

# **Taleem Finance Company Limited**

## **Financial Statements**

*Year ended 31 December 2022*

**Audited**

## INDEPENDENT AUDITOR'S REPORT

### To the members of TALEEM FINANCE COMPANY LIMITED Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **TALEEM FINANCE COMPANY LIMITED** [‘the Company’], which comprise the statement of financial position as at **31 December 2022**, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of the loss, 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 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 conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and 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 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.

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### 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 user 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

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

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

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The engagement partner on the audit resulting in this independent auditor's report is ZUBAIR IRFAN MALIK.

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**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**

*Chartered Accountants*

Lahore | 30 March 2023

UDIN: AR202210185QE0zDKIIG



# TALEEM FINANCE COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	31-Dec-22 Rupees	31-Dec-21 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<i>Authorized share capital</i>	6	500,000,000	500,000,000
Issued share capital	7	484,284,900	337,956,000
Share premium	8	29,671,100	-
Accumulated losses		(147,435,082)	(95,302,665)
<b>TOTAL EQUITY</b>		<b>366,520,918</b>	<b>242,653,335</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	9	-	-
Lease liabilities	10	12,045,265	3,637,424
		12,045,265	3,637,424
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	10,117,274	3,602,121
Accrued interest/mark-up on borrowings		3,777,457	39,455
Provision for taxation		759,692	399,581
Current portion of long term borrowings		73,500,000	25,000,000
Current portion of lease liabilities		5,334,043	2,883,734
		93,488,466	31,924,891
<b>TOTAL LIABILITIES</b>		<b>105,533,731</b>	<b>35,562,315</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>472,054,649</b>	<b>278,215,650</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	13	20,249,919	7,188,818
Intangible assets	14	1,921,080	1,436,025
Right-of-use assets	15	16,794,233	6,896,810
Long term deposits	16	1,425,000	945,000
Long term loans	17	150,105,128	82,643,979
Deferred taxation	18	5,360,201	2,633,023
		195,855,561	101,743,655
<b>CURRENT ASSETS</b>			
Short term investments	19	-	52,403,425
Advances, prepayments and other receivables	20	2,386,416	1,259,401
Mark-up receivable on long term loans	21	3,109,529	1,972,682
Advance income tax/income tax refundable		7,454,964	5,373,238
Current portion of long term loans	17	115,260,204	78,394,022
Cash and bank balances	22	147,987,975	37,069,227
		276,199,088	176,471,995
<b>TOTAL ASSETS</b>		<b>472,054,649</b>	<b>278,215,650</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

  
Director

  
Chief Executive Officer

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# TALEEM FINANCE COMPANY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31-Dec-22 Rupees	31-Dec-21 Rupees
Income from long term loans	23	60,775,380	31,966,516
Operational expenditure	24	(6,698,318)	(3,662,967)
Administrative expenses	25	(103,646,067)	(71,603,050)
<b>Operating loss</b>		<b>(49,569,005)</b>	<b>(43,299,501)</b>
Other income	26	12,550,532	9,212,681
Other expenses	27	(571,708)	-
Finance cost	28	(16,509,722)	(1,110,684)
<b>Loss before taxation</b>		<b>(54,099,903)</b>	<b>(35,197,504)</b>
Provision for taxation	29	1,967,486	(3,793,827)
<b>Loss after taxation</b>		<b>(52,132,417)</b>	<b>(38,991,331)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss</b>		<b>(52,132,417)</b>	<b>(38,991,331)</b>
Loss per share - <i>basic and diluted</i>	30	(15.43)	(11.54)

The annexed notes from 1 to 45 form an integral part of these financial statements.

  
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Director

  
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Chief Executive Officer

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# TALEEM FINANCE COMPANY LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Issued share capital <i>Rupees</i>	Share premium <i>Rupees</i>	Accumulated losses <i>Rupees</i>	Total equity <i>Rupees</i>
As at 01 January 2021	337,956,000	-	(56,311,334)	281,644,666
<b>Comprehensive income</b>				
Loss after taxation	-	-	(38,991,331)	(38,991,331)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	-	-	(38,991,331)	(38,991,331)
<b>Transaction with owners</b>				
Issue of preference shares	-	-	-	-
Share premium	-	-	-	-
	-	-	-	-
<b>As at 31 December 2021</b>	<b>337,956,000</b>	<b>-</b>	<b>(95,302,665)</b>	<b>242,653,335</b>
As at 01 January 2022	337,956,000	-	(95,302,665)	242,653,335
<b>Comprehensive income</b>				
Loss after taxation	-	-	(52,132,417)	(52,132,417)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	-	-	(52,132,417)	(52,132,417)
<b>Transaction with owners</b>				
Issue of preference shares	146,328,900	-	-	146,328,900
Share premium	-	29,671,100	-	29,671,100
	146,328,900	29,671,100	-	176,000,000
<b>As at 31 December 2022</b>	<b>484,284,900</b>	<b>29,671,100</b>	<b>(147,435,082)</b>	<b>366,520,918</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Executive Officer

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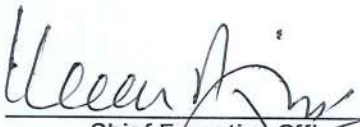
# TALEEM FINANCE COMPANY LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31-Dec-22 Rupees	31-Dec-21 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash used in operations	31	(128,974,374)	(135,567,545)
Payments for:			
Income taxes		(2,481,307)	(1,363,590)
Interest on borrowings		(10,136,590)	-
Interest on lease liabilities		(2,619,404)	(1,037,458)
<b>Net cash used in operating activities</b>		<b>(144,211,675)</b>	<b>(137,968,593)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(18,532,530)	(439,071)
Proceeds from disposal of property and equipment		192,600	-
Purchase of intangible assets		(940,000)	(600,000)
Short term investments made		(100,000,000)	(715,000,000)
Short term investments redeemed		150,000,000	855,000,000
Return on short term investments		4,737,535	4,505,082
<b>Net cash generated from investing activities</b>		<b>35,457,605</b>	<b>143,466,011</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of preference shares		146,328,900	-
Share premium received		29,671,100	-
Long term borrowings obtained		75,000,000	25,000,000
Repayment of long term borrowings		(26,500,000)	-
Lease liabilities paid		(4,827,182)	(2,238,542)
<b>Net cash generated from financing activities</b>		<b>219,672,818</b>	<b>22,761,458</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>110,918,748</b>	<b>28,258,876</b>
<b>CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR</b>		<b>37,069,227</b>	<b>8,810,351</b>
<b>CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR</b>	<b>32</b>	<b>147,987,975</b>	<b>37,069,227</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Executive Officer

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 LEGAL STATUS AND OPERATIONS

Taleem Finance Company Limited [the Company] was incorporated under the Companies Act, 2017 on 27 March 2019. The registered office of the Company is situated at 1st Floor, 15 - S, Gulberg II, Lahore. The Company obtained the license to carry out the investment finance services as non-banking finance company from SECP on 12 June 2019 which has been renewed vide license No. SECP/LRD/41/TFCL/2022,17 on 14 September 2022. The principal line of business of the Company is to carry on the business of lending money to low-income private schools in Pakistan or to any other company or firm or person on such terms and conditions, with or without security, as may be deemed appropriate by the Company, for provision of educational services and related technology to schools in Pakistan for the purpose of improving the quality of education and training of teachers.

#### 1.1 Particulars of Holding Company

Name of Holding Company	Gray Ghost Ventures Education Holdings LLC
Registered office address	101 Marietta Street, Suite 2220, Atlanta, GA, 30303, USA
Country of incorporation	The United States of America

### 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 applicable in Pakistan comprise of:

- International Financial Reporting Standards [IFRS] issued by the International Accounting Standards Board as notified under the Companies Act, 2017;
- The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 [NBFC Rules] and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 [NBFC Regulations]; and
- Provisions of and directives issued under the Companies Act, 2017 [the Act] along with Part VIIIA of the repealed Companies Ordinance, 1984 [Part VIIIA].

Where provisions of and directives issued under the Companies Act 2017, Part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, Part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

#### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis as at the reporting date.

Items	Measurement basis
Financial liabilities	Amortized cost
Financial assets	Amortized cost

#### 2.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

##### 2.3.1 Critical accounting judgements

Critical accounting judgements made by the management in the application of accounting and reporting standards that have significant effect on the financial statements are as follows:

###### (a) Determining the lease term of contracts with renewal and termination options – as 'lessee' (see note 10)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The Company has acquired office premises on lease. The lease contract covers a period of three years, extendable further on expiry. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Company has included the extendable period of two years as part of the lease term because acquiring a new premises will require significant expenditure on leasehold improvements and thus the extension option provides an economic incentive for the Company to exercise the option.

**(b) Intangible asset arising from development (see note 14.2)**

The Company applies judgement in recognizing intangible asset arising from development by considering how the intangible asset will generate probable future economic benefits, its intention to complete the intangible asset, availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, its ability to use or sell the intangible asset, the technical feasibility of completing the intangible asset so that it will be available for use or sale and its ability to reliably measure the expenditure attributable to the intangible asset during its development.

The Company is developing a new software application 'Taleem Connect'. The management has concluded that the expenditure incurred on development meets the criteria for recognition as intangible asset.

**(c) Classification of investments in term deposit receipts as held-to-maturity investments (see note 19)**

The Company determines the classification of its financial assets on initial recognition based on the purpose for which these are acquired. The Company applies judgement in determining classification of investments in term deposits as held-to-maturity by considering its ability to hold these investments to maturity. The management has analyzed the maturity profile of its assets and liabilities and has concluded that it has the ability to hold these investments to maturity.

### 2.3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

**(a) Deferred tax assets on unused tax losses and credits (see note 18)**

Deferred tax assets are recognized for unused tax losses and credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company has Rs. 136.16 million (31-Dec-21: Rs. 90.046 million) of tax losses and credits carried forward as at the reporting date and available to the Company for utilization against future taxable profits. Out of these, deferred tax asset has been recognized on tax losses and credits amounting to Rs. 9.31 million (31-Dec-21: Rs. 4.621 million).

If the Company was able to recognize all unrecognized deferred tax assets, deferred tax assets and equity as at the reporting date would have increased by Rs. 38.649 million (31-Dec-21: Rs. 25.113 million)

**(b) Taxation provisions (see note 29)**

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provisions for current tax and tax contingencies. The provision for current tax is estimated at Rs. 759,692 (31-Dec-21: Rs. 399,581). The management believes that the provision for current tax made in the financial statements is sufficient to discharge related tax liability.

Credit (31-Dec-21: Provision) for deferred tax of Rs. 2.727 million (30-Jun-21: Rs. 3.394 million) has been estimated after taking into account historical and future turnover and profit trends and their taxability under the current tax law.

Further information on the taxation provisions is referred to in note 29.

### 2.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency. The amounts reported in these financial statements have been rounded to the nearest Rupees unless specified otherwise.

### 2.5 Date of authorization for issue

These financial statements were authorized for issue on 30 March 2023 by the Board of Directors of the Company.

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures, except as stated otherwise.

#### 3.1 COVID-19 - Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16 - Leases)

The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

#### 3.2 Reference to the Conceptual Framework (Amendments to IFRS 3 - Business Combinations)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

#### 3.3 Property and Equipment - Proceeds before Intended Use (Amendments to IAS 16 - Property, Plant and Equipment)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

#### 3.4 Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 - Impairment of Assets)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

#### 3.5 Annual Improvements to IFRS Standards 2018–2020

The annual improvements have made amendments to the following standards:

- **IFRS 1 - First Time Adoption of International Financial Reporting Standards** - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- **IFRS 9 - Financial Instruments** - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- **IFRS 16 - Leases** - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- **IAS 41 - Agriculture** - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

### 4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Disclosure of Accounting Policies (Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Making Materiality Judgements)	01 January 2023
Definition of Accounting Estimates (Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 - Income Taxes)	01 January 2023

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Effective date (annual periods beginning on or after)
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 - Presentation of Financial Statements).	01 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 - Leases)	01 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1 - Presentation of Financial Statements)	01 January 2024

Other than afore mentioned standards, interpretations and amendments, IASB has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:

IFRS 1 - First Time Adoption of International Financial Reporting Standards  
IFRS 17 - Insurance contracts

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will not have a material impact on the Company's financial statements other than in presentation/disclosures.

Securities and Exchange Commission of Pakistan through SRO 800(1)/2021 dated 22 June 2021 has notified that IFRS 9 - Financial Instruments shall be applicable for the preparation of financial statements of Non-Banking Finance Companies for reporting period/year ending on or after 30 June 2022 which has been extended till 30 June 2024 vide press release dated 11 October 2022. Accordingly, the requirements of this standard have not been considered in preparation of these financial statements.

### 5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### 5.1 Property and equipment

Property and equipment assets held for use in the supply of services or for administrative purposes, are stated in the statement of financial position at their cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized in profit or loss, using rates specified in note 13, so as to write off the cost of assets over their useful lives, using the straight line method, with the exception of right-of-use assets, for which the lease does not transfer ownership of the underlying asset to the Company at the end of lease term, which are depreciated over the shorter of lease term and useful lives of the underlying assets, using straight line method. Depreciation commences from the month in which the item is ready for intended use and is discontinued from the month in which the asset is disposed or classified as held for disposal.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

A property and equipment asset is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. The gain or loss arising on the disposal or retirement of such assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### 5.2 Intangible assets

Intangible assets with finite useful lives that are acquired separately or in a business combination are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss, using rates specified in note 14.1, so as to write off the cost of assets over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately or in a business combination are carried at cost less accumulated impairment losses.

#### 5.3 Leases as 'lessee'

The Company assesses whether a contract is or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for the short-term leases and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

A right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Subsequent to initial recognition, a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized using straight-line method over the shorter of lease term and useful life of the right-of-use asset, unless the lease transfers ownership of the underlying asset to the Company by the end of lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of operating fixed assets. In addition, the right-of-use asset is adjusted for certain remeasurements of the related lease liability.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments included in measurement of lease liability comprise:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Subsequent to initial recognition, lease liability is measured at amortized cost using effective interest method whereby the carrying amount of lease liability is increased to reflect the interest thereon and decreased to reflect lease payments made. Interest is recognized in profit or loss.

Lease liability is remeasured whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the related right-of-use asset, except where the carrying amount of right-of-use asset is reduced to zero. In that case, any adjustment exceeding the carrying amount of the right-of-use asset is recognized in profit or loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs.

### 5.4 Financial instruments

#### 5.4.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

#### 5.4.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities on initial recognition.

##### (a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

##### (b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Assets in this category are presented as non-current assets except for maturities less than twelve months from the reporting date, where these are presented as current assets.

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### (c) *Financial liabilities at amortized cost*

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

#### 5.4.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

#### 5.4.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

#### 5.4.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### 5.5 Investments in Term Deposit Receipts ['TDRs']

These are classified as 'held-to-maturity investments'. On initial recognition, these are measured at fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

#### 5.6 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

#### 5.7 Preference share capital

Preference share capital is recognized as equity in accordance with the interpretation of the provision of the Companies Act, 2017, including those pertaining to implied classifications of preference shares.

#### 5.8 Share deposit money

Share deposit money is recognized as equity on receipt basis.

#### 5.9 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

#### 5.10 Loans and other receivables

##### 5.10.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

##### 5.10.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 5.11 Employee benefits

#### 5.11.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting and reporting standards as applicable in Pakistan. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

The expected cost of short-term compensated absences is recognized as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts an entity expects to pay as a result of unused entitlements at the end of the period.

#### 5.11.2 Post-employment benefits

The Company operates an approved funded contributory provident fund for all its permanent employees who have completed the minimum qualifying period of service as defined under the respective scheme. Equal monthly contributions are made both by the Company and the employees at the rate of ten percent of basic salary and cost of living allowance, where applicable, to cover the obligation. Contributions made by the Company are recognized in profit or loss when due.

### 5.12 Trade and other payables

#### 5.12.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

#### 5.12.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

### 5.13 Income from long term loans

Income from long term loans comprises mark-up income, service charges and late payment surcharge. Mark-up income is recognized using the effective interest method. Income from service charges and late payment surcharge is recognized as related services are performed.

### 5.14 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income ['OCI']. OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by accounting and reporting standards as applicable in Pakistan, and is presented in 'statement of comprehensive income'.

### 5.15 Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in statement of comprehensive income, in which case it is recognized in statement of comprehensive income.

#### 5.15.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 5.15.2 Deferred taxation

Deferred tax is accounted for using the 'balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 5.16 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

### 5.17 Earnings per share ['EPS']

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

### 5.18 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash in hand and cash at bank in current and deposit accounts. For the purpose of statement of cash flows, cash and cash equivalents consist of cash and bank balances and short term investments having maturity of three months or less.

### 5.19 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

### 5.20 Impairment

#### 5.20.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate, except for long term loans and mark-up receivable thereon where impairment loss is recognized at the higher of loss determined as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate and loss calculated in accordance with the provisioning criteria specified by Non-Banking Finance Companies and Notified Entities Regulations, 2008.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 5.20.2 Non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro-rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

### 5.21 Fair value measurements

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

None of the Company's accounting policies and disclosures require the measurement of fair values.

## 6 AUTHORIZED SHARE CAPITAL

31-Dec-22	31-Dec-21		31-Dec-22	31-Dec-21
No. of shares	No. of shares		Rupees	Rupees
3,500,000	5,000,000	Ordinary shares of Rs. 100 each	350,000,000	500,000,000
1,500,000	-	Preference shares of Rs. 100 each	150,000,000	-
5,000,000	5,000,000		500,000,000	500,000,000

### 6.1 Rights, preferences and restrictions attaching to preference shares

The preference shares, subject to the provisions of the Companies Act, 2017, carry the following rights, preferences and restrictions:

- Upon the occurrence of any liquidation event of the Company, the preference shareholders shall be entitled to receive, in preference to any other distribution made to the members from the proceeds of such liquidation event, the higher of one time the cash amount paid by Insitor Impact Asia Fund II Pte. Ltd to acquire the shares plus accrued, declared but unpaid dividends thereon; or the amount each preference shareholder would receive if the proceeds from the liquidation event were distributed to all the members pro rata to their shareholding.
- Save in respect of any share capital issued to satisfy the exercise of an option held under any employee share option plan of the Company, in the event that any equity share capital is proposed to be issued by the Company to any persons at a lower subscription price, then the Company shall offer (such offer, unless waived in writing by the preference shareholder as regards its own holding, to remain open for acceptance for not less than twenty eight days) to the preference shareholder the right to subscribe ['Full Ratchet Anti-Dilution Right'] in cash (or, to the extent permitted by law, for consideration other than cash) for such number of new shares and at a price not more than the par value of the shares so as to ensure that the preference shareholder has the number of shares it would have had if it subscribed to the shares at a price per share equal to the lower subscription price. In case the Full Ratchet Anti-Dilution Right cannot be effectively exercised due to a legal restriction, the members shall then, in good faith determine an alternative mechanism that is consistent with the law and which shall achieves the preference shareholder's objectives in relation to its Full Ratchet Anti-Dilution Right.
- Each holder of preference shares shall have the right to receive dividends declared by the Company but shall not have any preference or priority over the ordinary shareholders with respect to such dividends, except that, on the occurrence of a liquidation event, holders of preference shares will have preference and priority over the ordinary shareholders in respect of any accrued but unpaid dividends declared by the Company on such preference shares.
- Each holder of preference shares shall have the right to one vote for each preference share. The holders of preference shares shall be entitled to notice of any general meeting of the Company and shall have the right to attend and vote, together as a single class with the ordinary shareholders, at such general meeting.
- The Company shall have no right to redeem the preference shares.

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 7 ISSUED SHARE CAPITAL

	31-Dec-22	31-Dec-21			31-Dec-22	31-Dec-21
	No. of shares	No. of shares			Rupees	Rupees
			Ordinary shares of Rs. 100 each			
	3,379,560	3,379,560	Issued for cash	7.1	337,956,000	337,956,000
			Preference shares of Rs. 100 each			
	1,463,289	-	Issued for cash	7.3	146,328,900	-
	4,842,849	3,379,560			484,284,900	337,956,000

7.1 The Holding Company holds 3,090,795 (31-Dec-21: 3,359,560) ordinary shares in the Company which constitutes 63.82% (31-Dec-21: 99.40%) of the total issued capital.

7.2 The Company is compliant with the minimum equity requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008.

7.3 Reconciliation between preference shares in issue as at the beginning and end of the year is as follows:

	Note	31-Dec-22	31-Dec-21
		No. of shares	No. of shares
As at beginning of the year		-	-
Issue of preference shares	7.3.1	1,463,289	-
As at end of the year		1,463,289	-

7.3.1 During the year, the Company issued 1,463,289 preference shares of Rs. 100 each for cash at Rs. 120.28 per preference share, including a premium of Rs. 20.28 per share.

### 8 SHARE PREMIUM

This represents premium on issue of preference shares recognized under Section 81 of the Companies Act, 2017.

	Note	31-Dec-22	31-Dec-21
		Rupees	Rupees

### 9 LONG TERM BORROWINGS

Term facility	9.1	73,500,000	25,000,000
Current maturity presented under current liabilities		(73,500,000)	(25,000,000)
		-	-

9.1 This represents term facility of Rs. 100 million sanctioned by Pakistan Microfinance Investment Company Limited ['PMIC'] to finance the Company's microfinance operations. The facility was disbursed in three tranches of Rs. 25 million, Rs. 35 million and Rs. 40 million on 31 December 2021, 08 March 2022 and 12 April 2022 respectively. The facility is secured by hypothecation of all present and future current assets of the Company. The facility carries mark-up at six months KIBOR plus 4.50% per annum, payable quarterly. Principal is repayable in six unequal quarterly installments with the first installment due in June 2022.

	Note	31-Dec-22	31-Dec-21
		Rupees	Rupees

### 10 LEASE LIABILITIES

Present value of minimum lease payments	10.1 & 10.2	17,379,308	6,521,158
Current portion presented under current liabilities	10.1 & 10.2	(5,334,043)	(2,883,734)
		12,045,265	3,637,424

10.1 These represent liabilities against right-of-use assets comprising office premises. Lease of office premises has been recognized using discount rates ranging from 15.37% to 21.07% (31-Dec-21: 13.16%) per annum. Lease rentals are payable monthly/annually in advance over the lease term of three to five years.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

- 10.2 The amount of future payments under the lease arrangements and the period in which these payments will become due are as follows:

	31-Dec-22	31-Dec-21
	<i>Rupees</i>	<i>Rupees</i>
Not later than one year	8,027,048	3,603,600
Later than one year but not later than five years	14,389,940	3,963,960
<b>Total future minimum lease payments</b>	<b>22,416,988</b>	<b>7,567,560</b>
Finance charge allocated to future periods	(5,037,680)	(1,046,402)
<b>Present value of future minimum lease payments</b>	<b>17,379,308</b>	<b>6,521,158</b>
Not later than one year	(5,334,043)	(2,883,734)
Later than one year but not later than five years	12,045,265	3,637,424

- 10.3 During the year the lessor agreed to increase lease term for a period of one year with effect from 15 September 2022. The change has been accounted for as a lease modification. The difference amounting to Rs. 3,108,049 between the carrying amount of lease liability before the modification and the carrying amount of the modified lease liability has been recognized as an adjustment to the related right-of-use asset (see note 15).

- 10.4 During the previous year, the lessor agreed to reduction in lease rentals with effect from 15 September 2021. The change was accounted for as a lease modification. The difference amounting to Rs. 505,742 between the carrying amount of lease liability before the modification and the carrying amount of the modified lease liability was recognized as an adjustment to the related right-of-use asset (see note 15).

	31-Dec-22	31-Dec-21
	<i>Rupees</i>	<i>Rupees</i>
<b>11 TRADE AND OTHER PAYABLES</b>		
Creditors	1,102,287	995,574
Accrued liabilities	6,589,366	2,440,474
Advances against loans	2,115,261	-
Incentives payable	62,214	142,417
Withholding tax payable	194,146	7,276
Employees' Old-Age Benefits payable	54,000	16,380
	<b>10,117,274</b>	<b>3,602,121</b>

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

- 12.1.1 The Deputy Commissioner Inland Revenue ['DCIR'] issued a show cause notice under section 161/205 of the Income Tax Ordinance, 2001 ['the Ordinance'] for Tax Year 2020 on 15 February 2021. The show cause notice was responded to on 08 March 2021. The DCIR made an order dated 30 August 2021 under section 161(1) of the Ordinance wherein a demand of Rs. 481,353 was created. Being aggrieved the Company filed an appeal under section 127(4) before Commissioner Inland Revenue (Appeals) ['CIR-A'] on 28 September 2021. Meanwhile, notice under section 138(1) was issued on 30-09-2021. The CIR-A, on the Company's application made on 05 October 2021 granted stay against recovery of DCIR's demand for 30 days which was further extended till 13 February 2022 on various applications filed by the Company. The CIR-A has finalized the proceedings vide order dated 11 February 2022 wherein the case has been remanded back for fresh adjudication and the corresponding demand has been annulled. The company is yet to receive a notice for remand back proceedings.

- 12.1.2 As per confirmation, the Punjab Revenue Authority issued a notice under section 57(2) read with section 16B of the Punjab Sales Tax on Services Act, 2012 dated 02 January 2023, wherein, intent was shown to disallow adjustment of input tax claimed to the tune of Rs. 272,687. The subject notice has been duly complied with on 19 January 2023. However, no order has yet been issued in this regard.

### 12.2 Commitments

The Company signed a binding term sheet with Insitor Impact Asia Fund II Pte. Ltd dated 29 December 2021 setting forth the terms and conditions for the investment by Insitor in the Company ['the Investment'] by way of a convertible loan. Insitor Impact Asia Fund II Pte. Ltd shall disburse USD 1.6 Million as a convertible loan in three un-equal tranches. The Company applied to the State Bank of Pakistan for approval of convertible loan agreement through authorized dealer. The approval is in process on part of the State Bank of Pakistan.

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## TALEEM FINANCE COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13 PROPERTY AND EQUIPMENT

	31-Dec-22										Net book value as at 31-Dec-22 Rupees
	COST					DEPRECIATION					
	As at 01-Jan-22 Rupees	Additions Rupees	Disposals Rupees	As at 31-Dec-22 Rupees	Rate	As at 01-Jan-22 Rupees	For the year Rupees	Adjustment Rupees	As at 31-Dec-22 Rupees		
Furniture and fixtures	2,068,432	3,788,037	(746,900)	5,109,569	20%	873,891	668,186	(460,590)	1,081,487	4,028,082	
Leasehold improvements	5,145,233	8,470,670	-	13,615,903	20%	2,231,589	1,793,306	-	4,024,895	9,591,008	
Office equipment	3,441,935	4,253,357	(1,148,000)	6,547,292	20%	1,461,487	1,001,388	(670,002)	1,792,873	4,754,419	
Computer equipment	2,802,482	2,020,466	-	4,822,948	33%	1,702,297	1,244,241	-	2,946,538	1,876,410	
	<b>13,458,082</b>	<b>18,532,530</b>	<b>(1,894,900)</b>	<b>30,095,712</b>		<b>6,269,264</b>	<b>4,707,121</b>	<b>(1,130,592)</b>	<b>9,845,793</b>	<b>20,249,919</b>	

	31-Dec-21										Net book value as at 31-Dec-21 Rupees
	COST					DEPRECIATION					
	As at 01-Jan-21 Rupees	Additions Rupees	Disposals Rupees	As at 31-Dec-21 Rupees	Rate	As at 01-Jan-21 Rupees	For the year Rupees	Adjustment Rupees	As at 31-Dec-21 Rupees		
Furniture and fixtures	1,963,050	105,382	-	2,068,432	20%	460,652	413,239	-	873,891	1,194,541	
Leasehold improvements	5,145,233	-	-	5,145,233	20%	1,202,541	1,029,048	-	2,231,589	2,913,644	
Office equipment	3,441,935	-	-	3,441,935	20%	773,107	688,380	-	1,461,487	1,980,448	
Computer equipment	2,468,793	333,689	-	2,802,482	33%	835,069	867,228	-	1,702,297	1,100,185	
	<b>13,019,011</b>	<b>439,071</b>	<b>-</b>	<b>13,458,082</b>		<b>3,271,369</b>	<b>2,997,895</b>	<b>-</b>	<b>6,269,264</b>	<b>7,188,818</b>	

13.1 Property and equipment includes fully depreciated assets of Rs. 1.803 million (31-Dec-21: Rs. nil) which are still in use of the Company. There is no item of property and equipment which is temporary idle or otherwise retired from active use.

## TALEEM FINANCE COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 13.2 Disposal of operating fixed assets

No disposals were made during the year ended 31 December 2021. Disposals made during the year ended 31 December 2022 are as follows:

Particulars	31-Dec-22					Mode of disposal	Particulars of buyer
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Loss on disposal Rupees		
<b>Furniture and fixtures</b>							
Office chairs	176,400	108,780	67,620	26,014	(41,606)	Negotiation	Friends Household, Lahore.
Workstations	279,250	172,204	107,046	500	(106,546)	Negotiation	Friends Household, Lahore.
Workstations with magnet plates	291,250	179,606	111,644	60,000	(51,644)	Negotiation	Premier Solutions, Lahore.
	746,900	460,590	286,310	86,514	(199,796)		
<b>Office equipment</b>							
Gree Inverter AC 1.5 ton	257,000	158,484	98,516	19,000	(79,516)	Negotiation	Muhammad Naseer, Lahore.
Gree Inverter AC 1.5 ton	257,000	158,484	98,516	17,500	(81,016)	Negotiation	Muhammad Naseer, Lahore.
Gree Inverter AC 2 ton	284,500	156,475	128,025	30,000	(98,025)	Negotiation	Freeze Point, Lahore.
Gree Inverter AC 2 ton	284,500	156,475	128,025	30,000	(98,025)	Negotiation	Freeze Point, Lahore.
Gree Inverter AC 1 ton	65,000	40,084	24,916	9,586	(15,330)	Negotiation	Friends Household, Lahore.
	1,148,000	670,002	477,998	106,086	(371,912)		
	1,894,900	1,130,592	764,308	192,600	(571,708)		

## TALEEM FINANCE COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31-Dec-22 Rupees	31-Dec-21 Rupees
<b>14 INTANGIBLE ASSETS</b>			
Operating intangible assets	14.1	1,821,080	497,526
Intangible assets under development	14.2	100,000	938,499
		<b>1,921,080</b>	<b>1,436,025</b>

	31-Dec-22						Net book value as at 31-Dec-22 Rupees
	COST			AMORTIZATION			
	As at 01-Jan-22 Rupees	Additions Rupees	Disposals Rupees	As at 31-Dec-22 Rupees	Rate	For the year Rupees	
14.1 Operating intangible assets							
SHMA software	406,000	-	-	406,000	33%	133,980	-
Loan processing software	824,412	1,778,499	-	2,602,911	33%	320,965	-
	<b>1,230,412</b>	<b>1,778,499</b>	<b>-</b>	<b>3,008,911</b>		<b>454,945</b>	<b>-</b>
				<b>732,886</b>		<b>133,980</b>	<b>-</b>
				<b>256,794</b>		<b>390,774</b>	<b>15,226</b>
				<b>476,092</b>		<b>797,057</b>	<b>1,805,854</b>
				<b>3,008,911</b>		<b>1,187,831</b>	<b>1,821,080</b>

	31-Dec-21						Net book value as at 31-Dec-21 Rupees
	COST			AMORTIZATION			
	As at 01-Jan-21 Rupees	Additions Rupees	Disposals Rupees	As at 31-Dec-21 Rupees	Rate	For the year Rupees	
14.2 This represents expenditure incurred on development of a new application by the name of 'Taleem Connect' (31-Dec-21: 'Taleem Tech').							
SHMA software	406,000	-	-	406,000	33%	133,980	-
Loan processing software	824,412	-	-	824,412	33%	272,052	-
	<b>1,230,412</b>	<b>-</b>	<b>-</b>	<b>1,230,412</b>		<b>406,032</b>	<b>-</b>
				<b>326,854</b>		<b>256,794</b>	<b>149,206</b>
				<b>122,814</b>		<b>476,092</b>	<b>348,320</b>
				<b>204,040</b>		<b>732,886</b>	<b>497,526</b>

## TALEEM FINANCE COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

15 RIGHT-OF-USE ASSETS

	31-Dec-22										Net book value as at 31-Dec-22 Rupees
	COST					DEPRECIATION					
	As at 01-Jan-22 Rupees	Additions Rupees	Disposals Rupees	Adjustment Rupees	As at 31-Dec-22 Rupees	Lease term years	As at 01-Jan-22 Rupees	For the year Rupees	As at 31-Dec-22 Rupees		
Office premises	13,069,735	12,282,561	-	3,108,049	28,460,345	3-5	6,172,925	5,493,187	11,666,112	16,794,233	
	13,069,735	12,282,561	-	3,108,049	28,460,345		6,172,925	5,493,187	11,666,112	16,794,233	

	31-Dec-21										Net book value as at 31-Dec-21 Rupees
	COST					DEPRECIATION					
	As at 01-Jan-21 Rupees	Additions Rupees	Disposals Rupees	Adjustment Rupees	As at 31-Dec-21 Rupees	Lease term years	As at 01-Jan-21 Rupees	For the year Rupees	As at 31-Dec-21 Rupees		
Office premises	13,575,477	-	-	(505,742)	13,069,735	5	3,506,999	2,665,926	6,172,925	6,896,810	
	13,575,477	-	-	(505,742)	13,069,735		3,506,999	2,665,926	6,172,925	6,896,810	

# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31-Dec-22 Rupees	31-Dec-21 Rupees
<b>16 LONG TERM DEPOSITS</b>			
Deposits with regulatory authorities	16.1	50,000	50,000
Deposits against lease liabilities	16.2	1,375,000	895,000
		<b>1,425,000</b>	<b>945,000</b>
16.1	These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.		
16.2	These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these have been carried at historical cost as the difference between historical cost and amortized cost is considered immaterial.		
<b>17 LONG TERM LOANS</b>			
	Note	31-Dec-22 Number      Rupees	31-Dec-21 Number      Rupees
Performing		435      261,544,330	305      163,490,903
Non-performing		27      9,825,636	-      -
		<b>462      271,369,966</b>	<b>305      163,490,903</b>
Accumulated impairment	17.2	6,004,634	2,452,902
		<b>265,365,332</b>	<b>161,038,001</b>
Current maturity presented under current assets		(115,260,204)	(78,394,022)
		<b>150,105,128</b>	<b>82,643,979</b>
		31-Dec-22 Rupees	31-Dec-21 Rupees
<b>17.1 Movement in long term loans</b>			
As at beginning of the year		163,490,903	60,815,433
Disbursements made during the year		223,138,447	148,219,691
Written off during the year		(407,361)	-
Recovered during the year		(114,852,023)	(45,544,221)
As at end of the year		<b>271,369,966</b>	<b>163,490,903</b>
<b>17.2 Movement in impairment allowance</b>			
		31-Dec-22	
		Allowance under the NBFC & NE Regulations Rupees	Accumulated impairment allowance Rupees
As at beginning of the year		-	2,452,902
Recognized during the year		868,754	3,959,093
Written off during the year		(407,361)	(407,361)
As at end of the year		<b>461,393</b>	<b>6,004,634</b>

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	31-Dec-21		
	Allowance under the NBFC & NE Regulations <i>Rupees</i>	General allowance <i>Rupees</i>	Accumulated impairment allowance <i>Rupees</i>
As at beginning of the year	-	912,232	912,232
Recognized during the year	-	1,540,670	1,540,670
Written off during the year	-	-	-
As at end of the year	-	2,452,902	2,452,902

17.3 Long term loans include secured loans amounting to Rs. 203 million (31-Dec-21: Rs. 103.86 million).

	Note	31-Dec-22 <i>Rupees</i>	31-Dec-21 <i>Rupees</i>
<b>18 DEFERRED TAXATION</b>			
Deferred tax asset on deductible temporary differences	18.1	10,230,529	4,633,098
Deferred tax liability on taxable temporary differences	18.1	(4,870,328)	(2,000,075)
Net deferred tax asset		5,360,201	2,633,023

### 18.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31-Dec-22			
	As at 01-Jan-22 <i>Rupees</i>	Recognized in profit or loss <i>Rupees</i>	Recognized in OCI <i>Rupees</i>	As at 31-Dec-22 <i>Rupees</i>
<b>Deferred tax assets</b>				
Property and equipment	690,533	58,878	-	749,411
Lease liabilities	1,891,136	3,148,863	-	5,039,999
Accumulated impairment on long term loans	711,342	1,030,002	-	1,741,344
Unused tax losses and credits	1,340,087	1,359,688	-	2,699,775
	4,633,098	5,597,431	-	10,230,529
<b>Deferred tax liabilities</b>				
Right-of-use assets	(2,000,075)	(2,870,253)	-	(4,870,328)
	2,633,023	2,727,178	-	5,360,201

	31-Dec-21			
	As at 01-Jan-21 <i>Rupees</i>	Recognized in profit or loss <i>Rupees</i>	Recognized in OCI <i>Rupees</i>	As at 31-Dec-21 <i>Rupees</i>
<b>Deferred tax assets</b>				
Property and equipment	12,183	678,350	-	690,533
Lease liabilities	2,686,978	(795,842)	-	1,891,136
Accumulated impairment on long term loans	-	711,342	-	711,342
Unused tax losses and credits	6,247,967	(4,907,880)	-	1,340,087
	8,947,128	(4,314,030)	-	4,633,098
<b>Deferred tax liabilities</b>				
Right-of-use assets	(2,919,859)	919,784	-	(2,000,075)
	6,027,269	(3,394,246)	-	2,633,023

Deferred tax has been calculated at 29% (31-Dec-21: 29%) of the timing differences as at the reporting date based on tax rates notified by the Government of Pakistan for future tax years.

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 18.2 Unrecognized deferred tax assets

The Company has Rs. 136.16 million (31-Dec-21: Rs. 90.046 million) of tax losses and credits carried forward as at the reporting date and available to the Company for utilization against future taxable profits. Out of these, deferred tax asset has been recognized on tax losses and credits amounting to Rs. 9.31 million (31-Dec-21: Rs. 4.621 million).

Unused tax losses and credits for which no deferred tax asset has been recognized expire as follows:

Tax year	Nature	31-Dec-22 Rupees	31-Dec-21 Rupees
2026	Tax losses	22,061,224	22,061,224
2027	Tax losses	36,082,766	36,082,766
2028	Tax losses	26,803,546	26,803,546
2029	Tax losses	40,661,881	-
		125,609,417	84,947,536
2024	Tax credits	78,590	78,590
2025	Tax credits	399,581	399,581
2026	Tax credits	759,692	-
		1,237,863	478,171
		126,847,280	85,425,707

### 19 SHORT TERM INVESTMENTS

These represented investment in term deposits receipts placed with banking companies for tenors ranging from one month to one year and carried interest at rates ranging from 7.25% to 14% (31-Dec-21: 5.50% to 7.25%) per annum.

	Note	31-Dec-22 Rupees	31-Dec-21 Rupees
20	<b>ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advance to employees	56,969	60,000
	Prepaid expenses	1,918,783	1,058,245
	Sales tax refundable	172,086	99,106
	Other receivables	238,578	42,050
		2,386,416	1,259,401

### 21 MARK-UP RECEIVABLE ON LONG TERM LOANS

	Performing	3,109,529	1,972,682
	Non-performing	1,206,889	-
		4,316,418	1,972,682
	Accumulated impairment	(1,206,889)	-
		3,109,529	1,972,682

#### 21.1 Movement in mark-up receivable on long term loans

	As at beginning of the year	1,972,682	556,095
	Accrued during the year	60,470,256	31,807,659
	Received during the year	(59,333,409)	(30,391,072)
	As at end of the year	3,109,529	1,972,682

### 22 CASH AND BANK BALANCES

	Cash in hand	90,000	40,000
	Cash at banks		
	current accounts - local currency	175,274	88,170
	saving accounts - local currency	147,722,701	36,941,057
		147,897,975	37,029,227
		147,987,975	37,069,227

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

22.1 Effective rate of return in respect of saving accounts ranges from 5.5% to 15% (31-Dec-21: 5% to 9%) per annum.

	Note	31-Dec-22	31-Dec-21
		<i>Rupees</i>	<i>Rupees</i>
<b>23 INCOME FROM LONG TERM LOANS</b>			
Mark-up income		60,470,256	31,807,659
Service charges		248,106	154,889
Late payment surcharge		57,018	3,968
		<b>60,775,380</b>	<b>31,966,516</b>
<b>24 OPERATIONAL EXPENDITURE</b>			
Retainership fee		890,000	780,000
Mortgage expenses		281,755	194,340
Client verification		148,116	143,316
Collection charges		44,987	14,120
Credit life insurance		1,134,805	447,024
Sales staff incentive		207,049	526,843
NADRA verification		32,512	16,654
Impairment allowance on long term loans	17.2	3,959,094	1,540,670
		<b>6,698,318</b>	<b>3,662,967</b>
<b>25 ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	25.1	73,788,438	54,988,618
Directors' meeting fee		1,950,000	1,800,000
Directors' meeting expenses		228,449	65,877
Utilities		1,855,625	790,328
Insurance		1,138,140	624,567
Travelling and conveyance		841,535	2,432,928
Communication		2,368,480	1,450,159
Professional fee		7,088,113	1,345,380
Advertisement and public relations		393,795	27,215
Auditor's remuneration	25.2	325,000	625,000
Office support and maintenance		923,711	348,700
Depreciation on property and equipment	13	4,707,121	2,997,895
Depreciation on right-of-use assets	15	5,493,187	2,665,926
Amortization of intangible assets	14.1	454,945	406,032
Other administrative expenses		2,089,528	1,034,425
		<b>103,646,067</b>	<b>71,603,050</b>
25.1 These include contribution to provident fund trust amounting to Rs. 3,654,779 (31-Dec-21: Rs. 3,021,977).			
		<b>31-Dec-22</b>	<b>31-Dec-21</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>25.2 Auditor's remuneration</b>			
Annual statutory audit		300,000	525,000
Interim review		-	75,000
Out of pocket expenses		25,000	25,000
		<b>325,000</b>	<b>625,000</b>
<b>26 OTHER INCOME</b>			
<b>Gain on financial instruments</b>			
Return on saving accounts		10,216,422	3,670,407
Return on short term investments		2,334,110	5,542,274
		<b>12,550,532</b>	<b>9,212,681</b>

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31-Dec-22 Rupees	31-Dec-21 Rupees
<b>27 OTHER EXPENSES</b>			
Loss on disposal of property and equipment		571,708	-
		<b>571,708</b>	<b>-</b>
<b>28 FINANCE COST</b>			
Interest/mark-up on borrowings:			
long term borrowings		13,796,034	8,664
short term borrowings		78,558	30,791
		<b>13,874,592</b>	<b>39,455</b>
Interest on lease liabilities		2,619,404	1,037,458
Bank charges		15,726	33,771
		<b>16,509,722</b>	<b>1,110,684</b>
<b>29 PROVISION FOR TAXATION</b>			
Current taxation			
for current year	29.1	759,692	399,581
for prior years		-	-
		<b>759,692</b>	<b>399,581</b>
Deferred taxation			
attributable to origination and reversal of temporary differences		(2,727,178)	(2,137,611)
attributable to write-down of previously recognized deferred tax asset		-	5,531,857
	18	<b>(2,727,178)</b>	<b>3,394,246</b>
		<b>(1,967,486)</b>	<b>3,793,827</b>
29.1	Provision for current tax has been made under section 113 (31-Dec-21: section 113) of the Income Tax Ordinance, 2001. There is no relationship between tax expense and accounting profit. Accordingly, no numerical reconciliation has been presented.		
29.2	The income tax assessment upto and including tax year 2022 are deemed assessments in terms of section 120(1) of the Ordinance.		
	Unit	31-Dec-22	31-Dec-21
<b>30 LOSS PER SHARE - BASIC AND DILUTED</b>			
Loss attributable to ordinary shareholders	Rupees	(52,132,417)	(38,991,331)
Weighted average number of ordinary shares outstanding during the year	No. of shares	3,379,560	3,379,560
Loss per share - basic	Rupees	(15.43)	(11.54)

There is no anti-dilutive effect on basic loss per share of the Company.

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31-Dec-22 Rupees	31-Dec-21 Rupees
<b>31 CASH USED IN OPERATIONS</b>			
Loss before taxation		(54,099,903)	(35,197,504)
<b>Adjustments for non-cash items</b>			
Interest on lease liabilities		2,619,404	1,037,458
Interest on borrowings		13,874,592	39,455
Loss on disposal of property and equipment		571,708	-
Depreciation on property and equipment		4,707,121	2,997,895
Depreciation on right-of-use assets		5,493,187	2,665,926
Amortization of intangible assets		454,945	406,032
Impairment allowance on long term loans		3,959,093	1,540,670
Return on short term investments		(2,334,110)	(5,542,274)
		29,345,940	3,145,162
<b>Operating loss before changes in working capital</b>		(24,753,963)	(32,052,342)
<b>Changes in working capital</b>			
Long term deposits		(480,000)	(425,000)
Long term loans		(108,286,424)	(102,675,470)
Advances, prepayments and other receivables		(832,293)	(425,398)
Mark-up receivable on long term loans		(1,136,847)	(1,416,587)
Trade and other payables		6,515,153	1,427,252
		(104,220,411)	(103,515,203)
<b>Cash used in operations</b>		(128,974,374)	(135,567,545)

<b>32 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	22	147,987,975	37,069,227
		147,987,975	37,069,227

	31-Dec-22			
	Issued share capital Rupees	Share premium Rupees	Lease liabilities Rupees	Long term borrowings Rupees
As at beginning of the year	-	-	6,521,158	25,000,000
Issue of preference shares	146,328,900	-	-	-
Share premium received	-	29,671,100	-	-
Addition in right-of-use assets	-	-	12,282,561	-
Interest on lease liabilities	-	-	2,619,404	-
Payment of lease liabilities	-	-	(7,446,586)	-
Impact of lease modification	-	-	3,108,049	-
Repayment of long term borrowings	-	-	-	(26,500,000)
Long term borrowings obtained	-	-	-	75,000,000
<b>As at end of the year</b>	146,328,900	29,671,100	17,084,586	73,500,000

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	31-Dec-21			
	Issued share capital Rupees	Share premium Rupees	Lease liabilities Rupees	Long term borrowings Rupees
As at beginning of the year	-	-	9,265,442	-
Issue of preference shares	-	-	-	-
Share premium received	-	-	-	-
Addition in right-of-use assets	-	-	-	-
Interest on lease liabilities	-	-	1,037,458	-
Payment of lease liabilities	-	-	(3,276,000)	-
Impact of lease modification	-	-	(505,742)	-
Repayment of long term borrowings	-	-	-	-
Long term borrowings obtained	-	-	-	25,000,000
As at end of the year	-	-	6,521,158	25,000,000

### 34 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise Holding Company, Associated Company, post-employment benefit plan and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. The details of Company's related parties, with whom the Company had transactions during the year or has balances outstanding as at the reporting date, are as follows:

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Gray Ghost Ventures Educations Holdings LLC	Holding company	Shareholding	91.46%
Taleem Finance Company Employees Provident Fund Trust	Post-employment benefit plan	Plan for benefits of Company's employees	0.00%
Kamran Azim	Key management personnel	Chief executive officer	7.95%
Amjad Ali Arbab	Key management personnel	Director	0.30%
Amjad Pervez	Key management personnel	Director	0.30%
Ali Abbas Sikandar	Key management personnel	Director	0.00%
Mehvish Arifeen	Key management personnel	Director	0.00%

Transactions with key management personnel are limited to payment of short term employee benefits and meeting fee. Transactions with post-employment benefit plan is limited to contribution made to the plan. Detail of transactions and balances with related parties is as follows:

		31-Dec-22 Rupees	31-Dec-21 Rupees
<b>34.1 Transactions with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of transactions</b>		
Post-employment benefit plan	Contribution for the year	3,645,222	3,021,977
Key management personnel	Short term employee benefits	24,268,314	21,134,400
	Meeting fee	1,950,000	1,800,000

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

		31-Dec-22	31-Dec-21
		Rupees	Rupees
34.2	<b>Balances with related parties</b>		
	<b>Nature of relationship</b>	<b>Nature of balances</b>	
	Holding Company	Issued share capital	
		309,079,500	335,956,000
	Associated company	Issued share capital	
		146,328,900	-
		Share premium	
		29,671,100	-
	Key management personnel	Issued share capital	
		28,876,500	2,000,000

### 35 FINANCIAL INSTRUMENTS

The gross carrying amounts of the Company's financial instruments as at the reporting date are as follows:

		Note	31-Dec-22	31-Dec-21
			Rupees	Rupees
35.1	<b>Financial assets</b>			
	<i>Cash in hand</i>	22	90,000	40,000
	<i>Loans and receivables</i>			
	Long term deposits		1,425,000	945,000
	Long term loans	17	271,369,966	163,490,903
	Advance to employees	20	56,969	60,000
	Mark-up receivable on long term loans	21	3,109,529	1,972,682
	Cash at bank	22	147,897,975	37,029,227
			423,859,439	203,497,812
	<i>Held-to-maturity investments</i>			
	Short term investments	19	-	52,403,425
			423,949,439	255,941,237

### 35.2 Financial liabilities

#### *Financial liabilities at amortized cost*

	Long term borrowings	9	73,500,000	25,000,000
	Lease liabilities	10	17,379,308	6,521,158
	Trade creditors	11	1,102,287	995,574
	Accrued liabilities	11	6,589,366	2,440,474
	Incentives payable	11	62,214	142,417
	Accrued interest/mark-up on borrowings		3,777,457	39,455
			102,410,632	35,139,078

### 36 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company's activities exposes it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses, assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 36.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

#### 36.1.2 Maximum exposure to credit risk

Credit risk principally arises from debt instruments held by the Company as at the reporting date. The maximum exposure to credit risk as at the reporting date is as follows:

	Note	31-Dec-22 Rupees	31-Dec-21 Rupees
<b>Loans and receivables</b>			
Long term deposits		1,425,000	945,000
Long term loans	17	271,369,966	163,490,903
Advance to employees	20	56,969	60,000
Mark-up receivable on long term loans	21	3,109,529	1,972,682
Cash at bank	22	147,897,975	37,029,227
		<b>423,859,439</b>	<b>203,497,812</b>
<b>Held-to-maturity investments</b>			
Short term investments	19	-	52,403,425
		<b>423,859,439</b>	<b>255,901,237</b>

#### 36.1.3 Concentrations of credit risk

The Company's maximum exposure to credit risk, as at the reporting date, by type of counter-party is as follows:

	31-Dec-22 Rupees	31-Dec-21 Rupees
Customers	274,479,495	165,463,585
Regulatory authorities	50,000	50,000
Banking companies and financial institutions	147,897,975	89,432,652
Others	1,431,969	955,000
	<b>423,859,439</b>	<b>255,901,237</b>

#### 36.1.4 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates.

##### (a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to 'bank balances' and 'short term investments'. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. The published credit ratings of these counterparties are as follows:

Bank	Rating Agency	Short-Term	Long-Term	31-Dec-22	31-Dec-21
MCB Bank Limited	PACRA	A1+	AAA	39,472,028	1,843,616
Silk Bank Limited	VIS	A-2	A-	22,339,356	77,961,300
NRSP Microfinance Bank Limited	PACRA	A-2	A-	86,086,591	9,627,736
				<b>147,897,975</b>	<b>89,432,652</b>

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### (b) Counterparties without external credit ratings

These include customers which are counter parties to 'long term loans' and 'mark-up receivable on long term loans', regulatory authorities which are counter parties to 'long term deposits' and others which are counter parties to 'long term deposits' and 'advances to employees'. Credit risk in respect of long term deposits and advances to employees is considered to be insignificant as non-performance by these parties is not expected. The Company is exposed to credit risk in respect of long term loans and mark-up receivable thereon. Impairment allowance on long term loans and mark-up receivable thereon is recognized in accordance with the requirements of NBFC regulations.

### 36.1.5 Collateral held

The Company does not hold any collateral to secure its financial assets with the exception of long term loans amounting to Rs. 203 million (31-Dec-21: Rs. 103.86 million), which are secured against collateral held by the Company and advances to employees which are secured against future salaries.

### 36.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

#### 36.2.1 Exposure to liquidity risk

The following is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

	31-Dec-22				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Lease liabilities	17,379,308	22,416,988	8,027,048	14,389,940	-
Long term borrowings	73,500,000	79,796,879	79,796,879	-	-
Trade creditors	1,102,287	1,102,287	1,102,287	-	-
Accrued liabilities	6,589,366	6,589,366	6,589,366	-	-
Incentives payable	62,214	62,214	62,214	-	-
Accrued interest/mark-up on borrowings	3,777,457	3,777,457	3,777,457	-	-
	<b>102,410,632</b>	<b>113,745,191</b>	<b>99,355,251</b>	<b>14,389,940</b>	<b>-</b>

	31-Dec-21				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Lease liabilities	6,521,158	7,567,560	3,603,600	3,963,960	-
Long term borrowings	25,000,000	27,118,962	27,118,962	-	-
Trade creditors	995,574	995,574	995,574	-	-
Accrued liabilities	2,440,474	2,440,474	2,440,474	-	-
Incentives payable	142,417	-	142,417	-	-
Accrued interest/mark-up on borrowings	39,455	39,455	39,455	-	-
	<b>35,139,078</b>	<b>38,162,025</b>	<b>34,340,482</b>	<b>3,963,960</b>	<b>-</b>

#### 36.2.2 Liquidity risk management

The Company's approach to managing liquidity risk 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 Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of solvency ratios.

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 36.3 Market risk

#### 36.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from transactions and resulting balances that are denominated in a currency other than functional currency. The Company is not exposed to currency risk.

#### 36.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

##### (a) Interest rate risk management

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on surplus after taxation and equity of defined interest rate shift, mostly 100 basis points.

##### (b) Interest bearing financial instruments

The effective interest rates for interest bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest bearing financial instruments as at the reporting date are as follows:

	31-Dec-22	31-Dec-21
	Rupees	Rupees
<b>Fixed rate instruments</b>		
Financial assets	271,369,966	215,894,328
Financial liabilities	17,379,308	6,521,158
<b>Variable rate instruments</b>		
Financial assets	147,722,701	36,941,057
Financial liabilities	73,500,000	25,000,000

##### (c) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for its fixed rate instruments at fair value.

##### (d) Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates as at the reporting date would have increased profit for the year and equity as at the reporting date by Rs. 0.742 million (31-Dec-21: Rs. 0.119 million). A decrease of 100 basis points would have had an equal but opposite effect on loss for the year and equity. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

### 36.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of 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 instrument or its issuer, or factors affecting all similar financial instruments. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

## 37 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as going concern while providing returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure through debt and equity balance. The Company manages its capital structure and makes adjustments 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 or issue of new shares. The Company monitors capital on the basis of Gearing Ratio which is Debt divided by Total Capital Employed. Debt comprises long term borrowings, including current maturity. Total capital employed includes total equity (as shown in the statement of financial position) plus debt. The gearing ratios as at the reporting date are as follows:

# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Unit</i>	31-Dec-22	31-Dec-21
Total debt	<i>Rupees</i>	73,500,000	25,000,000
Total equity	<i>Rupees</i>	366,520,918	242,653,335
Total capital employed	<i>Rupees</i>	440,020,918	267,653,335
Gearing ratio	<i>% age</i>	16.70	9.34

Non-Banking Finance Companies and Notified Entities Regulations, 2008 prescribe minimum equity requirements for Non-Banking Finance Companies. The Company remains compliant with these minimum equity requirements as at the reporting date.

There were no changes to the Company's approach to capital management during the year.

### 38 FAIR VALUE MEASUREMENTS

There are no recurring or non-recurring fair value measurements as at the reporting date. The management considers the carrying amount of all financial instruments, to which the Company is a party, to approximate their fair values as at the reporting date.

	31-Dec-22	31-Dec-21
	<i>Rupees</i>	<i>Rupees</i>

### 39 RESTRICTION ON TITLE AND ASSETS PLEDGED/MORTGAGED AS SECURITY

#### Mortgages and charges

Hypothecation of movables and book debts	133,330,000	133,330,000
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### 40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	31-Dec-22		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	23,247,840	-	19,488,237
Allowances and perquisites	1,020,474	-	8,699,955
Meeting fee	-	1,950,000	-
Contribution to provident fund	1,660,560	-	1,378,094
	<b>25,928,874</b>	<b>1,950,000</b>	<b>29,566,286</b>
Number of persons	1	5	9

	31-Dec-21		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	20,534,400	-	18,716,082
Allowances and perquisites	600,000	-	-
Meeting fee	-	1,800,000	-
Contribution to provident fund	1,509,600	-	996,624
	<b>22,644,000</b>	<b>1,800,000</b>	<b>19,712,706</b>
Number of persons	1	3	6

### 41 EMPLOYEES PROVIDENT FUND TRUST

The Company operates a contributory provident fund for its employees where contributions are made by the Company and employees each at 10% (31-Dec-21: 10%) of the basic salary every month. The investments out of the provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

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# TALEEM FINANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 42 NUMBER OF EMPLOYEES

	31-Dec-22	31-Dec-21
Total number of employees	36	23
Average number of employees	30	22

### 43 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

### 44 EVENTS AFTER THE REPORTING PERIOD

There no known events occurring after the reporting period that may have material impact on these financial statements.

### 45 GENERAL

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.



Director



Chief Executive Officer

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