Primus Leasing Limited

Financial Statements for the year ended December 31, 2023

Directors' Report

The Board of Directors of Primus Leasing Limited (PLL) is pleased to present the sixth annual report together with Audited Financial Statements for the year ended December 31, 2023. The economic conditions continued to remain constrained throughout the year, nevertheless, we are delighted to report that PLL demonstrated resilience, adaptability, and better performance in these trying times. During the last couple of years, the country faced numerous difficult situations due to which the country's reported economic activity decelerated to 0.3% by the end of FY 2023. The start of FY 2024 has been promising, however, we remain cautiously optimistic as the path to recovery is expected to be gradual.

Despite a weak financial/ political environment, PLL has showcased commendable financial performance, surpassing the performance of the previous year. The company recorded a substantial increase in revenue, with a growth of 65% compared to the previous year. This growth is a testament to our business model and effective risk management strategies. Profitability has also improved, reflecting the management's commitment to operational best practices and cost efficiency. The net profit for the year ending December 31, 2023, increased by 48% compared to the preceding year, underscoring PLL's ability to navigate through adverse economic conditions, hitherto. Correspondingly the EPS improved by PKR 0.61/-.

The Company's performance for the year 2023 is summarized below:

(Figures in Rs.)

	2023/12	2022/12
Total revenues	512,411,291	311,010,312
Profit before taxation	233,611,807	162,473,847
Taxation	46,466,608	36,281,527
Profit for the period after taxation	187,145,199	126,192,320
Earnings per share	1.87	1.26

In the prevailing economic situation, the management continued to strengthen its position in the market following cautious approach. Our leasing portfolio expanded, and we successfully diversified our offerings to meet the evolving needs of our clients. The Company's commitment to innovation and customer satisfaction has resulted in a higher market share and enhanced brand equity.

Our effective risk management framework ensures a healthy balance between risk and performance of the portfolio. We maintained a prudent approach to credit underwriting, resulting in a lower non-performing assets ratio, well below 1%, compared to the industry standards.

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 the portfolio performing and be reasonably prudent in future lending. The Company maintains sufficient provision reserve to safeguard against any possible future adverse situation in any overdue accounts.

Looking ahead, PLL remains optimistic about the future. The management will continue to leverage technological advancements, enhance its product offerings, and cautiously improve penetration in the existing markets and increase geographic outreach, which will be the key focus of the Company for CY 2024. Our commitment to maintaining corporate governance standards and transparency will remain unwavering.

As we advance and achieve growth, our primary objective remains centred on catalysing commercial and industrial endeavours, fostering financial prosperity for those in the SME sector. Our performance this year reflects our commitment as a leasing company. We will persist in enhancing our specialized knowledge in the SME sector and in fortifying our standing in the financial sector.

In conclusion, the Board of Directors expresses its gratitude to the support of regulators, in addition to our shareholders, clients, employees, and other stakeholders for their unwavering support.

On Behalf of the Board,

Chief Executive Officer
February 23, 2024

Director

YOUSUF ADIL

Yousuf Adil
Chartered Accountants

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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, 2023**, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, along with notes to the financial statements, including a summary of material accounting policy information 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, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2023 and of the profit, the comprehensive income the changes in equity and its cash flow 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 Director's report for the year ended December 31, 2023, 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 will not express any form of assurance 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 be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regards.

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 accounting and reporting standards as applicable in Pakistan, 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.

The Board of Directors is 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.

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

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).

Other matter

The annual financial statements of the Company for the year ended December 31, 2022 was audited by another firm of Chartered Accountants who through their report dated March 24, 2023 expressed an unqualified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is **Hena Sadiq**.

Yousuf Adil
Chartered Accountants

Place: Karachi
Date: March 01, 2024
UDIN: AR202310057prKv9gbaU

PRIMUS LEASING LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

2023 (US Dollars)	2022 (US Dollars)		Note	2023 (Rupees)	2022 (Rupees)
		ASSETS			
		Non-current assets			
55,262	13,290	Property and equipment	4	15,569,448	3,744,417
988	1,391	Intangible assets	5	278,363	392,026
4,191,702	4,581,450	Net investment in finance lease	6	1,180,972,109	1,290,779,984
1,427,714	1,108,307	Long term finances and loans	7	402,244,892	312,254,910
14,409	29,826	Long-term loans to employees	8	4,059,696	8,403,116
2,431	2,431	Long-term deposits		685,000	685,000
124,601	-	Deferred taxation		35,105,039	-
5,817,107	5,736,695			1,638,914,547	1,616,259,453
		Current assets			
40,558	18,627	Accrued mark-up	9	11,426,921	5,247,901
4,060,437	3,070,703	Current maturity of non current assets	10	1,143,989,612	865,141,352
-	29,389	Taxation - net		-	8,280,179
4,542	1,755	Prepayments and other receivables	11	1,279,794	494,295
323,237	943,529	Bank balances	12	91,068,848	265,830,285
4,428,774	4,064,003			1,247,765,175	1,144,994,012
10,245,881	9,800,698	**Total assets**		2,886,679,722	2,761,253,465
		EQUITY AND LIABILITIES			
		Share capital and reserves			
		Authorised share capital			
3,549,365	3,549,365	100,000,000 (2022: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
3,549,365	3,549,365	Issued, subscribed and paid-up capital	14	1,000,000,000	1,000,000,000
449,410	211,087	Reserve		126,616,975	59,471,776
3,998,775	3,760,452	**Total equity**		1,126,616,975	1,059,471,776
		Non-current liabilities			
1,749,196	1,811,362	Long-term deposits	15	492,819,353	510,334,062
638,886	1,325,096	Long-term borrowing	16	180,000,000	373,333,330
15,902	2,043	Lease liability against right-of-use assets	22	4,480,313	575,639
-	25,814	Deferred taxation	17	-	7,272,942
40,389	-	Retirement benefit obligation	18	11,379,122	-
2,444,373	3,164,315			688,678,788	891,515,973
		Current liabilities			
679,288	349,982	Current maturity of long term deposits	15	191,383,000	98,604,000
2,129,619	1,685,949	Loan from Holding Company	19	600,000,000	475,000,000
26,503	14,709	Payable to Holding Company	20	7,466,936	4,144,009
190,081	132,739	Accrued expenses and other liabilities	21	53,553,527	37,397,857
686,211	686,211	Current portion of long-term borrowing	16	193,333,338	193,333,338
8,101	6,341	Current portion of lease liability against right-of-use assets	22	2,282,375	1,786,512
82,930	-	Taxation - net		23,364,783	-
3,802,733	2,875,931			1,071,383,959	810,265,716
6,247,106	6,040,246	**Total liabilities**		1,760,062,747	1,701,781,689
10,245,881	9,800,698	**Total equity and liabilities**		2,886,679,722	2,761,253,465
		CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PRIMUS LEASING LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023

2023 (US Dollars)	2022 (US Dollars)		Note	2023 (Rupees)	2022 (Rupees)
		INCOME			
1,206,488	718,244	Income from leasing operations	24	**339,916,650**	202,358,336
554,821	361,077	Income from finances and loans		**156,315,606**	101,729,920
1,761,309	1,079,321			**496,232,256**	304,088,256
		EXPENSES			
288,625	201,110	Administrative and general expenses	25	**81,317,309**	56,660,943
19,578	11,754	Provision for Provincial Workers Welfare Fund		**5,515,998**	3,311,557
681,358	311,619	Finance cost	26	**191,966,177**	87,795,944
(989,561)	(524,483)			**(278,799,484)**	(147,768,444)
57,425	24,569	Other income	27	**16,179,035**	6,922,056
829,173	579,407	**Profit for the year before provision and taxation**		**233,611,807**	163,241,868
-	(2,726)	Charge of allowance against expected credit losses - net	28	-	(768,021)
829,173	576,681	**Profit for the year before taxation**		**233,611,807**	162,473,847
(164,927)	(128,776)	Taxation	29	**(46,466,608)**	(36,281,527)
664,246	447,905	**Profit for the year after taxation**		**187,145,199**	126,192,320
		Earnings per share	32	**1.87**	1.26

The annexed notes 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PRIMUS LEASING LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

2023	2022		2023	2022
(US Dollars)			(Rupees)	
664,246	447,905	**Profit for the year after taxation**	**187,145,199**	126,192,320
-	-	Other comprehensive income	-	-
664,246	447,905	**Total comprehensive income for the year**	**187,145,199**	126,192,320

The annexed notes 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PRIMUS LEASING LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Issued, subscribed and paid-up capital	Revenue reserve Unappropriated profit	Total
		(Rupees)	
Balance as at January 1, 2022	1,000,000,000	33,279,456	1,033,279,456
Total comprehensive income for the year ended December 31, 2022			
Profit for the year after taxation	-	126,192,320	126,192,320
Other comprehensive income	-	-	-
	-	126,192,320	126,192,320
Transactions with owners directly recorded in equity			
Interim cash dividend @ Re. 1.00 per share for the year ended December 31, 2022	-	(100,000,000)	(100,000,000)
Balance as at December 31, 2022	**1,000,000,000**	**59,471,776**	**1,059,471,776**
Total comprehensive income for the year ended December 31, 2023			
Profit for the year after taxation	-	187,145,199	187,145,199
Other comprehensive income	-	-	-
	-	187,145,199	187,145,199
Transactions with owners directly recorded in equity			
Interim cash dividend @ Re. 1.20 per share for the year ended December 31, 2023	-	(120,000,000)	(120,000,000)
Balance as at December 31, 2023	**1,000,000,000**	**126,616,975**	**1,126,616,975**

The annexed notes 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

PRIMUS LEASING LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

2023	2022		Note	2023	2022
(US Dollars)				(Rupees)	
		CASH FLOWS FROM OPERATING ACTIVITIES			
829,173	576,681	Profit for the year before taxation		233,611,807	162,473,847
		Adjustments for non-cash and other items:			
15,288	19,209	Depreciation	25	4,307,224	5,412,069
1,266	1,088	Amortisation	25	356,455	306,575
2,032	522	Finance cost on lease liability against right-of-use assets		572,369	147,091
(554,821)	(361,077)	Income from finances and loans		(156,315,606)	(101,729,920)
-	2,727	Provision for expected credit losses	28	-	768,021
40,389	-	Provision for retirement benefit obligation - gratuity	18	11,379,122	-
333,327	239,150			93,911,371	67,377,683
		Increase in assets			
(135,124)	(2,571,593)	Net investment in finance lease		(38,069,872)	(724,521,770)
(768,853)	(289,105)	Long-term finances, loans and loans to employees		(216,617,075)	(81,452,559)
(2,788)	(100)	Prepayments and other receivables		(785,499)	(28,040)
(906,765)	(2,860,798)			(255,472,446)	(806,002,369)
		Increase in liabilities			
267,140	845,292	Security deposits		75,264,291	238,152,900
11,794	5,626	Payable to Holding Company		3,322,927	1,585,117
679,084	340,971	Accrued expenses and other liabilities		191,325,546	96,065,320
958,018	1,191,889			269,912,764	335,803,337
384,580	(1,429,759)			108,351,689	(402,821,349)
(203,022)	(168,356)	Income tax paid		(57,199,627)	(47,432,606)
181,558	(1,598,115)	**Net cash generated / (used in) operating activities**		51,152,062	(450,253,955)
		CASH FLOWS FROM INVESTING ACTIVITIES			
(59,221)	(1,788)	Fixed capital expenditure incurred		(16,684,847)	(503,666)
1,100	-	Proceeds against sale of fixed asset		309,800	-
532,890	350,070	Profit received on letters of placement and finance and loans		150,136,586	98,628,856
474,769	348,282	**Net cash generated from investing activities**		133,761,539	98,125,190
		CASH FLOWS FROM FINANCING ACTIVITIES			
(686,211)	2,011,307	Long term borrowing obtained		(193,333,330)	566,666,668
(621,742)	(262,303)	Finance cost paid		(175,169,877)	(73,901,333)
(425,924)	(354,937)	Dividend paid		(120,000,000)	(100,000,000)
13,588	(13,755)	Repayment of lease liability against right-of-use assets		3,828,168	(3,875,328)
(1,720,289)	1,380,312	**Net cash (used in) / generated from financing activities**		(484,675,039)	388,890,007
(1,063,962)	130,479	**Net increase / (decrease) in cash and cash equivalents**		(299,761,437)	36,761,242
(742,420)	(872,899)	Cash and cash equivalents at the beginning of the year		(209,169,715)	(245,930,957)
(1,806,382)	(742,420)	**Cash and cash equivalents at the end of the year**	13	(508,931,152)	(209,169,715)

The annexed notes 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

1.3 The VIS Credit Rating Agency has assigned a long-term rating of A+ and a short-term rating of A-1 to the Company on October 31, 2023.

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, except for retirement benefit obligation.

2.3 Amendments to IFRS that are effective for the year ended December 31, 2023

The following amendments are effective for the year ended December 31, 2023. These amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures and amendment in disclosure of 'material', rather than 'significant',accounting policies:

- Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies

- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates

- Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.

- Amendments to IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules

2.4 Standard and amendments to IFRS that are not yet effective

The following standard and amendments are effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from Accounting period beginning on or after
- Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
- Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with Convents along with Classification of liabilities as current or non-current	January 01, 2024
- Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements	January 01, 2024
- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Clarification on how entity accounts when there is long term lack of Exchangeability	January 01, 2025
- IFRS 17 – Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)	January 01, 2026

Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

Standard	IASB effective date (annual periods beginning on or after)
- IFRS 1 – First Time Adoption of International Financial Reporting Standards	01 July 2009

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 life of property and equipment (notes 3.2 and 4);

iii) contingencies (note 3.8);

iv) provision for taxation (notes 3.12, 17 and 29); and

v) Lease liability and right-of-use assets (notes 3.2.2, 4 and 22).

vi) retirement benefit obligation (notes 3.10).

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 Pakistan 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 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. 281.74 (Rs: 226.36 December 31 2022) to US Dollars has been used as it was the prevalent rate as on December 31, 2023.

3 Material accounting policy information

The material accounting policies applied in the preparation of these financial statements are set out below.In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves.

3.1 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 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.

Classification and subsequent measurement of debt instruments depend on:

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

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

a) At amortised cost:

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

The Company applies IFRS 9 simplified approach for lease and loan losses respectively to determine Expected Credit Losses (ECL). The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A lifetime ECL is recorded on loans and leases in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and on loans and leases which are credit impaired as on 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 and leases as at the reporting date with the risk of default as at the date of initial recognition. 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.

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.

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.

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

3.6 Interest free / below market rate loans to employees

Initial recognition

The company recognize interest free/ below market rate loan to employee at its fair value by discounting the future loan repayments using the rate that the employee would pay to an unrelated lender for a loan with similar conditions and accordingly charging differential to the statement of profit & loss between nominal value and fair value of loan.

Subsequent measurement

The company calculates and recognizes imputed interest on these loans. Imputed interest represents the forgone interest that employees would have paid if they had borrowed funds from external sources at prevailing market rates. The difference between the actual interest charged, if any and the imputed interest is recognised as interest income by the Company over the term of the loan.

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 Contingencies

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

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

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 either made or due by the Company are recognised as employee benefit expense.

3.10.2 Defined benefit plan

The Company operates unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of three years of service under the scheme. The scheme contributions therein are made in accordance with the actuarial recommendations. The valuation in this regard is carried out at each reporting date, using the "Projected Unit Credit Method" in accordance with the actuarial recommendations for the valuation of the scheme. Actuarial valuations are conducted annually and the latest valuation was conducted at the reporting date. Service costs are recognised in statement of profit and loss in the period in which they occur.

Net mark up on net defined benefit liability is also recognised in statement of profit and loss. Effect of remeasurement comprising actuarial gain / (loss) is recognised in other comprehensive income. Amount recognised in the statement of financial position represents the present value of defined benefit obligation

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.

- Capital gains / (losses) 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 tax charge as calculated above is compared with turnover tax under Section 113 and Alternate Corporate Tax under Section 113C of the Income Tax Ordinance, 2001, and whichever is higher is provided for in the financial statements. 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 liability method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

3.13 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.

4 PROPERTY AND EQUIPMENT

	Note	2023	2022
		(Rupees)	
Operating fixed assets	4.1	15,569,448	3,744,417

4.1 Operating fixed assets

2023

Description	Cost				Accumulated depreciation				Net book value	Depreciation rate (% per annum)
	As at January 1, 2023	Additions / modification during the year	Disposals during the year	As at December 31, 2023	As at January 1, 2023	Charge for the year / (reversal on disposal)	Disposals during the year	As at December 31, 2023	As at December 31, 2023	
	Rupees									
Leasehold improvements	4,732,035	-	-	4,732,035	4,662,036	20,004	-	4,682,040	49,995	20%
Furniture, fittings and office equipment	4,305,164	117,000	-	4,422,164	4,047,389	165,469	-	4,212,858	209,306	20%
Computers and accessories	2,491,026	27,500	-	2,518,526	2,124,269	197,023	-	2,321,292	197,234	33%
Motor vehicles	4,585,500	8,959,000	(3,098,000)	10,446,500	3,993,725	1,425,417	(2,788,200)	2,630,942	7,815,558	25%
Right-of-use assets	10,468,692	7,338,555	-	17,807,247	8,010,581	2,499,311	-	10,509,892	7,297,355	33.33%-36.36%
	26,582,417	16,442,055	(3,098,000)	39,926,472	22,838,000	4,307,224	(2,788,200)	24,357,024	15,569,448	

2022

Description	Cost				Accumulated depreciation				Net book value	Depreciation rate (% per annum)
	As at January 1, 2022	Additions / modification during the year	Disposals during the year	As at December 31, 2022	As at January 1, 2022	Charge for the year / (reversal on disposal)	Disposals during the year	As at December 31, 2022	As at December 31, 2022	
	Rupees									
Leasehold improvements	4,732,035	-	-	4,732,035	3,715,632	946,404	-	4,662,036	69,999	20%
Furniture, fittings and office equipment	4,305,164	-	-	4,305,164	3,194,203	853,186	-	4,047,389	257,775	20%
Computers and accessories	2,270,968	272,895	(52,837)	2,491,026	1,974,022	203,084	(52,837)	2,124,269	366,757	33%
Motor vehicles	4,502,000	83,500	-	4,585,500	2,988,987	1,004,738	-	3,993,725	591,775	25%
Right-of-use assets	11,159,351	(690,659)	-	10,468,692	5,605,924	2,404,657	-	8,010,581	2,458,111	33.33%-36.36%
	26,969,518	(334,264)	(52,837)	26,582,417	17,478,768	5,412,069	(52,837)	22,838,000	3,744,417	

4.2 The cost of fully depreciated fixed assets which are still in the Company's use as at December 31, 2023 amounted to Rs 10.531 million (2022: Rs. 8.509 million).

	Note	2023	2022
		(Rupees)	
5 INTANGIBLE ASSETS			
Computer software and license	5.1	278,363	392,026

5.1 Following is a statement of intangible assets:

2023

Description	Cost			Accumulated amortisation			Net book value	Amortisation rate (% per annum)
	As at January 1, 2023	Additions	As at December 31, 2023	As at January 1, 2023	Charge for the year	As at December 31, 2023	As at December 31, 2023	
	Rupees							
Computer software and license	9,059,756	242,792	9,302,548	8,667,730	356,455	9,024,185	278,363	33%

2022

Description	Cost			Accumulated amortisation			Net book value	Amortisation rate (% per annum)
	As at January 1, 2022	Additions	As at December 31, 2022	As at January 1, 2022	Charge for the year	As at December 31, 2022	As at December 31, 2022	
	Rupees							
Computer software and license	8,912,485	147,271	9,059,756	8,361,155	306,575	8,667,730	392,026	33%

5.2 The cost of fully amortised intangible assets which are still in the Company's use as at December 31, 2023 amounted to Rs 8.118 million (2022: Rs. 8.118 million).

6 NET INVESTMENT IN FINANCE LEASE

	Note	2023	2022
		(Rupees)	
Gross investment in finance lease	6.1	**1,948,487,726**	1,910,417,854
Less: allowance for expected credit losses	28	**(16,589,227)**	(17,614,844)
Investment in finance lease		**1,931,898,499**	1,892,803,010
Less: current maturity	6.1 & 10	**(750,926,390)**	(602,023,026)
		1,180,972,109	1,290,779,984

6.1 Details of investment in finance lease:

	Note	2023 Not later than one year	2023 Later than one year and less than five years	2023 Total
		(Rupees)		
Minimum lease payments		**821,696,000**	**865,196,966**	**1,686,892,966**
Add: residual value of leased assets		**191,383,000**	**492,819,353**	**684,202,353**
Gross investment in finance lease		**1,013,079,000**	**1,358,016,319**	**2,371,095,319**
Less: unearned finance income		**(257,560,783)**	**(165,046,810)**	**(422,607,593)**
		755,518,217	**1,192,969,509**	**1,948,487,726**
Less: allowance for expected credit losses	28	**(4,591,827)**	**(11,997,400)**	**(16,589,227)**
		750,926,390	**1,180,972,109**	**1,931,898,499**

	Note	2022 Not later than one year	2022 Later than one year and less than five years	2022 Total
		(Rupees)		
Minimum lease payments		733,726,000	953,468,532	1,687,194,532
Add: residual value of leased assets		98,604,000	510,334,062	608,938,062
Gross investment in finance lease		832,330,000	1,463,802,594	2,296,132,594
Less: unearned finance income		(218,755,280)	(166,959,460)	(385,714,740)
		613,574,720	1,296,843,134	1,910,417,854
Less: allowance for expected credit losses	28	(11,551,694)	(6,063,150)	(17,614,844)
		602,023,026	1,290,779,984	1,892,803,010

6.2 The net investment in finance lease is secured against aggregated amount of leased assets and security deposit of Rs 684.202 million (2022: Rs 608.938 million). The above security deposit averages about 21.71% (2022: 21.92%) of the cost of leased asset. The implicit rate of return on lease ranges between 16.00% and 28.00% per annum (2022: 14.00% - 22.68% per annum).

6.3 Lease rentals received during the year were Rs 861.497 million (2022: 602.792 million) and income of Rs. 1.401 million (2022: 2.479 million) was suspended during the year December 31, 2023.

		Note	2023	2022
			(Rupees)	
7	**LONG TERM FINANCES AND LOANS**			
	Considered good			
	Vehicle finance / Term Loan - secured	7.1	**793,651,359**	572,305,696
	Less: allowance for expected credit losses	28	**(1,935,537)**	(909,920)
			791,715,822	571,395,776
	Less: current maturity	10	**(389,470,930)**	(259,140,866)
			402,244,892	312,254,910

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 16% to 28% (2022: 15.94% to 23.00%) per annum. These are secured against immoveable property, personal guarantees and lien over vehicles along with post dated cheques.

7.2 There was no income suspended as at December 31, 2023 (December 31, 2022: Nil)

		Note	2023	2022
8	**LONG-TERM LOANS TO EMPLOYEES**		(Rupees)	
	Loans to key management personnel		**1,021,433**	1,847,085
	Other employees		**6,630,555**	10,533,491
		8.1	**7,651,988**	12,380,576
	Less: current maturity			
	Loans to Key management personnel		**(714,996)**	(714,996)
	Other employees		**(2,877,296)**	(3,262,464)
		10	**(3,592,292)**	(3,977,460)
			4,059,696	8,403,116

8.1 These represent interest free loans provided to employees of the Company for the purchase of vehicle and meeting their emergent expenditure. The loans are secured against lien on vehicle and provident fund balances and are recoverable within three to five years.

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

	2023	2022
	(Rupees)	
Opening balance	**12,380,576**	633,771
Disbursements during the year	**976,000**	13,098,000
Repayments during the year	**(4,023,243)**	(1,351,195)
Fair value adjustment	**(1,681,345)**	-
Closing balance	**7,651,988**	12,380,576

8.3 The maximum aggregate amount due from the employees at the end of any month during the year was Rs. 9.68 million (2022: Rs. 12.38 million).

		2023	2022
9	**ACCRUED MARK-UP**	(Rupees)	
	Mark-up accrued on:		
	- Finances and loans	**11,426,921**	5,247,901

		Note	2023	2022
			Rupees	

10 CURRENT MATURITY OF NON CURRENT ASSETS

	Note	2023	2022
Current maturity of:			
Net Investment in finance lease	6	750,926,390	602,023,026
Long term finances and loans	7	389,470,930	259,140,866
Long-term loans to employees	8	3,592,292	3,977,460
		1,143,989,612	865,141,352

11 PREPAYMENTS AND OTHER RECEIVABLES

	2023	2022
Prepayments	827,088	320,320
Other receivables	452,706	28,762
Advance from customers	-	145,213
	1,279,794	494,295

12 BANK BALANCES

	Note	2023	2022
Balances with banks in:			
Current accounts		14,036,043	3,708,720
Savings accounts	12.1	77,032,805	262,121,565
		91,068,848	265,830,285

12.1 These carry mark-up at the rates ranging between 14.50% - 20.50% per annum (December 31, 2022: 8.75% - 14.00% per annum).

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise of the following:

	Note	2023	2022
		Rupees	
Cash and bank balances	12	91,068,848	265,830,285
Loan from Holding Company	19	(600,000,000)	(475,000,000)
		(508,931,152)	(209,169,715)

14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2023	2022		Note	2023	2022
Number of shares				(Rupees)	
100,000,000	100,000,000	ordinary shares of Rs. 10 each fully paid in cash	14.1	1,000,000,000	1,000,000,000

14.1 As at December 31, 2023, the Holding Company and its nominee directors own 100% (2022: 100%) of the issued, subscribed and paid-up capital of the Company.

	Note	2023	2022
		(Rupees)	

15 LONG-TERM DEPOSITS

	Note	2023	2022
Security deposit on finance lease	15.1	684,202,353	608,938,062
Less: repayable / adjustable within 12 months		191,383,000	98,604,000
		492,819,353	510,334,062

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

16 LONG-TERM BORROWINGS

	Note	2023	2022
		(Rupees)	
Term finance facility	16.1	**100,000,004**	166,666,668
Term finance facility	16.2	**140,000,000**	200,000,000
Term finance facility	16.3	**133,333,334**	200,000,000
		373,333,338	566,666,668
Less: Repayable within 12 months		**(193,333,338)**	(193,333,338)
		180,000,000	373,333,330

16.1 This represents the term finance facility extended by Allied Bank Limited under an agreement entered into with the Company on April 20, 2022. The facility is secured against a pari passu hypothecation charge over the Company's present and future book debts, deposits and receivables for a value of Rs. 267 million and markup is charged at the rate of 3 months KIBOR plus 75 basis points and are due to mature latest by April 28, 2025.

16.2 This represents the term finance facility extended by United Bank Limited under an agreement entered into with the Company on September 30, 2022. The facility is secured against pari passu hypothecation charge over the Company's present and future book debts, deposits and receivables for a value of Rs. 267 million and markup is charged at the rate of 3 months KIBOR plus 100 basis points and are due to mature latest by September 30, 2025.

16.3 This represents the term finance facility extended by Allied Bank Limited under an agreement entered into with the Company on December 20, 2022. The facility is secured against a pari passu hypothecation charge over the Company's present and future book debts, deposits and receivables for a value of Rs. 267 million and markup is charged at the rate of 3 months KIBOR plus 75 basis points and are due to mature latest by December 31, 2025.

17 DEFERRED TAXATION

	2023	2022
	(Rupees)	
Deferred tax assets arising on deductible temporary differences		
- Allowance for expected credit losses	**5,372,182**	5,372,182
- Lease liability against right-of-use assets	**1,961,180**	685,024
- Net investment in finance lease	**26,096,191**	-
- Accelerated tax depreciation and amortisation	**491,774**	1,471,374
-Provision for gratuity	**3,299,945**	-
	37,221,272	7,528,579
Deferred tax liabilities arising on taxable temporary differences		
- Right-of-use assets	**2,116,233**	712,852
- Net investment in finance lease	-	14,088,668
	2,116,233	14,801,520
	(35,105,039)	7,272,941

18 RETIREMENT BENEFIT OBLIGATIONS

18.1 General Description

The Board of Directors of the Company have approved establishment of a gratuity plan during the year in their third quarter meeting to operates employee retirement benefits for permanent employees who have completed the minimum service period. In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at December 31, 2023, using the "Projected Unit Credit Method". Provision has been made in the financial statements to cover obligation in accordance with the actuarial recommendations. Details of significant assumptions used for the valuation and disclosures in respect of above-mentioned scheme is as follows:

	Note	2023	2022
		(Rupees)	
Present value of defined benefit obligations	18.2	**11,379,122**	-

18.2 The basis of recognition together with details as per actuarial valuation are as under:

	2023	2002
Discount rate	15.50%	-
Salary increase rate	20%	-
Withdrawal rate	Moderate	-
Mortality rate	SLIC 2001-05	-

	Note	2023	2022
		---------------- (Rupees) ----------------	
18.2.1 Movement in liability during the year			
Opening balance		-	-
Expense recognised in profit or loss	18.2.2	11,379,122	-
Closing balance		11,379,122	-

18.2.2 Expense recognised in profit or loss

	2023	2022
Current service cost	1,968,800	-
Past service cost	9,410,322	-
Expense charged to profit and loss	11,379,122	-

18.2.3 Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting date, while holding all other assumptions constant:

	Change in assumption (%)	Increase / (decrease) in defined Increase in assumption	 Decrease in assumption
		--------------- (Rupees) ---------------	
Discount rate	1	10,909,557	11,895,744
Salary growth rate	1	11,896,647	10,900,853

In presenting the above sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting date, which is the same as that applied in calculating the retirement benefit obligation liability recognised in the statement of financial position.

18.2.4 The gratuity scheme exposes the Company to the following risks:

Longevity risk: The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk: The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk: The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

18.2.5 The weighted average duration of retirement benefit obligations as at December 31, 2023 is 4 years.

18.2.6 The expected maturity analysis of undiscounted retirement benefit obligation is:

	Undiscounted payments	
	---------------- (Rupees) ----------------	
	2023	2022
Year 1	995,736	-
Year 2	331,696	-
Year 3	2,333,124	-
Year 4	13,985,129	-
Year 5	254,888	-
Year 6	304,452	-
Year 7	362,723	-
Year 8	425,201	-
Year 9	7,904,801	-
Year 10	387,774	-
Year 11 and above	169,911,975	-

19 LOAN FROM HOLDING COMPANY

Money market facility	600,000,000	475,000,000

19.1 This represents the money market facility extended by the Holding Company, under an agreement entered into with the Company on September 20, 2023, for the purpose of meeting working capital requirements of the Company.

19.2 The facility is secured against hypothecation charge on the Company's assets including its loan and lease portfolio and all receivables for a value of Rs. 1,000 million thereto and markup is charged at the rate of KIBOR plus 75 basis points and is due to mature latest by September 20, 2024.

20 PAYABLE TO HOLDING COMPANY

	Note	2023	2022
		---------------- (Rupees) ----------------	
Rent expense incurred on behalf of the Company		60,960	60,960
Other payables	20.1	7,405,976	4,083,049
		7,466,936	4,144,009

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

21 ACCRUED EXPENSES AND OTHER LIABILITIES

		2023	2022
		---------------- (Rupees) ----------------	
Accrued expenses		10,369,172	6,561,818
Accrued interest on loan from Holding Company		24,015,137	12,336,921
Accrued interest on long term borrowing		4,233,483	5,264,571
Provision for Provincial Workers' Welfare Fund	21.1	13,366,270	8,017,272
Advance tax on purchase of motor vehicles		354,861	354,861
Withholding taxes payable		408,113	12,489
Advance from customers		750,864	-
Other payables		55,627	4,849,925
		53,553,527	37,397,857

21.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income.

The management considered that the SWWF Act is limited only to the province of Sindh and till the time there is any mechanism available for apportionment of total income relevant to province of Sindh, no SWWF liability to SRB can be paid out. On these grounds, foreseeing the expected WWF demand and penal actions from SRB, NBFI & Modaraba Association of Pakistan on behalf of all its member have filed a Constitutional Petition (CP) No. CP.D.3879/2017 with the Honorable Sindh High Court in which they have obtain stay order from Sindh High Court for the payment of WWF to SWWF.

Based on prudent approach company have made provision in these financial statement.

22 LEASE LIABILITY AGAINST RIGHT-OF-USE ASSETS

	2023	2022
	(Rupees)	
Lease liability against right-of-use assets - property	6,762,688	2,362,151
Present value of minimum lease payments	6,762,688	2,362,151
Less: current portion	(2,282,375)	(1,786,512)
	4,480,313	575,639

23 CONTINGENCIES AND COMMITMENTS

There were no material contingencies and commitments as at December 31, 2023 and December 31, 2022.

24 INCOME FROM LEASING OPERATIONS

	Note	2023	2022
		(Rupees)	
Lease finance income		330,707,370	192,460,220
Front-end fee		3,475,343	4,859,923
Documentation charges		1,592,500	2,065,900
Others		4,141,437	2,972,293
		339,916,650	202,358,336

25 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2023	2022
Salaries and other allowances	25.1 & 25.2	61,485,517	38,991,978
Utilities		713,729	575,991
Insurance		875,947	868,995
Communication		1,038,690	874,730
Legal and professional charges		3,060,140	2,105,531
Depreciation	4.1	4,307,224	5,412,069
Amortisation	5.1	356,455	306,575
Travelling		636,657	425,667
Auditors' remuneration	25.3	745,200	623,700
Vehicle running expenses		5,200,411	3,644,910
Printing and stationery		312,913	455,311
Repairs and maintenance		960,641	990,282
Office general expenses		1,023,785	785,204
Directors' fee for attending meetings		600,000	600,000
		81,317,309	56,660,943

25.1

	Note	2023	2022
Salaries and benefits		60,312,733	37,977,536
Contribution to defined contribution plan	25.1.1	1,172,784	1,014,442
		61,485,517	38,991,978

25.1.1 **Defined contribution plan - provident fund**

During the year an amount of Rs. 1,172,784 (2022: Rs. 1,014,442) 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.

25.2 These include Rs. 9.022 million (2022: Rs. 8.248 million) allocated to the Company in respect of employees of finance, internal audit, credit risk management and other departments of Holding Company utilised by the Company under the Service Level Agreement entered into between the two entities.

25.3 Auditors' remuneration

	Note	2023	2022
		(Rupees)	
Annual audit fee		**450,000**	400,000
Half yearly review fee		**150,000**	125,000
Sales tax on audit fee		**55,200**	46,200
Out of pocket expenses		**90,000**	52,500
		745,200	623,700

26 FINANCE COST

	Note	2023	2022
Finance cost on loan from Holding Company		**85,480,532**	59,096,957
Finance cost on long term borrowings		**105,601,044**	28,325,375
Finance cost on lease liability against right-of-use assets		**572,369**	147,091
Others		**312,232**	226,521
		191,966,177	87,795,944

27 OTHER INCOME

	Note	2023	2022
Profit on bank balances		**13,312,505**	5,159,790
Management fee	27.1	**2,471,885**	1,732,266
Other		**394,645**	30,000
		16,179,035	6,922,056

27.1 This primarily includes management fee in respect of leases transferred to the Holding Company.

28 ALLOWANCE FOR EXPECTED CREDIT LOSSES

2023	Finance leases	Finances and loans	Total
	Rupees		
Balance at beginning of the year	**17,614,844**	**909,920**	**18,524,764**
Provision made during the year	**-**	**1,025,617**	**1,025,617**
Reversal made during the year	**(1,025,617)**	**-**	**(1,025,617)**
	(1,025,617)	**1,025,617**	**-**
Balance at the end of the year	**16,589,227**	**1,935,537**	**18,524,764**

2022	Finance leases	Finances and loans	Total
	Rupees		
Balance at beginning of the year	13,371,487	4,385,256	17,756,743
Provision made during the year	4,243,357	-	4,243,357
Reversal made during the year	-	(3,475,336)	(3,475,336)
	4,243,357	(3,475,336)	768,021
Balance at the end of the year	17,614,844	909,920	18,524,764

29	TAXATION	Note	2023	2022
			(Rupees)	
	Current		88,844,589	28,148,231
	Prior year		-	(569,151)
	Deferred		(42,377,981)	8,702,447
		29.1 & 29.2	46,466,608	36,281,527

29.1 Provision for current taxation in the current year is based on Normal Tax under Income Tax Ordinance 2001. However, in prior year current taxation was based on section 113C (ACT) of Income Tax Ordinance 2001, accordingly reconcilation for prior year has not been presented in these financial statement.

29.2 The returns of income for tax year 2021, 2022 and 2023 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.

29.3	Relationship between tax expense and accounting profit	2023	2022
		(Rupees)	
	Profit before taxation	233,611,807	-
	Tax on income @ 29% (2022: 29%)	67,747,424	-
	Super tax liability	8,333,449	-
	Tax effect of expenses that are not deductible in determining taxable profit	-	-
	Permanent difference	8,329,180	-
	Others	4,434,536	-
	Tax charge	88,844,589	-

30 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:

	2023			
	Chief Executive Officer *	Directors	Executives **	Total
	Rupees			
Managerial remuneration	5,747,742	-	-	5,747,742
Other allowances	4,702,698	-	-	4,702,698
Bonus and incentives	4,147,000	-	-	4,147,000
Fee for attending Board meetings ***	-	-	-	-
	14,597,440	-	-	14,597,440
Number of persons	1	5	-	6

	2022			
	Chief Executive Officer *	Directors	Executives **	Total
	Rupees			
Managerial remuneration	4,970,680	-	-	4,970,680
Other allowances	4,066,920	-	-	4,066,920
Bonus and incentives	3,396,250	-	-	3,396,250
Fee for attending Board meetings ***	-	600,000	-	600,000
	12,433,850	600,000	-	13,033,850
Number of persons	1	5	-	6

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

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

*** This represents fee paid to two independent directors amounting to Rs 600,000.

31 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:

		2023	2022
		(Rupees)	
31.1	**Transactions with related parties during the year**		
	Holding Company		
	Salaries and allowances incurred on behalf of the Company	9,022,992	8,248,500
	Expenses paid by the Company on behalf of Holding Company	1,815,541	1,807,132
	Dividend paid by the Company	120,000,000	100,000,000
	Payment made against intra company balance with Holding Company	7,455,566	5,959,060
	Lease and Finances and Loans transferred to the Holding Company	55,156,250	245,830,690
	Payment received against transferred Lease and Finances and Loans	55,156,250	245,830,690
	Financing obtained by the Company	600,000,000	350,000,000
	Repayment of financing by the Company	475,000,000	175,000,000
	Finance cost paid on financing	73,802,316	50,840,529
	Management Fee	2,471,885	780,266
	Finance cost incurred on financing obtained from the Company	85,480,532	59,096,957
	Director & key Management personnel		
	Remuneration of CEO	14,597,440	12,433,850
	Proceeds from disposal of fixed asset to CEO	309,800	-
	Fee for attending board meetings	600,000	600,000
	Loan to CEO	-	2,145,000
	Primus Leasing Limited staff provident fund		
	Charge in respect of Provident Fund	1,172,784	1,014,442
	Contribution to Provident Fund	2,345,568	2,028,884
31.2	**Balances with related parties as at year end**		
	Payable to Holding Company	7,466,936	4,144,009
	Accrued Mark up on loan from Holding Company	24,015,137	12,336,921
	Loan outstanding from Holding Company	600,000,000	475,000,000
	Loan outstanding to CEO	1,021,433	1,847,085

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

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

31.4 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.

	2023	2022
	(Rupees)	

32 EARNINGS PER SHARE- BASIC AND DILUTED

	2023	2022
Profit for the year after taxation	187,145,199	126,192,320
	(No. of Shares)	
Weighted average number of ordinary shares	100,000,000	100,000,000
	(Rupees)	
Earnings per share - basic and diluted	1.87	1.26

33 STAFF STRENGTH

	Number of staff	
Total number of employees at the end of the year	12	11
Average number of employees during the year	11	10

34 FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	2023 Amortised cost	2023 Total
	Rupees	
Financial assets		
Net investment in finance lease	1,948,487,726	1,948,487,726
Finances and loans	791,715,822	791,715,822
Loans to employees	7,651,988	7,651,988
Long-term deposits	685,000	685,000
Accrued mark-up	11,426,921	11,426,921
Bank balances	91,068,848	91,068,848
	2,851,036,305	2,851,036,305

Particulars	2023 Amortised cost	2023 Total
	Rupees	
Financial liabilities		
Payable to Holding Company	7,466,936	7,466,936
Lease liability against right-of-use assets	6,762,688	6,762,688
Loan from Holding Company	600,000,000	600,000,000
Accrued expenses and other liabilities	38,673,419	38,673,419
Long-term deposits	684,202,353	684,202,353
Long-term borrowing	373,333,338	373,333,338
	1,710,438,734	1,710,438,734

Particulars	2022 Amortised cost	2022 Total
	Rupees	
Financial assets		
Net investment in finance lease	1,892,803,010	1,892,803,010
Finances and loans	571,395,776	571,395,776
Loans to employees	12,380,576	12,380,576
Long-term deposits	685,000	685,000
Accrued mark-up	5,247,901	5,247,901
Bank balances	265,830,285	265,830,285
	2,748,342,548	2,748,342,548

Particulars	2022	
	Amortised cost	Total
	------------------ Rupees ------------------	
Financial liabilities		
Payable to Holding Company	4,144,009	4,144,009
Lease liability against right-of-use assets	2,362,151	2,362,151
Loan from Holding Company	475,000,000	475,000,000
Accrued expenses and other liabilities	29,013,235	29,013,235
Long-term deposits	608,938,062	608,938,062
Long-term borrowing	566,666,668	566,666,668
	1,686,124,125	1,686,124,125

35 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.

35.1 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.

35.1.1 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.

35.1.2 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. 1.628 billion (2022: 1.682 billion) which are subject to interest rate risk. The yield / interest rate risk is also mitigated by floating rate lending. Accordingly changes in market interest rate on financial assets would be neted off by changes in market interest rate of financial liabilities.

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, 2023 would have been higher / lower by Rs. 27.236 million (2022: Rs. 24.653 million).

b) Sensitivity analysis for fixed rate financial instruments

As at December 31, 2023, the Company maintains balances with banks in savings accounts which are interest bearing and 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

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

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

	Effective yield / interest rate %	Upto one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Not exposed to yield / interest rate risk	Total
	2023							
		Exposed to yield / interest rate risk						
		---------- Rupees ----------						
On-balance sheet financial instruments								
Financial assets								
Net investment in finance lease	16.62% - 28.68%	62,925,619	134,472,818	624,297,563	1,110,202,499	-	-	1,931,898,499
Finances and loans	16.00% - 28.00%	24,650,620	73,707,191	291,113,119	402,244,892	-	-	791,715,822
Loans to employees	-	-	-	-	-	-	7,651,988	7,651,988
Long-term deposits	-	-	-	-	-	-	685,000	685,000
Accrued mark-up	-	-	-	-	-	-	11,426,921	11,426,921
Bank balances	14.50% - 20.50%	77,032,805	-	-	-	-	14,036,043	91,068,848
Total		164,609,044	208,180,009	915,410,682	1,512,447,391	-	33,799,952	2,834,447,078
Financial liabilities								
Payable to Holding Company		-	-	-	-	-	7,466,936	7,466,936
Lease liability against right-of-use assets		37,390	1,373,953	604,110	4,747,235	-	-	6,762,688
Loan from Holding Company	16.78% - 23.31%	340,000,000	260,000,000	-	-	-	-	600,000,000
Long-term borrowing	17.01% - 23.66%	-	33,333,333	160,000,000	373,333,335	-	-	566,666,668
Accrued expenses and other liabilities		-	-	-	-	-	38,673,419	38,673,419
		340,037,390	294,707,286	160,604,110	378,080,570	-	46,140,355	1,219,569,711
On-balance sheet gap (a)		(175,428,346)	(86,527,277)	754,806,572	1,134,366,821	-	(12,340,403)	1,614,877,367
Off-balance sheet financial instruments		-	-	-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)		(175,428,346)	(86,527,277)	754,806,572	1,134,366,821	-		
Cumulative interest rate sensitivity gap		(175,428,346)	(261,955,623)	492,850,949	1,627,217,770	1,627,217,770		

	Effective yield / interest rate %	Upto one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years	Not exposed to yield / interest rate risk	Total
	2022							
		Exposed to yield / interest rate risk						
		---------- Rupees ----------						
On-balance sheet financial instruments								
Financial assets								
Net investment in finance lease	12.62% - 22.68%	52,521,667	105,042,869	383,031,356	1,352,207,138	-	-	1,892,803,010
Finances and loans	23.00% - 15.94%	22,645,333	45,290,668	191,204,865	312,254,910	-	-	571,395,776
Loans to employees	-	-	-	-	-	-	12,380,576	12,380,576
Long-term deposits	-	-	-	-	-	-	685,000	685,000
Accrued mark-up	-	-	-	-	-	-	5,247,901	5,247,901
Bank balances	4.50% - 14.50%	262,121,565	-	-	-	-	3,708,720	265,830,285
Total		337,288,555	150,333,527	574,236,221	1,664,462,048	-	22,022,197	2,746,342,548
Financial liabilities								
Payable to Holding Company		-	-	-	-	-	4,144,009	4,144,009
Lease liability against right-of-use assets		37,390	1,373,953	604,110	346,698	-	-	2,362,151
Loan from Holding Company	11.54% - 17.38%	315,000,000	160,000,000	-	-	-	-	475,000,000
Long-term borrowing	14.53% - 18.06%	-	33,333,333	160,000,000	373,333,335	-	-	566,666,668
Accrued expenses and other liabilities		-	-	-	-	-	29,013,235	29,013,235
		315,037,390	194,707,286	160,604,110	373,680,033	-	33,157,244	1,077,186,063
On-balance sheet gap (a)		22,251,165	(44,373,759)	413,632,111	1,290,782,015	-	(11,135,047)	1,671,156,485
Off-balance sheet financial instruments		-	-	-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)		22,251,165	(44,373,759)	413,632,111	1,290,782,015	-		
Cumulative interest rate sensitivity gap		22,251,165	(22,122,594)	391,509,517	1,682,291,532	1,682,291,532		

35.1.3 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.

35.2 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, 2023, the assets which were subject to credit risk amounted to Rs. 2.836 billion (2022: Rs 2.749 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, 2023
				-----Rupees----
Bank balances				
Bank Alfalah Limited	AA+	A-1+	PACRA	14,778,680
United Bank Limited	AAA	A-1+	VIS	73,915,410
Meezan Bank Limited	AAA	A-1+	VIS	2,250,094
Allied Bank Limited	AAA	A-1+	PACRA	124,664
State Bank of Pakistan	Unrated	Unrated	-	10,000

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

35.2.1 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 historical credit losses experience, adjusted for forward-looking information.

The carrying value of non-performing receivables is as follows:

Days past due	2023 Finance Lease (net of security deposit)	2023 Finances & Loans	2023 Total
151 - 180 Days	-	-	-
181 - 360 Days	-	-	-
361 - 390 Days	11,997,400	-	11,997,400
	11,997,400	-	11,997,400
Less: Specific provision	11,997,400	-	11,997,400
Net of provision	-	-	-
Coverage ratio	100.00%	0.00%	100.00%

Days past due	2022 Finance Lease (net of security deposit)	2022 Finances & Loans	2022 Total
151 - 180 Days	11,029,586	-	11,029,586
181 - 360 Days	-	-	-
361 - 390 Days	12,126,300	-	12,126,300
	23,155,886	-	23,155,886
Less: Specific provision	13,255,362	-	13,255,362
Net of provision	9,900,524	-	9,900,524
Coverage ratio	57.24%	0.00%	57.24%

35.3 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.

	2023				
	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	7,466,936	7,466,936	7,466,936	-	-
Lease liability against right-of-use assets	6,762,688	2,915,160	1,939,800	548,640	426,720
Loan from Holding Company	600,000,000	624,015,137	624,015,137	-	-
Long term borrowings	373,333,338	452,572,239	74,848,057	286,216,743	91,507,439
Accrued expenses and other liabilities	38,673,419	38,673,419	38,673,419	-	-
	1,026,236,381	1,125,642,891	746,943,349	286,765,383	91,934,159

	2022				
	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	4,144,009	4,144,009	4,144,009	-	-
Lease liability against right-of-use assets	2,362,151	2,915,160	1,939,800	548,640	426,720
Loan from Holding Company	475,000,000	493,844,584	493,844,584	-	-
Long term borrowings	566,666,668	779,702,836	67,660,277	247,175,253	464,867,306
Accrued expenses and other liabilities	29,013,235	29,013,235	29,013,235	-	-
	1,077,186,063	1,309,619,824	596,601,905	247,723,893	465,294,026

36 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.

37 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, 2023, the Company does not hold any financial asset at fair value.

38 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.

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 23 FEB 2024 by the Board of Directors of the Company.

40 GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR