

Directors' Report

The Board of Directors of Primus Leasing Limited is pleased to present the first annual report together with audited Financial Statements of the Company for the period ended December 31, 2017.

The financial results of the Company are summarized below:

Profit before taxation	1,972,215
Taxation	591,664
Profit for the period after taxation	1,380,551
Earnings per share – basic & diluted	0.014

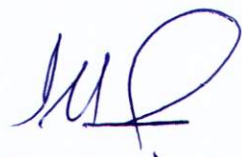
Primus Leasing Limited (PLL / the Company) was incorporated in July 2017 as a wholly owned subsidiary of Pak Brunei Investment Company Limited. The Company is licensed to carry out leasing business as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan.

The Company obtained license from SECP in September 2017 and after completion of necessary formalities, the Company started its operations in December 2017. The Company opened its principal marketing office in Lahore in December 2017 and was able to execute its first lease transaction of Rs. 16 million. For the period under review, the Company earned a profit before tax amounting to Rs. 1.97 million after absorbing a sizeable expense of Rs. 11.79 million on account of preliminary expenses. This was mainly possible due to a fine placement of paid up capital in high earning propositions, without compromising on adequate risk controls, and a better cost control. Since the business is growing, the Company is expected to grow its asset base with quality portfolio rapidly. Keeping in view its policy of geographic expansion, the Company has been able to induct a resource for Multan Region and expecting to start lease disbursements in coming months.

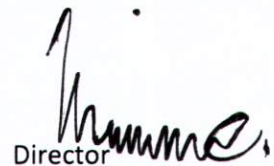
The management intends to focus on diversified lease portfolio keeping in view prudent and proactive risk management approach to ensure strong asset base for future growth.

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

On Behalf of the Board



Chief Executive Officer
February 19, 2018


Director



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Primus Leasing Limited ("the Company")** as at December 31, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the period from July 13, 2017 to December 31, 2017 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the period was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2017 and of the profit, comprehensive income, its cash flows and changes in equity for the period from July 13, 2017 to December 31, 2017; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: February 23, 2018

Karachi

PRIMUS LEASING LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2017

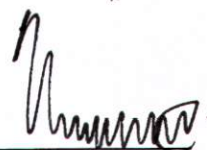
2017 --- (US \$) ---		Note	2017 -- Rupees --
ASSETS			
Non-current assets			
22,231	Property and equipment	4	2,454,668
1,866	Intangible assets	5	206,058
112,250	Net investment in finance lease	6	12,394,351
18,707	Deferred taxation	7	2,065,531
679	Long-term deposits		75,000
155,733			17,195,608
Current assets			
22,275	Accrued mark-up		2,459,589
31,361	Current maturity of net investment in finance lease	6	3,462,810
2,206,159	Short-term investments - net	8	243,597,945
3,666	Advances, prepayments and other receivables	9	404,761
6,792,420	Term Deposit Receipt	10	750,000,000
75,787	Bank balance	11	8,368,205
9,131,668			1,008,293,310
<u>9,287,401</u>	Total assets		<u>1,025,488,918</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
9,056,560	Authorised share capital 100,000,000 ordinary shares of Rs 10 each		1,000,000,000
9,056,560	Issued, subscribed and paid-up capital	12	1,000,000,000
12,503	Reserves		1,380,551
9,069,063	Total equity		1,001,380,551
Non-current liabilities			
36,226	Long-term deposits	13	4,000,000
Current liabilities			
158,896	Payable to Pak Brunei Investment Company Limited - related party	14	17,544,858
19,318	Accrued expenses and other liabilities	15	2,133,137
3,898	Taxation - net		430,372
218,338	Total liabilities		24,108,367
<u>9,287,401</u>	Total equity and liabilities		<u>1,025,488,918</u>
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 30 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

PRIMUS LEASING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM JULY 13, 2017 TO DECEMBER 31, 2017

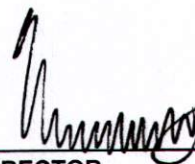
2017 --- (US \$) ---		Note	2017 -----Rupees-----
	INCOME		
972	Income from leasing operations	17	107,334
	EXPENSES		
175,432	Administrative and general expenses	18	19,370,747
15	Finance cost		1,635
(175,447)			(19,372,382)
193,787	Other income - net	19	21,397,436
19,312	Profit for the period before provision and taxation		2,132,388
(1,451)	Allowance for potential lease and other loan losses	6.4	(160,173)
17,861	Profit for the period before taxation		1,972,215
(5,358)	Taxation	20	(591,664)
12,503	Profit for the period after taxation		1,380,551

The annexed notes 1 to 30 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 PERIOD FROM JULY 13, 2017 TO DECEMBER 31, 2017

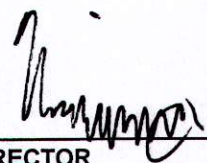
2017 --- (US \$) ---		2017 -----Rupees-----
12,503	Profit for the period after taxation	1,380,551
-	Other comprehensive income	-
<u>12,503</u>	Total comprehensive income for the period	<u>1,380,551</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER




DIRECTOR

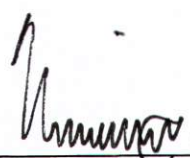
PRIMUS LEASING LIMITED
CASH FLOW STATEMENT
FOR THE PERIOD FROM JULY 13, 2017 TO DECEMBER 31, 2017

2017 --- (US \$) ---		Note	2017 -----Rupees-----
CASH FLOWS FROM OPERATING ACTIVITIES			
17,861	Profit for the period before taxation		1,972,215
	Adjustments for non-cash and other items:		
310	Depreciation	4.1	34,276
23	Amortisation	5.1	2,511
	Unrealised loss on remeasurement of financial assets		
392	at fair value through profit or loss - net	19	43,250
246	Capital loss on sale of government securities - net	19	27,132
(22,275)	Return on Term Deposit Receipts	19	(2,459,589)
1,451	Provision for potential lease losses	6	160,173
(1,992)			(220,032)
	(Increase) / decrease in operating assets		
(145,062)	Net investment in finance lease	6	(16,017,334)
(679)	Long-term deposits		(75,000)
(3,666)	Advances, prepayments and other receivables	9	(404,761)
(149,407)			(16,497,095)
	Increase / (decrease) in operating liabilities		
36,226	Long-term deposits	13	4,000,000
158,896	Payable to Pak Brunei Investment Company Limited - related party	14	17,544,858
19,319	Accrued expenses and other liabilities	15	2,133,137
214,441			23,677,995
63,042			6,960,868
(20,167)	Income tax paid		(2,226,823)
42,875	Net cash generated from operating activities		4,734,045
CASH FLOWS FROM INVESTING ACTIVITIES			
(24,430)	Fixed capital expenditure incurred		(2,697,513)
9,056,560	Proceeds against issue of share capital		1,000,000,000
(125,159)	Investments made in Treasury Bills - net		(13,819,712)
8,906,971	Net cash generated from investing activities		983,482,775
8,949,846	Net increase in cash and cash equivalents		988,216,820
-	Cash and cash equivalents at the beginning of the period		-
8,949,846	Cash and cash equivalents at the end of the period	22	988,216,820

The annexed notes 1 to 30 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 PERIOD FROM JULY 13, 2017 TO DECEMBER 31, 2017

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

Total comprehensive income for the period

Profit for the period after taxation

Other comprehensive income

-	1,380,551	1,380,551
-	-	-
-	1,380,551	1,380,551

Balance as at December 31, 2017

1,000,000,000	1,380,551	1,001,380,551
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The annexed notes 1 to 30 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 PERIOD FROM JULY 13, 2017 TO DECEMBER 31, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

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 and immovable 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case the requirements differ, the provisions of and the directives issued under the NBFC Rules, the NBFC Regulations, the Companies Ordinance, 1984 and the directives issued by the SECP prevail. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its circular dated October 4, 2017, the financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

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 period

There are certain new and amended standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2017 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.

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

The Companies Act, 2017 (the Act) has been enacted on May 30, 2017 superseding the Companies Ordinance, 1984. As stated in note 2.1 above, subsequent to the promulgation of the Companies Act, 2017, the SECP through circular no. 23/2017 dated October 4, 2017 has allowed companies whose financial year closes on or before December 31, 2017 to prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the financial statements of the Company for the period ended December 31, 2017 have been prepared in accordance with the provisions of the repealed Ordinance while the financial statements of the Company for the year ending December 31, 2018 will be prepared in accordance with the provisions of the new Companies Act, 2017. The management is currently in the process of assessing the impact of the provisions of the Act on the financial statements of the Company.

IFRS 9, "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 "Financial Instruments: Recognition and Measurement" 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 fair value through profit or loss. 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. The standard has been notified by the Securities and Exchange Commission of Pakistan to be effective for annual periods beginning on or after July 1, 2018 and earlier application is permitted. The management is in the process of assessing the impact of this IFRS on the financial statements of the Company.

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IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to the 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 goods or services. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard has been notified by the Securities and Exchange Commission of Pakistan to be effective for annual periods beginning on or after July 1, 2018. Earlier application is permitted. The management is in the process of assessing the impact of this IFRS on the financial statements of the Company.

IFRS 16, "Leases" replaces the current guidance in IAS 17 whereby lessees were required to make a distinction between a finance lease (on-balance sheet) and an operating lease (off-balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. An optional exemption has been included for lessees for certain short-term leases and leases of low-value assets. For lessors, the accounting stays almost the same. Furthermore, under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard has not yet been adopted by the Securities and Exchange Commission of Pakistan and is under consideration of the Accounting Standards Board of the Institute of Chartered Accountants of Pakistan (ICAP).

There are certain other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 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, 8, 9, 10 and 11);
- 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 and 6.4);
- v) impairment of non-financial assets (note 3.4); and
- vi) provision for taxation (notes 3.11, 7 and 20).

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 balance sheet, the profit and loss account, the statement of comprehensive income and the cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 110.4172 to US Dollars has been used as it was the prevalent rate as on December 31, 2017.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below:

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 balance sheet mainly include long-term investments, security deposit, accrued profit on bank deposits, loans and advances, bank balances, receivable and payable from related parties, accrued expenses and other liabilities.

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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 profit and loss account.

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 balance sheet at fair values. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account 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 profit and loss account 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.

Nil

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 profit and loss account.

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 profit and loss account.

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 profit and loss account.

3.1.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet 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.

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 profit and loss account 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 profit and loss account 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 profit and loss account 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.

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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 profit and loss account.

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.

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 cash flow statement, 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.

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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 profit and loss account 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.

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	2017 -----Rupees-----
4 PROPERTY AND EQUIPMENT		
Fixed assets - own use <i>AM 1 ~</i>	4.1	<u>2,454,668</u>

4.1 Fixed assets - own use

2017											
Description	Cost			Accumulated depreciation					Net book value		Depreciation rate (% per annum)
	As at July 13, 2017	Additions during the period	Disposals	As at December 31, 2017	As at July 13, 2017	Charge for the year	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%	
	-	2,488,944	-	2,488,944	-	34,276	-	34,276	2,454,668		

5 INTANGIBLE ASSETS

Note	2017 -----Rupees-----
Computer software and license	5.1
	206,058

5.1 Following is a statement of intangible assets:

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 year / (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%

6 NET INVESTMENT IN FINANCE LEASE

Note	2017 -----Rupees-----
Net investment in finance lease	6.1
Less: Current maturity	6.1
	15,857,161
	(3,462,810)
	12,394,351

6.1 Details of investment in finance lease

	Note	2017			
		Not later than one year	Later than one year and less than five years	Over five years	Total
		Rupees			
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)
		3,497,788	12,519,546	-	16,017,334
Less: Allowance for potential lease and other loan losses	6.4	(34,978)	(125,195)	-	(160,173)
		3,462,810	12,394,351	-	15,857,161

6.2 During the period ended December 31, 2017, the Company has entered into a single lease agreement for a period of three years. The net investment in finance lease is secured against the leased asset and the security deposit amounting to 25% of the cost of leased asset. The implicit rate of return on lease is 13.00% per annum.

6.3 No lease rentals were receivable during the period and no income was suspended as at December 31, 2017.

6.4 The movement of allowance for potential lease and other loan losses during the period is as follows:

Note	2017 -----Rupees-----
Charge during the period	6.4.1
Less: Reversals made during the period	-
Closing balance	160,173

6.4.1 In accordance with the internal credit guidelines of the Company, the management has recorded a provision of 1% of the receivables outstanding as at December 31, 2017.

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7	DEFERRED TAXATION	Note	2017 -----Rupees-----
	Deferred tax assets arising on deductible temporary differences		
	- Allowance for potential lease and other loan losses		48,052
	- Preliminary expenses		2,831,052
	- Unused tax losses		116,707
	- Minimum tax		101,942
	- Excess of Alternate Corporate Tax over corporate tax		237,947
			<u>3,335,700</u>
	Deferred tax liabilities arising on taxable temporary differences		
	- Accelerated tax depreciation		(325,731)
	- Short-term investments - net		(944,438)
			<u>(1,270,169)</u>
			<u>2,065,531</u>

8 SHORT-TERM INVESTMENTS - NET

At fair value through profit and loss - held for trading

Investments in government securities - Market Treasury Bills

8.1	243,597,945
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8.1 Government securities - Market Treasury Bills

Tenor	Face value			Carrying value as at December 31, 2017	Market value as at December 31, 2017	Unrealised diminution on remeasurement of investments as at December 31, 2017
	Acquired during the period	Disposed / matured during the period	As at December 31, 2017			
	----- Rupees -----			----- Rupees -----		
3 months	1,000,000,000	770,000,000	230,000,000	229,888,491	229,848,615	(39,876)
1 year	13,792,956	2,956	13,790,000	13,752,704	13,749,330	(3,374)
				243,641,195	243,597,945	(43,250)

8.2 These carry yield at the rate of 5.98% per annum and are due to mature latest by January 18, 2018.

	Note	2017
9		-----Rupees-----
ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advances - unsecured		122,000
Prepaid annual fee		127,125
Sales tax refundable		155,636
		<u>404,761</u>

10 TERM DEPOSIT RECEIPT

Term Deposit Receipt

10.1	750,000,000
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10.1 This carries profit at the rate of 6.65% per annum and will mature on January 12, 2018.

11 BANK BALANCE

Balance with bank in savings account

11.1	8,368,205
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11.1 This carries mark-up at the rate of 3.75% per annum.

12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2017 (Number of shares)	Ordinary shares of Rs. 10 each		
100,000,000	Fully paid in cash	12.1	1,000,000,000

12.1 As at December 31, 2017, Pak Brunei Investment Company Limited (PBICL, the Holding Company which is a joint venture between the Government of Pakistan and the Brunei Investment Agency) and its nominee directors held 100% of the issued, subscribed and paid-up capital of the Company.

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	Note	2017 -----Rupees-----
13 LONG-TERM DEPOSITS		
Security deposit on finance lease	13.1	4,000,000
Less: Repayable / adjustable within 12 months		-
		<u>4,000,000</u>
13.1	These represent deposits received from lessees under finance lease contracts which are adjustable at the expiry of the lease period.	
14 PAYABLE TO PAK BRUNEI INVESTMENT COMPANY LIMITED - RELATED PARTY	Note	2017 -----Rupees-----
Purchase of fixed assets on behalf of the Company		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		600,000
Other payables	14.1	795,515
		<u>17,544,858</u>
14.1	This includes amounts payable in respect of legal and professional charges, directors' fees and other general and administrative expenses paid by PBICL on behalf of the Company net of payments made by the Company on behalf of Pak Brunei Investment Company Limited.	
15 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2017 -----Rupees-----
Accrued expenses		214,669
Withholding taxes payable		501
Other payables		1,917,967
		<u>2,133,137</u>
16 CONTINGENCIES AND COMMITMENTS		
There were no outstanding contingencies or commitments as at December 31, 2017.		
17 INCOME FROM LEASING OPERATIONS		
Lease rental income		17,334
Front-end fee		80,000
Documentation charges		10,000
		<u>107,334</u>
18 ADMINISTRATIVE AND GENERAL EXPENSES		
Preliminary expenses	18.1	11,796,052
Salaries and other allowances	18.2	4,524,657
Rent and utility		613,330
Communication		16,818
Legal and professional charges		1,828,677
Depreciation	4.1	34,276
Amortisation	5.1	2,511
Travelling		34,200
Vehicle running expenses		35,043
Printing and stationery		853
Repairs and maintenance		179,720
Office general expenses		2,625
Directors' fee for attending meetings		100,000
Auditors' remuneration	18.3	201,985
		<u>19,370,747</u>

	Note	2017 -----Rupees-----			
18.1	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	216,688			
		<u>11,796,052</u>			
18.2	These include 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 under the Service Level Agreement entered into between the two entities.				
18.3	Auditors' remuneration				
	Annual audit fee	100,000			
	Fee for other certifications	80,000			
	Sales tax on audit fee and other services	14,400			
	Out of pocket expenses	7,585			
		<u>201,985</u>			
19	OTHER INCOME - NET				
	Income from financial assets				
	Profit on bank deposits	8,065,363			
	Profit on Term Deposit Receipts	2,459,589			
	Income from government securities	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	(27,132)			
		<u>21,397,436</u>			
20	TAXATION				
	Current - for the year	2,657,195			
	Deferred	(2,065,531)			
		<u>591,664</u>			
20.1	Effective tax rate reconciliation				
	Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as 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.				
20.2	As the Company was incorporated on July 13, 2017 and follows the year end of December 31, the return of income for the first period ended December 31, 2017 being tax year 2018 shall be due for filing on or before September 30, 2018.				
21	REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES				
	The aggregate amount charged in the financial statements for the period in respect of the remuneration and benefits to the Chief Executive, Directors and executives are as follows:				
		2017			
	Chief Executive	Director	Executives	Total	
				----- Rupees -----	
	Managerial remuneration	1,379,312	-	1,219,503	2,598,815
	Vehicle allowance	-	-	82,989	82,989
	Other allowances	621,988	-	124,685	746,673
		<u>2,001,300</u>	<u>-</u>	<u>1,427,177</u>	<u>3,428,477</u>
	Number of persons	<u>1</u>	<u>-</u>	<u>4</u>	<u>5</u>
21.1	Executives denote employees, other than the Chief Executive and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.				

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- 21.2 The aggregate amount charged in these financial statements for meeting fees paid to 2 non-executive directors amounts to Rs. 0.10 million.

22	CASH AND CASH EQUIVALENTS	Note	2017 -----Rupees-----
	Cash and cash equivalents comprise the following:		
	Treasury bills having original maturity of three months	8	229,848,615
	Term Deposit Receipts	10	750,000,000
	Bank balances	11	8,368,205
			<u>988,216,820</u>

23 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise Pak Brunei Investment Company Limited (being the Holding Company), related group companies, directors and key management personnel of the Company, companies having common directorship, 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. The details of transactions carried out with related parties during the year and balances outstanding with them as at the period end are as follows:

23.1	Transactions with related parties during the period	2017 -----Rupees-----
	Pak Brunei Investment Company Limited - Parent Company	
	Purchase of fixed assets on behalf of the Company	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	600,000
	Other general and administrative expenses incurred on behalf of the Company	808,940
	Expenses paid by the Company on behalf of Pak Brunei Investment Company Limited	13,425
	Investments purchased from Pak Brunei Investment Company Limited	1,000,000,000
	Investments sold to Pak Brunei Investment Company Limited	14,985,744
	Directors and key management personnel	
	Remuneration of key management personnel	2,001,300
	Director fees paid	100,000

23.2 Balances with related parties as at period end

Payable to Pak Brunei Investment Company Limited - net	17,544,858
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24	STAFF STRENGTH	2017 Number of staff
	Total number of employees at the end of the period	5
	Average number of employees during the period	3

25 FINANCIAL INSTRUMENTS BY CATEGORY

	2017		
	At fair value through profit and loss	Loans and receivables	Total
	----- Rupees -----		
Financial assets			
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	-	243,597,945
Advances	-	122,000	122,000
Term Deposit Receipt	-	750,000,000	750,000,000
Bank balance	-	8,368,205	8,368,205
	<u>243,597,945</u>	<u>776,881,955</u>	<u>1,020,479,900</u>

	2017		
	At fair value through profit and loss	At amortised cost	Total
	----- Rupees -----		
Financial liabilities			
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

26 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.

26.1 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.

26.1.1 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.

26.1.2 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. 1.018 billion which are subject to interest rate risk.

a) Sensitivity analysis for variable rate financial instruments

Presently, the Company does not hold any variable rate financial instruments.

b) Sensitivity analysis for fixed rate financial instruments

As at December 31, 2017, the Company holds market treasury bills which are classified as 'financial assets at fair value through profit or loss', exposing the Company to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan for market treasury bills with all other variables held constant, the net profit for the period and net assets of the Company would have been lower / higher by Rs 31,900. The Company also has placements in savings accounts and term deposits with various banks. 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:

		2017						Not exposed to yield / interest rate risk
		Exposed to yield / interest rate risk						
Effective yield / interest rate %	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	13%	15,857,161	268,459	552,988	2,641,363	12,394,351	-	-
Long-term deposits		75,000	-	-	-	-	-	75,000
Accrued mark-up		2,459,589	-	-	-	-	-	2,459,589
Short-term investments - net	5.98%	243,597,945	243,597,945	-	-	-	-	-
Advances		122,000	-	-	-	-	-	122,000
Term Deposit Receipt	6.65%	750,000,000	750,000,000	-	-	-	-	-
Bank balance	3.75%	8,368,205	8,368,205	-	-	-	-	-
Total		1,020,479,900	1,002,234,609	552,988	2,641,363	12,394,351	-	2,656,589
Financial liabilities								
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
On-balance sheet gap (a)		1,000,802,406	1,002,234,609	552,988	2,641,363	12,394,351	-	(17,020,905)
Off-balance sheet financial instruments								
		-	-	-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)		1,000,802,406	1,002,234,609	552,988	2,641,363	12,394,351	-	
Cumulative interest rate sensitivity gap		1,000,802,406	2,003,037,015	2,003,590,003	2,006,231,366	2,018,625,717	2,018,625,717	

26.1.3 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.

26.2 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, 2017, out of the total financial assets of Rs 1,020.480 million, the assets which were subject to credit risk amounted to Rs. 776.882 million.

All in

The maximum exposure to credit risk at the reporting date is:

	2017 -----Rupees-----
Net investment in finance lease	15,857,161
Long-term deposits	75,000
Accrued mark-up	2,459,589
Advances	122,000
Term Deposit Receipt	750,000,000
Bank balance	8,368,205
	<u>776,881,955</u>

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 are assessed with reference to external credit ratings which in all cases are above the minimum investment grade rating.

The credit quality of the Company's financial assets can be assessed with reference to external credit ratings as follows:

Particulars	Long-term rating	Short-term rating	Rating agency	As at December 31, 2017 -----Rupees-----
Bank balance				
Bank Alfalah Limited	AA+	A1+	PACRA	8,368,205
Term Deposit Receipt				
Allied Bank Limited	AA+	A1+	PACRA	750,000,000

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

26.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they 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 maturity profile of the Company's financial liabilities is as follows:

	Maturity upto one month	Maturity over one month to three months	Maturity over three months to one year	Maturity over one year	Total
Payable to Pak Brunei Investment Company Limited - related party	-	17,544,858	-	-	17,544,858
Accrued expenses and other liabilities	1,930,651	201,985	-	-	2,132,636
	<u>1,930,651</u>	<u>17,746,843</u>	<u>-</u>	<u>-</u>	<u>19,677,494</u>

27 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.

Signature

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 during the current period.

28 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between the 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.

As at December 31, 2017 the Company has investments in government securities carried at fair values which are computed using PKRV rates announced by the Financial Market Association (FMA) through Reuters. These rates are a simple average of quotes received from eight different pre-defined / approved dealers / brokers. The fair values of remaining assets and liabilities are not considered to be significantly different from their carrying values since these are short-term in nature or are periodically repriced.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets 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	
<u>RECURRING FAIR VALUE MEASUREMENTS</u>	(Rupees)			
Financial assets at fair value through profit or loss				
Market Treasury Bills	-	243,597,945	-	243,597,945

29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 19 FEB 2018 by the Board of Directors of the Company.

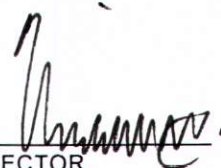
30 GENERAL

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

M. S.



CHIEF EXECUTIVE OFFICER



DIRECTOR