA	A-1+	JCR-VIS	12,425,507
<b>Letters of placement</b>				
Pak Brunei Investment Company Limited	AA+	A-1+	JCR-VIS	583,173,972

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

### 30.3 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 the statement of financial position date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	For the year ended December 31, 2018				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Payable to Pak Brunei Investment Company Limited - related party	8,694,466	8,694,466	8,694,466	-	-
Accrued expenses and other liabilities	2,196,433	2,196,433	2,196,433	-	-
	<u>10,890,899</u>	<u>10,890,899</u>	<u>10,890,899</u>	<u>-</u>	<u>-</u>
	For the period from July 13, 2017 to December 31, 2018				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Payable to Pak Brunei Investment Company Limited - related party	17,544,858	17,544,858	17,544,858	-	-
Accrued expenses and other liabilities	2,132,636	2,132,636	2,132,636	-	-
	<u>19,677,494</u>	<u>19,677,494</u>	<u>19,677,494</u>	<u>-</u>	<u>-</u>

### 31 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.

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## 32 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 other 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 31 December 2017, the Company held the following financial instruments measured at fair values:

	2017			Total
	Level 1	Level 2	Level 3	
<b><u>RECURRING FAIR VALUE MEASUREMENTS</u></b>	(Rupees)			
<b>Financial assets at fair value through profit or loss</b>				
Market Treasury Bills	-	243,597,945	-	243,597,945

As at December 31, 2018, the Company did not have any assets or liabilities which were measured at fair value.

## 33 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 12 FEB 2019 by the Board of Directors of the Company.

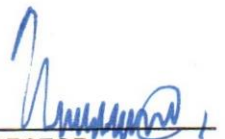
## 34 GENERAL

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

All in ₹



\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER



\_\_\_\_\_  
DIRECTOR