

PRIMUS LEASING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Directors' Report

The Board of Directors of Primus Leasing Limited is pleased to present the fourth annual report together with Audited Financial Statements for the year ended December 31, 2021.

The country registered sound economic growth in FY2021 of 5.6% (based on National Accounting year 2015-16) while World Bank has projected 4% growth for FY2022. During the month of December, CPI inflation clocked in at 12.3% YoY as compared to 8.3% YoY in the same period last year. The economy saw build-up of external pressures in first half of fiscal year 2022 with increase in inflation driven by global commodity prices and deteriorating exchange rate. The State Bank of Pakistan (SBP) started tightening of the monetary policy last year with hike in the policy rate, maintained at 7% per annum since June 2020, to 9.75% by December 2021 mainly driven by inflationary concerns.

A positive development in January 2022 is conclusion by IMF of the sixth review of the extended arrangement under the Extended Fund Facility (EFF) for Pakistan for release of about US\$1 billion, bringing total purchases for budget support under the program to about US\$3 billion. SBP's concerns on inflation are also contained as reflected in the recent Monetary Policy Statement. However, the continuous rise in global oil prices remain a source of concern.

Despite challenges affecting the economic situation of the country and NBFi sector as a whole, the Company maintained its satisfactory performance during the year as summarized below:

(Figures in Rs.)

| | 2021 | 2020 |
|--------------------------------------|-------------|-------------|
| Total revenues | 156,027,853 | 151,933,944 |
| Profit before taxation | 96,873,998 | 94,295,239 |
| Taxation | 27,416,896 | 27,733,212 |
| Profit for the period after taxation | 69,457,102 | 66,562,027 |
| Earnings per share | 0.695 | 0.663 |

During the year, the management followed the strategy of selective expansion in the tested industrial/ service sectors and gradually improved penetration in performing areas. Also, additional facilities/ exposures were allowed to performing clients due to which fresh disbursement increased to Rs. 1.34 billion in 2021 from Rs. 568 million in 2020, showing a healthy growth 136%. PLL will continue following a cautious approach and will keep major focus on targeting the sectors falling under the ambit of essential services, a strategy that proved very beneficial in these trying times. To facilitate clients experiencing cash flow difficulties during the period, PLL selectively offered restructuring/ rescheduling in the light of SECP guidelines to deserving clients. Accordingly, only 22% of the portfolio was restructured/ rescheduled which made a positive impact on the cash flow position and future business potential with the performing clients. As at Dec 31, 2021, almost all portfolio of the Company was performing with very negligible infection ratio. Breakthroughs have also been made with the few clients lagging behind in repayment and settlement is in progress. The prime objective, in these testing times, is to keep portfolio performing and be very prudent in future lending. The liquidity profile is under control with existing borrowing lines from PBICL and exploring fresh borrowing from external sources (commercial banks) to finance expansion.



PRIMUS LEASING LIMITED

(A wholly owned subsidiary of Pak Sindh Investment Company Limited)

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The Company has maintained sufficient provision against any potential default situation from its clients, a net reversal of Rs. 0.3 million (Dec 2020: Rs. 8.0 million general provision) was made to comply with IFRS-9 Expected Credit Loss model.

During the year, PLL also expanded Term Finance product for its existing clients against mortgage of property and intends to build a collateralized portfolio also which will prove beneficial in difficult times. PLL will continue applying strong follow up to keep its portfolio clean and follow the practice of targeting sectors falling under essential services. Improving penetration in the existing markets and increasing geographic outreach will be the key focus of the Company for FY2022.

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

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

On Behalf of the Board,

A handwritten signature in blue ink, appearing to be 'MLP', is written over a faint circular stamp.

Chief Executive Officer
February 23, 2022

A handwritten signature in black ink, appearing to be 'J. John', is written over a faint circular stamp.

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, 2021, and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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**Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

A. Ferguson & Co
A. F. Ferguson & Co
Chartered Accountants

Karachi

Dated: March 10, 2022

PRIMUS LEASING LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

| 2021 ----- (US Dollars) ----- | | 2020 | | Note | 2021 ----- (Rupees) ----- | | 2020 | |
|---|------------------|--|----|----------------------|------------------------------|--|------|--|
| ASSETS | | | | | | | | |
| Non-current assets | | | | | | | | |
| 53,702 | 98,066 | Property and equipment | 4 | 9,490,750 | 15,670,952 | | | |
| 3,120 | 15,550 | Intangible assets | 5 | 551,330 | 2,484,967 | | | |
| 3,979,232 | 3,495,530 | Net investment in finance lease | 6 | 703,251,763 | 558,585,765 | | | |
| 1,463,306 | 736,807 | Long term finances and loans | 7 | 258,610,851 | 117,741,839 | | | |
| 2,169 | 2,938 | Long-term loans to employees | 8 | 383,355 | 469,555 | | | |
| 3,819 | 4,224 | Long-term deposits | | 675,000 | 675,000 | | | |
| 8,089 | - | Deferred taxation | 17 | 1,429,505 | - | | | |
| <u>5,513,437</u> | <u>4,353,115</u> | | | <u>974,392,554</u> | <u>695,628,078</u> | | | |
| Current assets | | | | | | | | |
| 12,148 | 1,289 | Accrued mark-up | 9 | 2,146,837 | 205,909 | | | |
| 4,007,559 | 3,200,519 | Current maturity of non current assets | 10 | 708,257,952 | 511,442,935 | | | |
| - | 832,179 | Investments | 11 | - | 132,982,190 | | | |
| 2,694 | 1,788 | Prepayments and other receivables | 12 | 476,255 | 285,580 | | | |
| - | - | Taxation recoverable- net | | - | - | | | |
| 305,941 | 159,897 | Bank balances | 13 | 54,069,043 | 25,551,482 | | | |
| <u>4,328,342</u> | <u>4,195,672</u> | | | <u>764,950,087</u> | <u>670,468,096</u> | | | |
| <u>9,841,779</u> | <u>8,548,787</u> | Total assets | | <u>1,739,342,641</u> | <u>1,366,096,174</u> | | | |
| EQUITY AND LIABILITIES | | | | | | | | |
| Share capital and reserves | | | | | | | | |
| Authorised share capital | | | | | | | | |
| 100,000,000 (2020: 100,000,000) ordinary shares | | | | | | | | |
| of Rs. 10 each | | | | | | | | |
| <u>5,658,333</u> | <u>6,257,822</u> | | | <u>1,000,000,000</u> | <u>1,000,000,000</u> | | | |
| Issued, subscribed and paid-up capital | | | | | | | | |
| 5,658,333 | 6,257,822 | Reserve | 15 | 1,000,000,000 | 1,000,000,000 | | | |
| 188,306 | 149,076 | | | 33,279,456 | 23,822,354 | | | |
| <u>5,846,639</u> | <u>6,406,898</u> | Total equity | | <u>1,033,279,456</u> | <u>1,023,822,354</u> | | | |
| Non-current liabilities | | | | | | | | |
| 1,458,453 | 1,320,773 | Long-term deposits | 16 | 257,753,178 | 211,059,472 | | | |
| 12,438 | 35,145 | Lease liability against right-of-use assets | 21 | 2,198,064 | 5,616,121 | | | |
| - | 91,537 | Deferred taxation | 17 | - | 14,627,683 | | | |
| <u>1,470,891</u> | <u>1,447,455</u> | | | <u>259,951,242</u> | <u>231,303,276</u> | | | |
| Current liabilities | | | | | | | | |
| 639,573 | 604,517 | Current maturity of long term deposits | 16 | 113,031,984 | 96,601,699 | | | |
| 1,697,500 | - | Loan from Holding Company | 18 | 300,000,000 | - | | | |
| 14,479 | 16,202 | Payable to Holding Company | 19 | 2,558,892 | 2,589,070 | | | |
| 86,198 | 47,361 | Accrued expenses and other liabilities | 20 | 15,233,869 | 7,568,254 | | | |
| 21,014 | 19,460 | Current portion of lease liability against right-of-use assets | 21 | 3,713,851 | 3,109,741 | | | |
| 65,485 | 6,894 | Taxation - net | | 11,573,347 | 1,101,780 | | | |
| <u>2,524,249</u> | <u>694,434</u> | | | <u>446,111,943</u> | <u>110,970,544</u> | | | |
| <u>3,995,140</u> | <u>2,141,889</u> | Total liabilities | | <u>706,063,185</u> | <u>342,273,820</u> | | | |
| <u>9,841,779</u> | <u>8,548,787</u> | Total equity and liabilities | | <u>1,739,342,641</u> | <u>1,366,096,174</u> | | | |
| CONTINGENCIES AND COMMITMENTS | | | | | | | | |
| 22 | | | | | | | | |

The annexed notes 1 to 39 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, 2021

| 2021 ----- (US Dollars) ----- | 2020 | | Note | 2021 ----- (Rupees) ----- | 2020 |
|----------------------------------|----------------|---|------|------------------------------|--------------------|
| INCOME | | | | | |
| 618,933 | 667,857 | Income from leasing operations | 23 | 109,384,331 | 106,723,551 |
| 232,877 | 120,349 | Income from finances and loans | | 41,156,448 | 19,231,708 |
| <u>851,810</u> | <u>788,206</u> | | | <u>150,540,779</u> | <u>125,955,259</u> |
| EXPENSES | | | | | |
| 287,472 | 298,201 | Administrative and general expenses | 24 | 50,805,041 | 47,332,846 |
| 11,187 | 12,041 | Provision for Provincial Workers Welfare Fund | | 1,977,000 | 1,924,200 |
| 37,882 | 2,088 | Finance cost | 25 | 6,695,073 | 333,494 |
| (336,541) | (310,328) | | | (59,477,114) | (49,590,540) |
| 31,048 | 162,570 | Other income | 26 | 5,487,074 | 25,978,685 |
| <u>546,317</u> | <u>640,448</u> | Profit for the year before provision and taxation | | <u>96,550,739</u> | <u>102,343,404</u> |
| 1,829 | (50,364) | Reversal of allowance against / (allowance for) potential lease and other loan losses | 27 | 323,259 | (8,048,165) |
| <u>548,146</u> | <u>590,084</u> | Profit for the year before taxation | | <u>96,873,998</u> | <u>94,295,239</u> |
| (155,134) | (173,550) | Taxation | 28 | (27,416,896) | (27,733,212) |
| <u>393,012</u> | <u>416,534</u> | Profit for the year after taxation | | <u>69,457,102</u> | <u>66,562,027</u> |
| | | Earnings per share | 31 | <u>0.69</u> | <u>0.67</u> |

The annexed notes 1 to 39 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

J. John
DIRECTOR

PRIMUS LEASING LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

| 2021 | | 2020 | | | |
|---------------------|----------------|--|--|-------------------|-------------------|
| <u>(US Dollars)</u> | | | | <u>(Rupees)</u> | |
| 393,012 | 416,534 | Profit for the year after taxation | | 69,457,102 | 66,562,027 |
| - | - | Other comprehensive income | | - | - |
| <u>393,012</u> | <u>416,534</u> | Total comprehensive income for the year | | <u>69,457,102</u> | <u>66,562,027</u> |

The annexed notes 1 to 39 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, 2021

| | issued, subscribed and paid-up capital | Revenue reserve | Total |
|--|--|--------------------------|----------------------|
| | | Unappropriated profit | |
| (Rupees) | | | |
| Balance as at January 1, 2020 | 1,000,000,000 | 12,260,327 | 1,012,260,327 |
| Total comprehensive income for the year ended December 31, 2020 | | | |
| Profit for the year after taxation | - | 66,562,027 | 66,562,027 |
| Other comprehensive income | - | - | - |
| | - | 66,562,027 | 66,562,027 |
| Transactions with owners directly recorded in equity | | | |
| Interim cash dividend @ Re. 0.55 per share for the year ended December 31, 2020 | - | (55,000,000) | (55,000,000) |
| Balance as at December 31, 2020 | 1,000,000,000 | 23,822,354 | 1,023,822,354 |
| Total comprehensive income for the year ended December 31, 2021 | | | |
| Profit for the year after taxation | - | 69,457,102 | 69,457,102 |
| Other comprehensive income | - | - | - |
| | - | 69,457,102 | 69,457,102 |
| Transactions with owners directly recorded in equity | | | |
| Interim cash dividend @ Re. 0.60 per share for the year ended December 31, 2021 | - | (60,000,000) | (60,000,000) |
| Balance as at December 31, 2021 | <u>1,000,000,000</u> | <u>33,279,456</u> | <u>1,033,279,456</u> |

The annexed notes 1 to 39 form an integral part of these financial statements.

M. H. H.



CHIEF EXECUTIVE OFFICER



DIRECTOR

PRIMUS LEASING LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

| 2021 ----- (US Dollars) ----- | 2020 | | Nota | 2021 ----- (Rupees) ----- | 2020 |
|--|--------------------|---|------|------------------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| 548,146 | 590,084 | Profit for the year before taxation | | 96,873,998 | 94,295,239 |
| Adjustments for non-cash and other items: | | | | | |
| 39,429 | 28,741 | Depreciation | 24 | 6,968,281 | 4,592,744 |
| 15,434 | 16,919 | Amortisation | 24 | 2,727,553 | 2,703,880 |
| (10,271) | (152,168) | Profit on letters of placement | 26 | (1,815,174) | (24,316,458) |
| 4,025 | 1,200 | Finance cost on lease liability against right-of-use assets | | 711,420 | 191,817 |
| (232,877) | (120,349) | Income from finances and loans | | (41,156,448) | (19,231,708) |
| (1,829) | 50,364 | Provision for potential lease and loan losses | 27 | (323,259) | 8,048,165 |
| <u>362,057</u> | <u>414,791</u> | | | <u>63,986,371</u> | <u>66,283,479</u> |
| (Increase) / decrease in assets | | | | | |
| (1,116,396) | (535,191) | Net investment in finance lease | | (197,301,145) | (85,523,447) |
| (1,610,585) | (729,869) | Long-term finances, loans and loans to employees | | (284,639,423) | (116,632,983) |
| (1,079) | (1,903) | Prepayments and other receivables | | (190,675) | (304,035) |
| <u>(2,728,060)</u> | <u>(1,266,963)</u> | | | <u>(482,131,243)</u> | <u>(202,460,465)</u> |
| Increase / (decrease) in liabilities | | | | | |
| 357,177 | 353,997 | Security deposits | | 63,123,991 | 56,568,763 |
| (171) | 8,003 | Payable to Holding Company | | (30,178) | 1,278,863 |
| 53,383 | (9,633) | Accrued expenses and other liabilities | | 9,434,317 | (1,539,354) |
| <u>410,389</u> | <u>352,367</u> | | | <u>72,528,130</u> | <u>56,308,272</u> |
| <u>(1,955,614)</u> | <u>(499,805)</u> | | | <u>(345,616,742)</u> | <u>(79,868,714)</u> |
| (10,008) | - | Finance cost paid | | (1,768,702) | - |
| (186,739) | (170,735) | Income tax paid | | (33,002,517) | (27,283,400) |
| (196,747) | (170,735) | | | (34,771,219) | (27,283,400) |
| <u>(2,152,361)</u> | <u>(670,540)</u> | Net cash used in operating activities | | <u>(380,387,961)</u> | <u>(107,152,114)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| (8,951) | (1,289) | Fixed capital expenditure incurred | | (1,581,995) | (206,020) |
| 2,016,192 | 10,578,400 | Proceeds against redemption of letters of placement | | 356,322,705 | 1,690,428,301 |
| (1,263,735) | (9,783,545) | Investments made in letters of placement | | (223,340,515) | (1,563,410,491) |
| 232,165 | 275,633 | Profit received on letters of placement and finance and loans | | 41,030,694 | 44,046,077 |
| <u>975,671</u> | <u>1,069,199</u> | Net cash generated from investing activities | | <u>172,430,889</u> | <u>170,857,867</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| (339,500) | (344,180) | Dividend paid | | (60,000,000) | (55,000,000) |
| (19,948) | (12,130) | Repayment of lease liability against right-of-use assets | | (3,525,367) | (1,938,400) |
| (359,448) | (356,310) | Net cash used in financing activities | | (63,525,367) | (56,938,400) |
| <u>(1,536,138)</u> | <u>42,349</u> | Net (decrease) / increase in cash and cash equivalents | | <u>(271,482,439)</u> | <u>6,787,353</u> |
| 144,579 | 117,548 | Cash and cash equivalents at the beginning of the year | | 25,551,482 | 18,784,129 |
| <u>(1,391,559)</u> | <u>159,897</u> | Cash and cash equivalents at the end of the year | 14 | <u>(245,930,957)</u> | <u>25,551,482</u> |

The annexed notes 1 to 39 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

John

DIRECTOR

PRIMUS LEASING LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

- 1.2 Primus Leasing Limited is a wholly owned subsidiary of Pak Brunel Investment Company Limited (Holding Company).
- 1.3 The VIS Credit Rating Agency (JCR-VIS) has assigned a long-term rating of A+ and a short-term rating of A-1 to the Company on December 16, 2021.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standard (IFRSs), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Provisions of and directives issued under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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

2.2 Accounting convention

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

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

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

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting period beginning on or after January 1, 2022, 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.

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2.5 Critical accounting estimates and judgments

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

- i) classification, valuation and impairment of financial assets (note 3.1.1);
- ii) determination of residual values and useful lives of property and equipment (notes 3.2 and 4);
- iii) contingent assets and contingent liabilities (note 3.8);
- iv) provision for taxation (notes 3.12, 17 and 28); and
- v) Lease liability and right-of-use assets (notes 3.2.2, 4 and 21).

2.6 Functional and presentation currency

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

The US dollar amounts shown in the Statement of Financial Position, Statement of Profit or Loss, Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows are stated as additional information solely for the convenience of readers and are not audited. For the purpose of conversion to US Dollars, the rate of Rs. 176.73 to US Dollars has been used as it was the prevalent rate as on December 31, 2021.

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

3.1.1 Financial assets

3.1.1.1 Initial recognition

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

3.1.1.2 Classification and subsequent measurement

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

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

The classification requirements for debt instruments are described below:

(i) Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

a) At amortised cost:

The Company measures financial assets at amortised cost if the financial asset is held within a business model with an objective to hold and collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.1.1.3. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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

The Company measures financial assets at FVOCI if the financial asset is held within a business model with an objective of both holding to collect contractual cash flows and selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment losses or reversals, recognised and measured as described in note 3.1.1.3, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of profit or loss.

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

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

3.1.1.3 Impairment

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

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

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

3.1.1.4 Derecognition

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

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

3.1.1.5 Regular way contracts

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

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3.1.2 Financial liabilities

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

Financial liabilities are subsequently measured at amortised cost except for:

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

3.1.2.1 Derecognition

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

3.1.3 Offsetting of financial assets and liabilities

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

3.2 Property and equipment

3.2.1 Owned assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the statement of profit or loss using the straight line method at the rates stated in note 4.1. Depreciation is charged from the month 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.

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

Right-of-use assets

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

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

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

Lease liability against right-of-use assets

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

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

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

3.3 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.

3.4 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.

3.5 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 fair value of leased asset, 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 Company applies IFRS 9 simplified approach and general approach for lease and loan losses respectively to determine Expected Credit Losses (ECL). A lifetime ECL is recorded on loans in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and on loans which are credit impaired as on the reporting date. A 12 months ECL is recorded for loans which do not meet the criteria for SICR or "credit impaired" as at the reporting date. To assess whether there is a significant increase in the credit risk, the Company compares the risk of a default occurring on the loans as at the reporting date with the risk of default as at the date of initial recognition. The Company also considers reasonable and supportive forward-looking information in the determination of ECL. The allowance is increased by provisions charged to the statement of profit or loss and is decreased by charge-offs, net of recoveries.

Calculating ECL for lease and loan is subject to numerous judgments and estimates. In evaluating the adequacy of ECL, the management considers various factors, including the nature and characteristics of the obligor, current economic conditions, credit concentrations or deterioration in collateral and delinquencies. The management further considers the impact of forward-looking information and its resulting impact on the provision for lease and loan portfolio of the Company.

During the year, the Institute of Chartered Accountant of Pakistan (ICAP) has issued 'Accounting Guideline Application of IFRS 9 by Non-Banking Finance Companies' dated May 26, 2021, which allows NBFC's to apply the requirements of IFRS 9 in conjunction with the requirements of NBFC Regulations. Accordingly, the Company has recognised allowance for potential lease and other loans losses as the higher of provisioning requirements as specified under the NBFC Regulations and IFRS 9.

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 loan from Holding Company.

3.8 Contingent assets and contingent liabilities

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

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

3.9 Borrowings

These are initially recognised at cost being the fair value of consideration received. Subsequently, these are carried at amortised cost.

Costs in respect of above are recognised as an expense in the period in which these are incurred.

Transaction costs, if any, are amortised over the period of agreement.

3.10 Staff retirement benefits

3.10.1 Defined contribution plan

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

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

3.11 Revenue recognition

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

3.12 Taxation

3.12.1 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.

3.12.2 Deferred

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

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

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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.

3.13 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 | 2021 ----- (Rupees) ----- | 2020 ----- |
|---------------------------------|------|------------------------------|-------------------|
| 4 PROPERTY AND EQUIPMENT | | | |
| Operating fixed assets | 4.1 | <u>9,490,750</u> | <u>15,670,952</u> |

4.1 Operating fixed assets

| Description | 2021 | | | | | | | | Net book value As at December 31, 2021 | Depreciation rate (% per annum) |
|---|--------------------------|---|---------------------------------|-------------------------------|--------------------------|---|---------------------------------|-------------------------------|---|------------------------------------|
| | Cost | | | | Accumulated depreciation | | | | | |
| | As at January 1, 2021 | Additions / modification during the year | Disposals during the year | As at December 31, 2021 | As at January 1, 2021 | Charge for the year / (reversal on disposal) | Disposals during the year | As at December 31, 2021 | | |
| ----- Rupees ----- | | | | | | | | | | |
| Leasehold improvements | 4,632,035 | 100,000 | - | 4,732,035 | 2,779,223 | 936,409 | - | 3,715,632 | 1,016,403 | 20% |
| Furniture, fittings and office equipment | 4,145,924 | 159,240 | - | 4,305,164 | 2,352,348 | 841,855 | - | 3,194,203 | 1,110,961 | 20% |
| Computers and accessories | 2,119,324 | 244,022 | 92,378 | 2,270,968 | 1,919,152 | 147,248 | 92,378 | 1,974,022 | 296,948 | 33% |
| Motor vehicles | 4,502,000 | - | - | 4,502,000 | 1,976,034 | 1,012,953 | - | 2,988,987 | 1,513,013 | 25% |
| Right-of-use assets | 10,874,534 | 284,817 | - | 11,159,351 | 1,576,108 | 4,029,816 | - | 5,605,924 | 5,553,427 | 33.33%-36.36% |
| | <u>26,273,817</u> | <u>788,079</u> | <u>92,378</u> | <u>26,969,518</u> | <u>10,602,865</u> | <u>6,968,281</u> | <u>92,378</u> | <u>17,478,768</u> | <u>9,490,750</u> | |

| Description | 2020 | | | | | | | | Net book value As at December 31, 2020 | Depreciation rate (% per annum) |
|---|--------------------------|---------------------------------|---------------------------------|-------------------------------|--------------------------|---|---------------------------------|-------------------------------|---|------------------------------------|
| | Cost | | | | Accumulated depreciation | | | | | |
| | As at January 1, 2020 | Additions during the year | Disposals during the year | As at December 31, 2020 | As at January 1, 2020 | Charge for the year / (reversal on disposal) | Disposals during the year | As at December 31, 2020 | | |
| ----- Rupees ----- | | | | | | | | | | |
| Leasehold improvements | 4,632,035 | - | - | 4,632,035 | 1,852,814 | 926,409 | - | 2,779,223 | 1,852,812 | 20% |
| Furniture, fittings and office equipment | 4,145,924 | - | - | 4,145,924 | 1,523,167 | 829,181 | - | 2,352,348 | 1,793,576 | 20% |
| Computers and accessories | 1,913,304 | 206,020 | - | 2,119,324 | 1,246,597 | 672,555 | - | 1,919,152 | 200,172 | 33% |
| Motor vehicles | 4,502,000 | - | - | 4,502,000 | 963,081 | 1,012,953 | - | 1,976,034 | 2,525,966 | 25% |
| Right-of-use assets | 813,549 | 10,060,965 | - | 10,874,534 | 424,462 | 1,151,846 | - | 1,576,108 | 9,298,426 | 33.33%-36.36% |
| | <u>18,008,812</u> | <u>10,267,005</u> | <u>-</u> | <u>26,273,817</u> | <u>6,010,121</u> | <u>4,592,744</u> | <u>-</u> | <u>10,602,865</u> | <u>15,670,952</u> | |

4.2 The cost of fully depreciated fixed assets which are still in the Company's use as at December 31, 2021 amounted to Rs 1.722 million (2020: Rs. 1.781 million).

| | Note | 2021 ----- (Rupees) ----- | 2020 ----- |
|-------------------------------|------|------------------------------|------------------|
| 5 INTANGIBLE ASSETS | | | |
| Computer software and license | 5.1 | <u>551,330</u> | <u>2,484,967</u> |

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5.1 Following is a statement of intangible assets:

| Description | 2021 | | | | | | | Amortisation rate (% per annum) |
|-------------------------------|-----------------------|-------------------------|-------------------------|--------------------------|---|-------------------------|-------------------------|---------------------------------|
| | Cost | | | Accumulated amortisation | | | Net book value | |
| | As at January 1, 2021 | Additions / (disposals) | As at December 31, 2021 | As at January 1, 2021 | Charge for the year / (reversal of charge on disposals) | As at December 31, 2021 | As at December 31, 2021 | |
| Rupees | | | | | | | | |
| Computer software and license | 8,118,569 | 793,916 | 8,912,485 | 5,633,802 | 2,727,553 | 6,361,155 | 551,330 | 33% |

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

5.2 The cost of fully amortised intangible assets which are still in the Company's use as at December 31, 2021 amounted to Rs 8.118 million (2020: Rs. 0.209 million).

| 6 NET INVESTMENT IN FINANCE LEASE | Note | 2021 | 2020 |
|-----------------------------------|----------|--------------------|--------------------|
| | | (Rupees) | |
| Net investment in finance lease | 6.1 | 1,171,655,464 | 972,909,919 |
| Less: current maturity | 6.1 & 10 | (468,403,701) | (414,324,154) |
| | | <u>703,251,763</u> | <u>558,585,765</u> |

6.1 Details of investment in finance lease:

| Note | 2021 | | | |
|--|-------------------------|--|-----------------|----------------------|
| | Not later than one year | Later than one year and less than five years | Over five years | Total |
| | (Rupees) | | | |
| Minimum lease payments | 453,183,378 | 517,253,521 | - | 970,436,899 |
| Add: residual value of leased assets | 113,031,984 | 257,753,178 | - | 370,785,162 |
| Gross investment in finance lease | 566,215,362 | 775,006,699 | - | 1,341,222,061 |
| Less: unearned finance income | (90,402,582) | (65,792,528) | - | (156,195,110) |
| | 475,812,780 | 709,214,171 | - | 1,185,026,951 |
| Less: allowance for potential lease losses | 27 (7,409,079) | (5,962,408) | - | (13,371,487) |
| | <u>468,403,701</u> | <u>703,251,763</u> | - | <u>1,171,655,464</u> |

| Note | 2020 | | | |
|--|-------------------------|--|-----------------|--------------------|
| | Not later than one year | Later than one year and less than five years | Over five years | Total |
| | (Rupees) | | | |
| Minimum lease payments | 394,302,960 | 396,795,157 | - | 791,098,117 |
| Add: residual value of leased assets | 96,601,699 | 211,059,472 | - | 307,661,171 |
| Gross investment in finance lease | 490,904,659 | 607,854,629 | - | 1,098,759,288 |
| Less: unearned finance income | (70,271,000) | (40,762,482) | - | (111,033,482) |
| | 420,633,659 | 567,092,147 | - | 987,725,806 |
| Less: allowance for potential lease losses | 27 (6,309,505) | (8,506,382) | - | (14,815,887) |
| | <u>414,324,154</u> | <u>558,585,765</u> | - | <u>972,909,919</u> |

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6.2 The net investment in finance lease is secured against leased assets and security deposit amounting to Rs 370.785 million (2020: Rs 307.661 million). The above security deposit averages about 21.29% (2020: 20.49%) of the cost of leased asset. The implicit rate of return on lease ranges between 11.57% and 21.00% per annum (2020: 10.66% - 21.00% per annum).

6.3 Lease rentals received during the year were Rs 441.088 million (2020: 344.129 million) and income of Rs. 1,224 million was suspended during the year December 31, 2021.

| | Note | 2021 ----- (Rupees) ----- | 2020 ----- (Rupees) ----- |
|---|------|------------------------------|------------------------------|
| 7 LONG TERM FINANCES AND LOANS | | | |
| Considered good | | | |
| Vehicle finance / Term Loan - secured | 7.1 | 502,599,942 | 217,607,653 |
| Less: allowance for potential loan losses | 27 | (4,385,256) | (3,264,115) |
| | | <u>498,214,686</u> | <u>214,343,538</u> |
| Less: current maturity | 10 | (239,603,835) | (96,601,699) |
| | | <u>258,610,851</u> | <u>117,741,839</u> |

7.1 This represents vehicle finance / term loan offered to various customers on a mark-up basis. The mark-up on these loans ranges from 11.56% to 21% (2020: 10.56% to 19.90%) per annum. These are secured against immovable property, personal guarantees and lien over vehicles along with post dated cheques.

| | Note | 2021 ----- (Rupees) ----- | 2020 ----- (Rupees) ----- |
|---------------------------------------|------|------------------------------|------------------------------|
| 8 LONG-TERM LOANS TO EMPLOYEES | | | |
| Loans to Key management personnel | | 615,021 | 922,887 |
| Other employees | | 18,750 | 63,750 |
| | 8.1 | <u>633,771</u> | <u>986,637</u> |
| Less: current maturity | | (231,666) | (472,082) |
| Loans to Key management personnel | | (18,750) | (45,000) |
| Other employees | 10 | (250,416) | (517,082) |
| | | <u>383,355</u> | <u>469,555</u> |

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

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

| Particulars | Opening balance as at January 1, 2021 | Disbursements | Repayments | Closing balance as at December 31, 2021 |
|-------------|---------------------------------------|---------------|------------|---|
| | | | | |
| Employees | 986,637 | 275,040 | 627,906 | 633,771 |

----- Rupees -----

8.3 The maximum aggregate amount due from the employees at the end of any month during the year was Rs. 1.152 million (2020: Rs. 1.027 million).

| | Note | 2021 ----- (Rupees) ----- | 2020 ----- (Rupees) ----- |
|--------------------------|------|------------------------------|------------------------------|
| 9 ACCRUED MARK-UP | | | |
| Mark-up accrued on: | | | |
| - Letters of placement | | - | 51,007 |
| - Finances and loans | | 2,146,837 | 154,902 |
| | | <u>2,146,837</u> | <u>205,909</u> |

10 CURRENT MATURITY OF NON CURRENT ASSETS

| | | | |
|---------------------------------|---|--------------------|--------------------|
| Current maturity of: | | | |
| Net investment in finance lease | 6 | 468,403,701 | 414,324,154 |
| Long term finances and loans | 7 | 239,603,835 | 96,601,699 |
| Long-term loans to employees | 8 | 250,416 | 517,082 |
| | | <u>708,257,952</u> | <u>511,442,935</u> |

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| | | (Rupees) | |
|-----------|---|-------------------|----------------------|
| | | 2021 | 2020 |
| 11 | INVESTMENTS | | |
| | At amortised cost | | |
| | Letters of placement | - | 132,982,190 |
| 11.1 | These have been issued by the Holding Company, carrying mark-up at the rate of Rs. Nil (2020: 7% per annum and are due to mature latest by January 29, 2021). | | |
| | | Note | |
| | | | (Rupees) |
| 12 | PREPAYMENTS AND OTHER RECEIVABLES | | |
| | Prepayments | 450,305 | 247,146 |
| | Other receivables | 25,950 | 38,434 |
| | | <u>476,255</u> | <u>285,580</u> |
| 13 | BANK BALANCES | | |
| | Balances with banks in: | | |
| | Current accounts | 6,713,745 | 10,077,707 |
| | Savings accounts | 47,355,298 | 15,473,775 |
| | | <u>54,069,043</u> | <u>25,551,482</u> |
| 13.1 | These carry mark-up at the rates ranging between 7.25% - 8% per annum (2020: 5% - 6% per annum). | | |
| 14 | CASH AND CASH EQUIVALENTS | | |
| | Cash and cash equivalents included in the statement of cash flows comprise of the following: | | |
| | | Note | |
| | | | (Rupees) |
| | Cash and bank balances | 13 | 54,069,043 |
| | Loan from Holding Company | 18 | 25,551,482 |
| | | | <u>(300,000,000)</u> |
| | | | <u>(245,930,957)</u> |
| | | | <u>25,551,482</u> |
| 15 | ISSUED, SUBSCRIBED AND PAID-UP CAPITAL | | |
| | | | |
| | | Note | |
| | | | (Rupees) |
| | 2021 | | 2021 |
| | 2020 | | 2020 |
| | Number of shares | | |
| | | | |
| | <u>100,000,000</u> | | <u>100,000,000</u> |
| | <u>100,000,000</u> | | <u>100,000,000</u> |
| | ordinary shares of Rs. 10 each | | |
| | fully paid in cash | 15.1 | 1,000,000,000 |
| | | | <u>1,000,000,000</u> |
| 15.1 | As at December 31, 2021, the Holding Company and its nominee directors own 100% (2020: 100%) of the issued, subscribed and paid-up capital of the Company. | | |
| | | Note | |
| | | | (Rupees) |
| 16 | LONG-TERM DEPOSITS | | |
| | Security deposit on finance lease | 16.1 | 370,785,162 |
| | Less: repayable / adjustable within 12 months | | 307,661,171 |
| | | | <u>113,031,984</u> |
| | | | <u>257,753,178</u> |
| | | | <u>211,059,472</u> |
| 16.1 | These represent deposits received from lessees under finance lease contracts which are adjustable at the expiry of the lease period. | | |

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| | | 2021 | 2020 |
|-----------|---|--------------------|-------------------|
| | | (Rupees) | |
| 17 | DEFERRED TAXATION | | |
| | Deferred tax assets arising on deductible temporary differences | | |
| | - Allowance for potential lease and other loan losses | 5,149,455 | 5,243,201 |
| | - Preliminary expenses | - | 684,171 |
| | - Lease liability against right-of-use assets | 1,714,455 | 2,530,500 |
| | - Accelerated tax depreciation and amortisation | 950,822 | 539,105 |
| | | <u>7,814,732</u> | <u>8,996,977</u> |
| | Deferred tax liabilities arising on taxable temporary differences | | |
| | - Right-of-use assets | 1,610,494 | 2,696,544 |
| | - Net investment in finance lease | 4,774,733 | 20,928,116 |
| | | <u>6,385,227</u> | <u>23,624,660</u> |
| | | <u>(1,429,505)</u> | <u>14,627,683</u> |
| 18 | LOAN FROM HOLDING COMPANY | | |
| | Money market facility | <u>300,000,000</u> | <u>-</u> |
| 18.1 | This represents the money market facility extended by the Holding Company, under an agreement entered into with the Company on May 03, 2021 and amended on December 15, 2021, for the purpose of meeting working capital requirements of the Company. | | |
| 18.2 | The facility is secured against first hypothecation charge on the Company's assets including its loan and lease portfolio and all receivables thereto and markup is charged at the rate of KIBOR plus 100 to 150 basis points and are due to mature latest by December 15, 2022. | | |
| 19 | PAYABLE TO HOLDING COMPANY | Note | 2021 |
| | | | 2020 |
| | | | (Rupees) |
| | Rent expense incurred on behalf of the Company | | 57,912 |
| | Other payables | 19.1 | 42,800 |
| | | | <u>2,500,980</u> |
| | | | <u>2,558,892</u> |
| 19.1 | This includes amounts payable in respect of service level agreement, other general and administrative expenses paid by Holding Company on behalf of the Company and advance rentals received from Holding Company. The balance is net of payments made by the Company on behalf of Holding Company. | | <u>2,546,270</u> |
| 20 | ACCRUED EXPENSES AND OTHER LIABILITIES | | |
| | Accrued expenses | | 4,360,978 |
| | Accrued interest on loan from Holding Company | | 4,080,493 |
| | Provision for Provincial Workers' Welfare Fund | | 4,705,566 |
| | Advance tax on purchase of motor vehicles | | 354,861 |
| | Withholding taxes payable | | 4,575 |
| | Advance from customers | | 1,727,325 |
| | Other payables | | 71 |
| | | | <u>84,200</u> |
| | | | <u>15,233,869</u> |
| | | | <u>7,568,254</u> |
| 21 | LEASE LIABILITY AGAINST RIGHT-OF-USE ASSETS | | |
| | Lease liability against right-of-use assets - property | | 5,911,915 |
| | | | 8,725,862 |
| | Present value of minimum lease payments | | 5,911,915 |
| | Less: current portion | | (3,713,851) |
| | | | <u>2,198,064</u> |
| | | | <u>5,616,121</u> |

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22 CONTINGENCIES AND COMMITMENTS

There were no material contingencies and commitments as at December 31, 2021 and December 31, 2020.

| | Note | 2021 | 2020 |
|---|-------------|--------------------|--------------------|
| | | (Rupees) | |
| 23 INCOME FROM LEASING OPERATIONS | | | |
| Lease finance income | | 99,931,320 | 102,981,522 |
| Front-end fee | | 3,031,900 | 845,788 |
| Documentation charges | | 2,163,115 | 926,241 |
| Others | | 4,257,996 | 1,970,000 |
| | | <u>109,384,331</u> | <u>106,723,551</u> |
| 24 ADMINISTRATIVE AND GENERAL EXPENSES | | | |
| Salaries and other allowances | 24.1 & 24.2 | 33,033,367 | 31,716,484 |
| Utilities | | 426,243 | 1,809,857 |
| Insurance | | 611,298 | 758,315 |
| Communication | | 997,254 | 982,700 |
| Legal and professional charges | | 1,622,153 | 1,099,287 |
| Depreciation | 4.1 | 6,968,281 | 4,592,744 |
| Amortisation | 5.1 | 2,727,553 | 2,703,680 |
| Travelling | | 85,460 | 143,462 |
| Auditors' remuneration | 24.3 | 356,528 | 323,433 |
| Vehicle running expenses | | 2,218,120 | 1,625,452 |
| Printing and stationery | | 169,285 | 88,908 |
| Repairs and maintenance | | 448,288 | 515,735 |
| Office general expenses | | 591,211 | 572,789 |
| Directors' fee for attending meetings | | 550,000 | 400,000 |
| | | <u>50,805,041</u> | <u>47,332,846</u> |
| 24.1 Salaries and benefits | | 32,193,526 | 30,843,830 |
| Contribution to defined contribution plan | 24.1.1 | 839,841 | 872,654 |
| | | <u>33,033,367</u> | <u>31,716,484</u> |

24.1.1 Defined contribution plan - provident fund

During the year an amount of Rs. 839,841 (2020: Rs. 872,654) has been charged to the statement of profit or loss in respect of the Company's contributions to the employees provident fund.

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

24.2 These include Rs. 8.248 million (2020: Rs. 8.602 million) allocated to the Company in respect of employees of finance, internal audit, research, credit risk management and other departments of Holding Company utilised by the Company under the Service Level Agreement entered into between the two entities.

| | 2021 | 2020 |
|------------------------------------|----------------|----------------|
| | (Rupees) | |
| 24.3 Auditors' remuneration | | |
| Annual audit fee | 199,650 | 181,500 |
| Half yearly review fee | 99,825 | 90,750 |
| Sales tax on audit fee | 27,105 | 23,958 |
| Out of pocket expenses | 29,948 | 27,225 |
| | <u>356,528</u> | <u>323,433</u> |

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| | Note | 2021 ----- (Rupees) ----- | 2020 ----- (Rupees) ----- |
|---|---|------------------------------|------------------------------|
| 25 FINANCE COST | | | |
| Finance cost on loan from Holding Company | | 5,849,195 | - |
| Finance cost on lease liability against right-of-use assets | | 711,420 | 191,817 |
| Others | | 134,458 | 141,677 |
| | | <u>6,695,073</u> | <u>333,494</u> |
| 26 OTHER INCOME | | | |
| Profit on bank balances | | 2,203,732 | 1,420,227 |
| Income on letters of placement issued by the Holding Company | | 1,815,174 | 24,316,458 |
| Rental income | | 556,411 | 242,000 |
| Other | 26.1 | 911,757 | - |
| | | <u>5,487,074</u> | <u>25,978,685</u> |
| 26.1 | This primarily includes management fee in respect of leases transferred to the Holding Company. | | |
| 27 REVERSAL OF ALLOWANCE AGAINST / (ALLOWANCE FOR) POTENTIAL LEASE AND OTHER LOAN LOSSES | | | |
| | | 2021 | |
| | | Finance leases | Finances and loans |
| | | Total | |
| | | Rupees | |
| Balance at beginning of the year | | 14,815,887 | 3,264,115 |
| Provision made during the year | | - | 1,121,141 |
| Reversal made during the year | | (1,444,400) | - |
| | | (1,444,400) | 1,121,141 |
| Write-offs | | - | - |
| Balance at the end of the year | | <u>13,371,487</u> | <u>4,385,256</u> |
| | | 2020 | |
| | | Finance leases | Finances and loans |
| | | Total | |
| | | Rupees | |
| Balance at beginning of the year | | 9,022,024 | 1,009,813 |
| Provision made during the year | | 5,793,863 | 2,254,302 |
| Reversal made during the year | | - | - |
| | | 5,793,863 | 2,254,302 |
| Write-offs | | - | - |
| Balance at the end of the year | | <u>14,815,887</u> | <u>3,264,115</u> |
| 28 TAXATION | | | |
| Current | | 43,389,725 | 27,770,714 |
| Prior year charge | | 84,359 | - |
| Deferred | | (16,057,188) | (37,502) |
| | 28.1 & 28.2 | <u>27,416,896</u> | <u>27,733,212</u> |

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28.1 Reconciliation between tax expense and accounting profit for the current year is as follows:

| | 2021 --- (Rupees) --- | 2021 --- (Rupees) --- |
|------------------------------|--------------------------|--------------------------|
| Accounting profit before tax | 96,873,998 | 94,295,239 |
| Tax rate | 29% | 29% |
| Tax on accounting profit | 28,093,459 | 27,345,619 |
| Tax effect of: | | |
| Permanent differences | - | - |
| Prior year charge | 84,359 | - |
| Others | (760,922) | 387,593 |
| | <u>27,416,896</u> | <u>27,733,212</u> |

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

29 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:

| | 2021 | | | Total |
|--------------------------------------|---------------------------|----------------|---------------|-------------------|
| | Chief Executive Officer * | Directors | Executives ** | |
| | Rupees | | | |
| Managerial remuneration | 4,397,250 | - | - | 4,397,250 |
| Other allowances | 3,597,750 | - | - | 3,597,750 |
| Bonus and incentives | 2,464,594 | - | - | 2,464,594 |
| Fee for attending Board meetings *** | - | 550,000 | - | 550,000 |
| | <u>10,459,594</u> | <u>550,000</u> | <u>-</u> | <u>11,009,594</u> |
| Number of persons | <u>1</u> | <u>5</u> | <u>-</u> | <u>6</u> |

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

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

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

*** This represents fee paid to two independent directors.

30 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprises of Holding Company, directors and key management personnel of the Company, entities under common control (including provident fund) and other group companies.

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

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2021 2020
----- (Rupees) -----

30.1 Transactions with related parties during the year

Holding Company

| | | |
|--|-------------|---------------|
| Salaries and allowances incurred on behalf of the Company | 8,248,500 | 8,602,209 |
| Rent and maintenance expense incurred on behalf of Company | 953,528 | 2,527,819 |
| Expenses paid by the Company on behalf of Holding Company | 1,513,322 | 1,081,450 |
| Investments encashed during the year | 356,322,705 | 1,690,428,301 |
| Investments purchased by the Company | 223,340,515 | 1,563,410,491 |
| Mark-up received on Letters of placements | 1,866,181 | 24,447,094 |
| Dividend paid by the Company | 60,000,000 | 55,000,000 |
| Payment made against intra company balance with Holding Company | 8,754,293 | 10,074,918 |
| Lease and Finances and Loans transferred to the Holding Company | 221,666,176 | - |
| Payment received against transferred Lease and Finances and Loans | 221,666,176 | - |
| Financing obtained by the Company | 565,000,000 | - |
| Repayment of financing by the Company | 265,000,000 | - |
| Finance cost paid on financing | 1,768,702 | - |
| Rental income | 558,411 | 242,000 |
| Finance cost incurred on the financing obtained from the Holding Company | 5,849,195 | - |

Directors and key management personnel

| | | |
|--|------------|------------|
| Remuneration of Chief Executive Officer | 10,459,594 | 10,204,305 |
| Proceeds from disposal of fixed asset to CEO | 50,000 | - |
| Gain from disposal of fixed asset to CEO | 50,000 | - |
| Fee for attending board meetings * | 550,000 | 400,000 |

Primus Leasing Limited staff provident fund

| | | |
|-------------------------------------|-----------|-----------|
| Charge in respect of Provident Fund | 839,841 | 872,654 |
| Contribution to Provident Fund | 1,679,682 | 1,745,308 |

30.2 Balances with related parties as at year end

| | | |
|--|-------------|-----------|
| Payable to Holding Company | 2,558,892 | 2,589,070 |
| Accrued Mark up on loan from Holding Company | 4,080,493 | - |
| Loan outstanding from Holding Company | 300,000,000 | - |

*These directors hold one nominee share each

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

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

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

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| | 2021 ----- (Rupees) ----- | 2020 ----- (Rupees) ----- |
|--|------------------------------|------------------------------|
| 31 EARNINGS PER SHARE- BASIC AND DILUTED | | |
| Profit for the year after taxation | <u>69,457,102</u> | <u>66,562,027</u> |
| | ----- (No. of Shares) ----- | |
| Weighted average number of ordinary shares | <u>100,000,000</u> | <u>100,000,000</u> |
| | ----- (Rupees) ----- | |
| Earnings per share - basic and diluted | <u>0.69</u> | <u>0.67</u> |
| 32 STAFF STRENGTH | Number of staff | |
| Total number of employees at the end of the year | <u>11</u> | <u>10</u> |
| Average number of employees during the year | <u>10</u> | <u>10</u> |

33 FINANCIAL INSTRUMENTS BY CATEGORY

| Particulars | ----- 2021 ----- | | |
|---------------------------------|--|----------------------|----------------------|
| | At fair value through profit or loss | Amortised cost | Total |
| | ----- Rupees ----- | | |
| Financial assets | | | |
| Net investment in finance lease | - | 1,171,655,464 | 1,171,655,464 |
| Finances and loans | - | 498,214,886 | 498,214,886 |
| Loans to employees | - | 633,771 | 633,771 |
| Long-term deposits | - | 675,000 | 675,000 |
| Accrued mark-up | - | 2,148,837 | 2,148,837 |
| Bank balances | - | 54,069,043 | 54,069,043 |
| | ----- | <u>1,727,394,801</u> | <u>1,727,394,801</u> |

| Particulars | ----- 2021 ----- | | |
|---|--|--------------------|--------------------|
| | At fair value through profit or loss | Amortised cost | Total |
| | ----- Rupees ----- | | |
| Financial liabilities | | | |
| Payable to Holding Company | - | 2,558,892 | 2,558,892 |
| Lease liability against right-of-use assets | - | 5,911,915 | 5,911,915 |
| Loan from Holding Company | - | 300,000,000 | 300,000,000 |
| Accrued expenses and other liabilities | - | 8,441,542 | 8,441,542 |
| | ----- | <u>316,912,349</u> | <u>316,912,349</u> |

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

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

34 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.

34.1 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.

34.1.1 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.

34.1.2 Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's floating interest rates financial assets. Financial instruments include balances of Rs. 1.411 billion (2020: 1.327 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, 2021 would have been higher / lower by Rs. 16.695 million (2020: Rs. 11.872 million).

b) Sensitivity analysis for fixed rate financial instruments

As at December 31, 2021, 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.

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

| Effective yield / Interest rate % | 2021 | | | | | Not exposed to yield / interest rate risk | Total |
|---|---------------------------------------|-----------------------------------|-------------------------------------|--------------------------------|-----------------|--|-------|
| | Exposed to yield / interest rate risk | | | | | | |
| | Upto one month | Over one month to three months | Over three months to one year | Over one year to five years | Over five years | | |

Rupees

On-balance sheet financial instruments

Financial assets

| | | | | | | | | |
|---------------------------------|------------------|--------------------|-------------------|--------------------|--------------------|----------|-------------------|----------------------|
| Net investment in finance lease | 11.57% to 21% | 31,007,689 | 48,972,450 | 383,031,356 | 706,643,969 | - | - | 1,171,655,464 |
| Finances and loans | 10.56% to 19.90% | 39,910,709 | 20,900,879 | 178,792,247 | 258,610,851 | - | - | 498,214,686 |
| Loans to employees | - | - | - | - | - | - | 633,771 | 633,771 |
| Long-term deposits | - | - | - | - | - | - | 675,000 | 675,000 |
| Accrued mark-up | - | - | - | - | - | - | 2,146,837 | 2,146,837 |
| Bank balances | 7.25% to 8% | 47,355,298 | - | - | - | - | 6,713,745 | 54,069,043 |
| Total | | 118,273,696 | 69,873,329 | 561,823,603 | 967,254,820 | - | 10,169,353 | 1,727,394,801 |

Financial liabilities

| | | | | | | | | |
|---|-----------------|--------------------|-------------------|------------------|------------------|----------|-------------------|--------------------|
| Payable to Holding Company | | - | - | - | - | - | 2,558,892 | 2,558,892 |
| Lease liability against right-of-use assets | | 37,390 | 1,373,953 | 2,302,508 | 2,198,064 | - | - | 5,911,915 |
| Loan from Holding Company | 9.86% to 11.59% | 225,000,000 | 75,000,000 | - | - | - | - | 300,000,000 |
| Accrued expenses and other liabilities | | - | - | - | - | - | 8,441,542 | 8,441,542 |
| | | 225,037,390 | 76,373,953 | 2,302,508 | 2,198,064 | - | 11,000,434 | 316,912,349 |

On-balance sheet gap (a)

| | | | | | | | | |
|--|--|----------------------|--------------------|--------------------|--------------------|----------|------------------|----------------------|
| | | (106,763,694) | (6,500,624) | 559,521,095 | 965,056,756 | - | (831,081) | 1,410,482,452 |
|--|--|----------------------|--------------------|--------------------|--------------------|----------|------------------|----------------------|

Off-balance sheet financial instruments

| | | | | | | | | |
|--|--|---|---|---|---|---|---|---|
| | | - | - | - | - | - | - | - |
|--|--|---|---|---|---|---|---|---|

Off-balance sheet gap (b)

| | | | | | | | | |
|--|--|---|---|---|---|---|---|---|
| | | - | - | - | - | - | - | - |
|--|--|---|---|---|---|---|---|---|

Total interest rate sensitivity gap (a+b)

| | | | | | | | | |
|--|--|----------------------|--------------------|--------------------|--------------------|----------|----------|----------|
| | | (106,763,694) | (6,500,624) | 559,521,095 | 965,056,756 | - | - | - |
|--|--|----------------------|--------------------|--------------------|--------------------|----------|----------|----------|

Cumulative interest rate sensitivity gap

| | | | | | | | | |
|--|--|----------------------|----------------------|--------------------|----------------------|----------------------|----------|----------|
| | | (106,763,694) | (113,264,318) | 446,256,777 | 1,411,313,533 | 1,411,313,533 | - | - |
|--|--|----------------------|----------------------|--------------------|----------------------|----------------------|----------|----------|

| Effective yield / Interest rate % | 2020 | | | | | Not exposed to yield / interest rate risk | Total |
|---|---------------------------------------|-----------------------------------|-------------------------------------|--------------------------------|-----------------|--|-------|
| | Exposed to yield / interest rate risk | | | | | | |
| | Upto one month | Over one month to three months | Over three months to one year | Over one year to five years | Over five years | | |

Rupees

On-balance sheet financial instruments

Financial assets

| | | | | | | | | |
|---------------------------------|------------------|--------------------|-------------------|--------------------|--------------------|----------|-------------------|----------------------|
| Net investment in finance lease | 10.56% to 21% | 31,007,689 | 48,972,450 | 334,344,015 | 558,585,765 | - | - | 972,909,919 |
| Finances and loans | 10.56% to 19.90% | 39,910,709 | 20,900,879 | 35,790,111 | 117,430,625 | - | - | 214,343,538 |
| Loans to employees | - | - | - | - | - | - | 986,637 | 986,637 |
| Long-term deposits | - | - | - | - | - | - | 675,000 | 675,000 |
| Accrued mark-up | - | - | - | - | - | - | 205,909 | 205,909 |
| Investments | 7.00% | 132,982,190 | - | - | - | - | - | 132,982,190 |
| Bank balances | 5.0% to 6.0% | 15,473,775 | - | - | - | - | 10,077,707 | 25,551,482 |
| Total | | 219,374,363 | 69,873,329 | 370,134,126 | 676,016,390 | - | 11,945,253 | 1,347,654,675 |

Financial liabilities

| | | | | | | | | |
|---|--|---------------|------------------|------------------|------------------|----------|------------------|-------------------|
| Payable to Holding Company | | - | - | - | - | - | 2,589,070 | 2,589,070 |
| Lease liability against right-of-use assets | | 37,390 | 1,373,953 | 1,698,398 | 5,616,121 | - | - | 8,725,862 |
| Accrued expenses and other liabilities | | - | - | - | - | - | 4,471,841 | 4,471,841 |
| | | 37,390 | 1,373,953 | 1,698,398 | 5,616,121 | - | 7,060,911 | 15,786,773 |

On-balance sheet gap (a)

| | | | | | | | | |
|--|--|--------------------|-------------------|--------------------|--------------------|----------|------------------|----------------------|
| | | 219,336,973 | 68,499,376 | 368,435,728 | 670,400,269 | - | 4,884,342 | 1,331,867,902 |
|--|--|--------------------|-------------------|--------------------|--------------------|----------|------------------|----------------------|

Off-balance sheet financial instruments

| | | | | | | | | |
|--|--|---|---|---|---|---|---|---|
| | | - | - | - | - | - | - | - |
|--|--|---|---|---|---|---|---|---|

Off-balance sheet gap (b)

| | | | | | | | | |
|--|--|---|---|---|---|---|---|---|
| | | - | - | - | - | - | - | - |
|--|--|---|---|---|---|---|---|---|

Total interest rate sensitivity gap (a+b)

| | | | | | | | | |
|--|--|--------------------|-------------------|--------------------|--------------------|----------|----------|----------|
| | | 219,336,973 | 68,499,376 | 368,435,728 | 670,400,269 | - | - | - |
|--|--|--------------------|-------------------|--------------------|--------------------|----------|----------|----------|

Cumulative interest rate sensitivity gap

| | | | | | | | | |
|--|--|--------------------|--------------------|--------------------|----------------------|----------------------|----------|----------|
| | | 219,336,973 | 287,836,349 | 656,272,077 | 1,326,672,346 | 1,326,672,346 | - | - |
|--|--|--------------------|--------------------|--------------------|----------------------|----------------------|----------|----------|

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34.1.3 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.

34.2 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, 2021, the assets which were subject to credit risk amounted to Rs. 1.727 billion (2020: Rs 1.348 billion). The maximum exposure to credit risk at the reporting date is the carrying amount of these financial assets.

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 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, 2021 ----Rupees---- |
|------------------------|------------------|-------------------|---------------|---|
| Bank balances | | | | |
| Bank Alfalah Limited | AA+ | A-1+ | PACRA | 2,297,686 |
| United Bank Limited | AAA | A-1+ | VIS | 51,761,377 |
| State Bank of Pakistan | Unrated | Unrated | - | 10,000 |

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

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

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

Net investment in finance lease

| Days past due | Gross Carrying amount |
|---------------|-----------------------|
| Not yet due | 995,369,755 |
| 1-29 days | 117,522,115 |
| 30-60 days | 19,765,752 |
| 61-90 days | 7,105,437 |
| above 90 days | 45,263,892 |

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Finances and loans

| Obligor risk ratings | Gross carrying amount |
|----------------------|-----------------------|
| 2 | 2,345,129 |
| 3 | 335,944,479 |
| 4 | 158,320,085 |
| 5 | 5,990,249 |

34.3 Liquidity risk

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

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

| | 2021 | | | | |
|---|--------------------|------------------------|--------------------|--|--------------------|
| | Carrying amount | Contractual cash flows | Upto three months | More than three months and upto one year | More than one year |
| | Rupees | | | | |
| Payable to Holding Company | 2,558,892 | 2,558,892 | 2,558,892 | - | - |
| Lease liability against right-of-use assets | 5,911,915 | 6,302,808 | 367,382 | 3,582,397 | 2,353,029 |
| Loan from Holding Company | 300,000,000 | 307,613,630 | 307,613,630 | - | - |
| Accrued expenses and other liabilities | 8,441,542 | 8,441,542 | 8,441,542 | - | - |
| | <u>316,912,349</u> | <u>324,916,872</u> | <u>318,981,446</u> | <u>3,582,397</u> | <u>2,353,029</u> |
| | 2020 | | | | |
| | Carrying amount | Contractual cash flows | Upto three months | More than three months and upto one year | More than one year |
| | Rupees | | | | |
| Payable to Holding Company | 2,589,070 | 2,589,070 | 2,589,070 | - | - |
| Lease liability against right-of-use assets | 8,725,862 | 8,725,862 | 1,411,343 | 1,698,398 | 5,616,121 |
| Accrued expenses and other liabilities | 4,471,841 | 4,471,841 | 4,471,841 | - | - |
| | <u>15,786,773</u> | <u>15,786,773</u> | <u>8,472,254</u> | <u>1,698,398</u> | <u>5,616,121</u> |

35 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 and borrowing from the Holding Company.

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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36 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

Fair value hierarchy

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

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

As at December 31, 2021, the Company does not hold any financial asset at fair value.

37 CORRESPONDING FIGURES

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

38 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 23 FEB 2022 by the Board of Directors of the Company.

39 GENERAL

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

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CHIEF EXECUTIVE OFFICER



DIRECTOR