

**Audited Consolidated Financial Statements of Secure Logistics
Group Limited for the year ended 31 December, 2023**

INDEPENDENT AUDITOR'S REPORT**To the Members of Secure Logistics Group Limited****Report on the Audit of the Consolidated Financial Statements****Opinion**

We have audited the annexed Consolidated financial statements of **Secure Logistics Group Limited** (the Company), which comprise the Consolidated statement of financial position as at December 31, 2023, and Consolidated statement of profit or loss, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of cash flows for the year then ended, and notes to the consolidated 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 Consolidated statement of financial position, the Consolidated statement of profit or loss, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity and the Consolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2023 and of the profit, the comprehensive income, the changes in equity and its cash 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.

Emphasis of Matter

We draw attention to:

- Note 38.1 to the consolidated financial statements which describes that the company acquired 75% shareholding in Sky Guards (Private) Limited.
- Note 38.2 to the consolidated financial statements which describes that the company listed on Pakistan Stock Exchange (PSX) on April 22, 2024.

Our opinion is not modified in respect of the above matters.

Information Other than the Financial Statements and Auditors Report Thereon

Management is responsible for the other information. The other information comprises the information included in the director report but does not include the financial statements and our auditors 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.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Syed Naveed Abbas.

Rsm Avais Hyder Liaquat Nauman

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Islamabad

Date: 09 May 2024

UDIN: AR202310239ZkKD6BTGe

SECURE LOGISTICS GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Operating fixed assets	5	3,566,772,505	3,203,013,235
Intangible assets	6	30,738,635	38,423,292
Long term security deposits	7	58,080,167	86,198,700
		3,655,591,308	3,327,635,227
CURRENT ASSETS			
Trade debts	8	425,049,047	284,185,804
Stores and spares	9	600,825,781	485,913,009
Advances, deposits and other receivables	10	43,131,143	120,239,860
Advance income tax		55,352,318	41,249,808
Cash and bank balances	11	1,033,112	55,320,242
		1,125,391,400	986,908,723
		4,780,982,708	4,314,543,950
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Issued, subscribed and paid up capital	12	1,664,350,680	1,664,350,680
Revaluation surplus		4,959,688	-
Share premium		435,631,420	435,631,420
		2,104,941,788	2,099,982,100
RESERVES			
Accumulated profits		787,811,837	419,669,416
		2,892,753,625	2,519,651,516
NON CURRENT LIABILITIES			
Liability against assets subject to finance lease	13	3,418,624	4,851,339
Employee benefit obligation	14	16,717,918	14,077,127
Deferred tax	15	99,064,857	196,930,250
Loan from associates	16	42,046,368	50,546,368
		161,247,767	266,405,084
CURRENT LIABILITIES			
Creditors, accrued and other payables	17	181,254,551	124,723,088
Provision for taxation		123,429,411	51,044,941
Current portion of leasing liability	13	143,797,015	160,409,053
Current portion of loan from associates	16	212,727,147	210,817,545
Advances against fixed assets	18	25,000,000	1,487,933
Short term loans	19	1,040,773,193	980,004,790
		1,726,981,316	1,528,487,350
		4,780,982,708	4,314,543,950

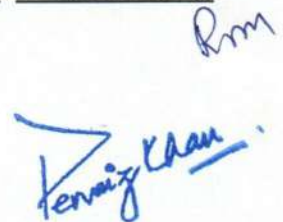
CONTINGENCIES AND COMMITMENTS

20

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

SECURE LOGISTICS GROUP LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
Revenue - net	21	2,044,844,978	1,669,040,381
Cost of services	22	(1,208,876,424)	(1,077,355,181)
Gross profit		835,968,554	591,685,200
Administrative expenses	23	(196,842,554)	(196,748,985)
Other expenses	24	(99,752,795)	(11,468,424)
Operating profit		539,373,205	383,467,791
Finance costs	25	(211,020,179)	(139,970,065)
Expected credit losses		(871,588)	(4,596,504)
Other income	26	15,004,006	24,644,234
Profit before tax for the year		342,485,444	263,545,456
Taxation	27	25,531,981	27,584,362
Profit after tax for the year		368,017,425	291,129,818

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

Rmm



CHIEF EXECUTIVE OFFICER



DIRECTOR

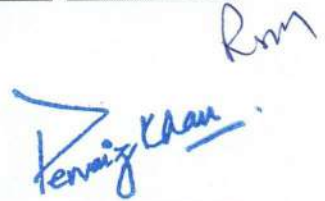
SECURE LOGISTICS GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
<u>Note</u>	<u>(Rupees)</u>	<u>(Rupees)</u>
Profit for the year	368,017,425	291,129,818
Items that will not be subsequently reclassified to statement of profit or loss:		
Remeasurement gain on defined benefit obligation	124,997	1,123,123
Other comprehensive income for the year	124,997	1,123,123
Total comprehensive income for the year	368,142,422	292,252,941

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



Chief Executive Officer



Director

SECURE LOGISTICS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital	Revaluation surplus	Share premium	Accumulated profits	Total
	----- (Pak Rupees) -----				
Balance as at January 01, 2022	1,664,350,680	-	435,631,420	127,416,475	2,227,398,575
Total comprehensive income for the year					
Profit for the year	-	-	-	291,129,818	291,129,818
Other comprehensive income	-	-	-	1,123,123	1,123,123
	-	-	-	292,252,941	292,252,941
Balance as at December 31, 2022	1,664,350,680	-	435,631,420	419,669,416	2,519,651,516
Balance as at January 01, 2023	1,664,350,680	-	435,631,420	419,669,416	2,519,651,516
Revaluation surplus	-	4,959,688			
Total comprehensive income for the year					
Profit for the year	-	-	-	368,017,425	368,017,425
Other comprehensive income	-	-	-	124,997	124,997
	-	-	-	368,142,422	368,142,422
Balance as at December 31, 2023	1,664,350,680	4,959,688	435,631,420	787,811,837	2,892,753,625

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

SECURE LOGISTICS GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		342,485,444	263,545,456
Adjustment for non-cash items:			
Interest expense	25	211,020,179	133,635,059
Depreciation and amortization	22, 23	203,050,125	188,550,494
Exchange loss on loan	24	1,909,601	6,744,579
Loss on disposal of fixed assets	24	97,843,194	4,723,845
NRV loss		-	634,750
Unrealized gain	26	-	(8,799,160)
Amortization of government grant		-	(4,465,109)
Mark up salary refinancing		-	6,335,006
Expected credit loss		871,588	4,596,504
Gratuity expense	23.1	2,816,844	4,416,804
Cash flows before working capital changes		859,996,975	599,918,228
Changes in working capital			
(Increase)/decrease in current assets:			
Advances, deposits and other receivables	10	77,108,717	(30,304,366)
Trade debts	8	(140,863,243)	(49,536,840)
Stores and spares	9	(114,912,772)	(208,321,400)
(Increase)/decrease in current liabilities:			
Unearned income	18	23,512,067	-
Creditors, accrued and other liabilities	17	56,531,463	(47,375,732)
Net working capital changes		(98,623,768)	(335,538,337)
Cash generated from operations		761,373,207	264,379,891
Income tax paid		(17,846,786)	(13,860,380)
Finance cost paid		(201,562,311)	(88,878,635)
Gratuity paid		-	-
Net cash flow generated from operating activities		541,964,110	161,640,876
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment	5.1	(795,984,855)	(304,914,854)
Disposal of equipment	5.2	223,659,326	91,384,999
Long term security deposits	7	28,118,533	(77,918,700)
Net cash used in investing activities		(544,206,996)	(291,448,555)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of salary refinance		-	(96,013,390)
Repayment of TFC loan		-	(110,000,000)
Loan from associates	16	(8,500,000)	129,619,334
Lease rental paid	13	(104,312,646)	(160,563,175)
Loan from HBL repaid	19	(48,691,185)	(38,983,412)
Net cash flow used in financing activities		(161,503,831)	(275,940,643)
Net cash outflow during the year		(163,746,717)	(405,748,322)
Cash and cash equivalents at beginning of year		(592,262,550)	(186,514,227)
Cash and cash equivalents at the end of year	28	(756,009,267)	(592,262,550)

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



CHIEF EXECUTIVE OFFICER

 Rsm

DIRECTOR

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1 THE GROUP AND ITS OPERATIONS

Secure Logistics Group Limited (the Group) previously known as Asia Capital Partners (Private) Limited was incorporated on 18th of April, 2013 as a private limited company under the Companies Ordinance 1984, (repealed Companies Act, 2017). The "SLG" has two main business segments, i.e. Logistics & Tracking / Fleet Management services. The registered office is situated in Sector I-10/3, Islamabad.

1.1 Secure Logistics Group and its subsidiaries are comprises of following:

Name	Holding / Subsidiary	Percentage of shareholding
Secure Logistics Group Limited	Holding Company	-
Fist Securities (Private) Limited	Subsidiary Company	100%
Logi Serve (Private) Limited	Subsidiary Company	100%

Nature of operations of subsidiaries

Fist Securities (Private) Limited

FIST Security (Private) Limited was incorporated on 27th June 2001 in Pakistan under the Companies Ordinance 1984, (repealed with enactment of Companies Act, 2017) and is wholly owned subsidiary of Secure Logistics Group Limited. The company is engaged in the business of providing security and consultancy services for protection of life and property, particularly with respect to building and factories. The registered office of the company is situated in The registered office is situated in Sector I-10/3, Islamabad.

Logi Serve (Private) Limited

Logi Serve (Private) Limited was incorporated on December 28, 2021, under the Companies Act, 2017. The principal line of business of the Company is to engage in software and application development, data processing and to provide consultancy and training facilities. The Company obtained the Zone Enterprise license of Special Technology Zones Authority ("STZA") on May 12, 2022. The registered office of the Company is 10th Floor, State Life Tower, Jinnah Avenue, Blue Area, Islamabad.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed."

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for certain items as disclosed in the relevant accounting policies below.

2.3 Basis for consolidation

Subsidiary is an entity over which the Group has control. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Generally, there is presumption that a majority of voting rights result in control.

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more elements of control.

Subsidiary is consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Income and expenses of a subsidiary acquired or disposed off during the year are included in profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the Subsidiary Company are prepared for the same reporting period as the Holding Company, using consistent accounting policies. The accounting policies of the Subsidiary Company have been changed to conform with accounting policies of the Holding Company, where required.

Rmm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Identifiable assets acquired, liabilities assumed and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of cost of acquisition is recorded as goodwill, however, if the cost of acquisition is less than fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

The assets, liabilities, income and expenses of the Subsidiary Company are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the Subsidiary Company's shareholders' equity in the consolidated financial statements.

All material intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends within the Group are eliminated in full.

Non-controlling interest (NCI) is that part of the net results of operations and of net assets of subsidiary attributable interest which are not owned by the Group. The Group measures NCI on proportionate basis of the net assets of subsidiary company.

When the ownership of a subsidiary is less than hundred percent, a NCI exists. The NCI is allocated its share of the total comprehensive income for the year, even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed off of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses to non-controlling interests are also recorded in equity.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, carrying amount of any NCI, cumulative translation differences recognised in other comprehensive income, and recognises fair value of consideration received, any investment retained, surplus or deficit in profit and loss, and reclassifies the Holding Company share of components previously recognised in other comprehensive income to profit and loss account or retained earnings, as appropriate.

2.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees, which is the Holding Company's functional currency. All amounts have been rounded to the nearest Rupee, unless otherwise stated.

2.5 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of property, plant and Equipment
- Revenue from contracts with customers
- Useful lives, residual values and amortization method of intangible assets
- Provision for impairment of store and spares
- Impairment loss of non-financial assets other than inventories
- Provision for expected credit losses
- Obligation of defined benefit obligation
- Estimation of provisions
- Estimation of contingent liabilities
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses)

Rm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3 STATUS OF STANDARDS AND INTERPRETATIONS

3.1 Standards, amendments to standards and interpretations becoming effective in future periods

a) Standards and amendments to approved accounting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Group's annual accounting period which began on January 01, 2023. However, these do not have any significant impact on the Group's financial reporting.

b) Standards and amendments to approved accounting standards that are not yet effective

There is a standard and certain other amendments to the accounting and reporting standards that will be mandatory for the Group's annual accounting periods beginning on or after January 01, 2023. However, these are considered either not to be relevant or to have any significant impact on the Group's consolidated financial statements and operations and, therefore, have not been disclosed in these consolidated financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

Items of property, equipment, other than capital work in progress are measured at cost less accumulated depreciation and impairment loss (if any).

Capital work in progress is stated at cost less impairment loss (if any).

The costs of property and equipment include:

- its purchase price including import duties, non-refundable purchase taxes after deducting trade discounts and
- any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- Borrowing costs, if any.

Depreciation is charged so as to write off the cost of assets (capital work in progress) over their estimated useful lives, using the reducing balance method at rates specified in relevant notes to the consolidated financial statements.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in as other income in the statement of profit or loss.

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

4.2 Intangibles assets

Intangible assets acquired separately are initially recognized at cost. After initial recognition, these are measured at cost less accumulated amortization and accumulated impairment losses. Costs associated with routine maintenance of intangible assets are recognized as an expense when incurred. However, costs that are directly attributable to identifiable intangible assets and which enhance or extend the performance of intangible assets beyond the original specification and useful life is recognized as capital improvement and added to the original cost of the software.

Amortization is charged using the reducing balance method as per rates mentioned in note 7.1. Amortization on additions is charged from the month in which an intangible asset is available for use till the date of disposal.

The useful lives, residual values and amortization method are reviewed on a regular basis. The effect of any changes in estimate accounted for on a prospective basis.

4.3 Borrowing costs

Borrowing Costs are recognized as an expense in the period they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of assets.

Rm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4.4 Store and spares

Stores and spares are stated at lower of weighted average cost and net realisable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision is made for obsolete and slow moving stores and spares and is recognised in the statement of profit or loss.

4.5 Trade and other receivables

Trade debts and other receivables are stated initially at invoice amounts and subsequently measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any. Allowance for expected credit losses is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts, if any, are written off when considered irrecoverable.

4.6 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents include cash in hand, with banks and short term bank finances. The fair value of cash and cash equivalents approximate their carrying amount.

4.7 Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. As the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

4.8 Staff retirement benefits

The Group operates an un-funded gratuity scheme for all its permanent employees who have attained retirement age, died or resigned during service period and have served for the minimum qualification period. Provision is based on the actuarial valuation of the scheme carried out as at December 31, 2022 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits" and resulting vested portion of past service cost has been charged to income in the current year. The remeasurement gains / losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the statement of profit or loss.

4.9 Lease

The Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments.

At inception of a contract, the Group assesses whether a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group mainly leases properties for its operations. The Group recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method over the shorter of the lease term and the asset's useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The Group has lease agreements for head office building which were previously classified by the Group based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all the leases i.e. these leases are on statement of financial position.

Rm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the entity's incremental borrowing rate being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets

The Company recognises a right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right of use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right of use asset from the commencement date to the end of the useful life of the underlying asset. otherwise, the lessee shall depreciate the right of use asset from the commencement date to earlier of end of the useful life of the right of use asset or the end of the lease term.

4.10 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

4.11 Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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.

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain as these matters are being contested at various legal forums. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

4.12 Provisions

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

4.13 Financial instruments

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

All financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI), fair value through profit or loss (FVTPL) and in case of an equity instrument it is classified as FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at

- it is held within a business model whose objective is to hold assets till maturity and to collect contractual cash
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Any gain or loss on derecognition is recognized in statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, trade debts and long term loan.

Rm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

(b) Debt Instrument - FVOCI

A debt

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss. However, the Group has no such instrument at the reporting date.

(c) Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. These assets are subsequently measured at fair value. Dividends are recognized as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and these investments are never reclassified to profit or loss. However, the Group has no such instrument at the reporting date.

(d) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of profit or loss.

Financial assets – Business model assessment

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, while the interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on derecognition is also recognized in statement of profit or loss.

The Group's financial liabilities comprise Creditors, short term borrowings, accrued markup, Accrued expenses & Liabilities against assets subject to finance lease.

Rmm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

- **Financial liabilities**

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.14 Impairment

Financial assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, bank balances and other receivables for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Rmm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non - financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax 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 cost 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 assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in statement of 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 to determine 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.

4.15 Foreign currency transactions

Pak Rupee is the functional currency of the Group. Transactions in foreign currencies are recorded in Pak Rupees at the exchange rate approximating those prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are reported in Pak. Rupees at the exchange rate approximating those prevalent at the reporting date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non monetary items measured at fair value in foreign currencies, are translated using the exchange rates at the date when the fair value was determined.

4.16 Dividend and appropriation to reserves

Dividends and appropriations to the reserves are recognized in the period in which these are approved. However if these are approved after the reporting period but before the financial statements are authorized for issue they are disclosed in the notes to these financial statements.

4.17 Revenue recognition

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5 - step approach to revenue recognition.

- Step 1 Identify the contract with a customer
- Step 2 Identify the performance obligations in the contract
- Step 3 Determine the transaction price
- Step 4 Allocate the transaction price to the performance obligations in the contract
- Step 5 Recognize revenue when (or as) the entity satisfies a performance obligation

Rmm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4.18 Related party transactions

Transactions with related parties are carried out on commercial terms and condition unless specifically mentioned in relevant note.

4.19 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measure with sufficient reliability.

Rm

SECURE LOGISTICS GROUP LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2023

5 OPERATING FIXED ASSETS

	Note	2023 (Rupees)	2022 (Rupees)
Owned	5.1	2,123,333,105	2,107,499,498
Right of use	5.1	1,443,439,400	1,095,513,737
Total		3,566,772,505	3,203,013,235

2023										
5.1 Description	Cost				Rate of Depreciation	Accumulated Depreciation				WDV
	Opening	Addition / Transfer	Disposal / Transfer	Closing		Opening	Addition / Transfer	Disposal / Transfer	Closing	
-----Amount in Rupees-----					-----Amount in Rupees-----					
Owned Assets										
Office Equipment	10,531,010	-	-	10,531,010	15%	7,093,724	515,593	-	7,609,317	2,921,693
Security equipment	22,178,846	211,224,464	-	233,403,310	10%	14,239,942	13,700,243	-	27,940,185	205,463,125
Computers	13,346,832	-	-	13,346,832	33%	10,277,616	1,012,841	-	11,290,457	2,056,375
Weapons and licenses	35,663,095	24,510,365	-	60,173,460	10%	24,453,971	3,539,705	-	27,993,676	32,179,784
Furniture & Fixture	12,311,597	-	-	12,311,597	10%	6,060,377	625,122	-	6,685,499	5,626,098
Vehicles	176,834,146	-	(102,367,668)	74,466,478	20%	90,400,564	12,928,624	(46,719,463)	56,609,725	17,856,753
Owned truck	743,931,058	80,000,000	(202,241,814)	621,689,244	3.5%	72,845,273	23,793,972	(28,503,327)	68,135,919	553,553,325
Trailers	994,183,862	45,827,920	(93,060,826)	946,950,956	2.8%	83,145,561	23,901,941	(9,192,877)	97,854,625	849,096,331
Fuel Tanks	94,451,893	-	-	94,451,893	10%	9,858,675	8,459,322	-	18,317,997	76,133,896
Trackers	181,536,231	15,510,500	-	197,046,731	10%	95,963,101	9,073,080	-	105,036,181	92,010,550
Bop trackers	23,368,389	-	-	23,368,389	20%	17,929,844	1,087,709	-	19,017,553	4,350,836
Wireless immobilizers	1,312,500	-	-	1,312,500	33%	1,282,684	9,839	-	1,292,523	19,977
Anti theft devices	432,335	-	-	432,335	33%	385,666	15,401	-	401,067	31,268
Lbs device	29,678	-	-	29,678	33%	28,672	332	-	29,004	674
Fire extinguishers	1,288,259	-	-	1,288,259	33%	1,129,646	52,342	-	1,181,988	106,271
Motor cycles	512,500	-	-	512,500	10%	424,694	8,781	-	433,475	79,025
Distribution vehicles	124,655,817	-	-	124,655,817	3.5%	11,487,058	3,960,907	-	15,447,965	109,207,852
Tyres	249,358,346	107,523,940	-	356,882,286	40%	145,357,838	51,067,725	(639,000)	195,786,563	161,095,723
Leaschold improvements	14,445,925	-	-	14,445,925	16.7%	507,916	2,394,462	-	2,902,378	11,543,547
Subtotal	2,700,372,319	484,597,189	(397,670,308)	2,787,299,200		592,872,822	156,147,940	(85,054,667)	663,966,095	2,123,333,105
Right of use										
Leased trucks	827,165,442	247,878,289	(9,965,849)	1,065,077,882	3.5%	127,388,816	27,058,589	(1,657,758)	152,789,647	912,288,235
Leased trailers	467,754,068	104,145,490	-	571,899,558	2.8%	72,016,957	11,909,354	-	83,926,311	487,973,247
vehicles	-	43,427,501	-	43,427,501	20%	-	249,583	-	249,583	43,177,918
CIT vehicles	-	-	-	-	10%	-	-	-	-	-
Subtotal	1,294,919,510	395,451,280	(9,965,849)	1,680,404,941		199,405,773	39,217,526	(1,657,758)	236,965,541	1,443,439,400
Total	3,995,291,829	880,048,469	(407,636,157)	4,467,704,141		792,278,595	195,365,465	(86,712,425)	900,931,636	3,566,772,505

Rsm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

5 OPERATING FIXED ASSETS (Continued ...)

2022										
Description	Cost				Rate of Depreciation	Accumulated Depreciation				WDV
	Opening	Addition / Transfer	Disposal / Transfer	Closing		Opening	Addition / Transfer	Disposal / Transfer	Closing	
-----Amount in Rupees -----					-----Amount in Rupees -----					
Owned Assets										
Office Equipment	10,449,010	82,000	-	10,531,010	15%	6,494,379	599,345	-	7,093,724	3,437,286
Security equipment	22,178,846	-	-	22,178,846	10%	13,357,842	882,100	-	14,239,942	7,938,904
Computers	13,277,643	69,189	-	13,346,832	33%	8,782,952	1,494,664	-	10,277,616	3,069,216
Weapons and licenses	35,663,095	-	-	35,663,095	10%	23,208,513	1,245,458	-	24,453,971	11,209,124
Furniture & Fixture	12,311,598	-	-	12,311,598	10%	5,365,797	694,580	-	6,060,377	6,251,221
Vehicles	38,980,404	137,853,742	-	176,834,146	20%	27,125,325	21,608,397	41,666,842	90,400,564	86,433,582
Owned truck	696,432,190	63,513,204	(16,014,336)	743,931,058	3.5%	51,513,265	23,123,142	(1,791,134)	72,845,273	671,085,785
Trailers	948,449,069	45,734,793	-	994,183,862	2.8%	57,560,391	25,585,170	-	83,145,561	911,038,301
Fuel Tanks	53,686,500	40,765,393	-	94,451,893	10%	2,724,173	7,134,502	-	9,858,675	84,593,218
Trackers	181,536,231	-	-	181,536,231	10%	86,454,976	9,508,125	-	95,963,101	85,573,130
Bop trackers	23,368,389	-	-	23,368,389	20%	16,570,208	1,359,636	-	17,929,844	5,438,545
Wireless immobilizers	1,312,500	-	-	1,312,500	33%	1,267,998	14,686	-	1,282,684	29,816
Anti theft devices	432,335	-	-	432,335	33%	362,680	22,986	-	385,666	46,669
Lbs device	29,678	-	-	29,678	33%	28,176	496	-	28,672	1,006
Fire extinguishers	1,288,259	-	-	1,288,259	33%	1,051,523	78,123	-	1,129,646	158,613
Motor cycles	512,500	-	-	512,500	10%	414,938	9,756	-	424,694	87,806
Distribution vehicles	208,882,720	-	(84,226,903)	124,655,817	3.5%	9,808,669	4,019,650	(2,341,261)	11,487,058	113,168,759
Tyres	177,931,360	71,426,986	-	249,358,346	40%	99,833,162	45,524,676	-	145,357,838	104,000,508
Leasehold improvements	-	14,445,925	-	14,445,925	16.7%	-	507,916	-	507,916	13,938,009
Subtotal	2,426,722,327	373,891,232	(100,241,239)	2,700,372,320		411,924,967	143,413,408	37,534,447	592,872,822	2,107,499,498
Right of use										
Leased trucks	758,288,078	68,877,364	-	827,165,442	3.5%	103,257,388	24,131,428	-	127,388,816	699,776,626
Leased trailers	467,754,068	-	-	467,754,068	2.8%	60,617,123	11,399,834	-	72,016,957	395,737,111
Motor vehicles	19,737,205	-	(19,737,205)	-	20%	13,112,858	-	(13,112,858)	-	-
CIT vehicles	118,116,537	-	(118,116,537)	-	10%	28,553,984	-	(28,553,984)	-	-
Subtotal	1,363,895,888	68,877,364	(137,853,742)	1,294,919,510		205,541,353	35,531,262	(41,666,842)	199,405,773	1,095,513,737
Total	3,790,618,215	442,768,596	(238,094,981)	3,995,291,830		617,466,320	178,944,670	(4,132,395)	792,278,595	3,203,013,235

Rm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

5 OPERATING FIXED ASSETS (Continued ...)

5.2 Details of assets disposed off during the year is as follows:

Asset	Cost	Accumulated depreciation	Carrying amount	Sales price	Gain / (Loss) on disposal	Particulars of the purchaser	Mode of disposal	Relationship with the purchaser
Owned Trucks	151,287,631	22,182,596	129,105,035	74,800,000	(54,305,035)	Khaliq aziz	Auction	None
Leased Trucks	9,965,849	1,657,758	8,308,091	5,300,000	(3,008,091)	Ahmed	Auction	None
Trailers	77,469,024	6,478,888	70,990,136	50,400,000	(20,590,136)	Malik Ijaz and Asif Butt	Auction	None
Trailers	15,591,802	2,713,989	12,877,813	12,853,388	(24,425)	Faysal bank	Sale & lease back	None
Vehicles	102,367,668	46,719,462	55,648,206	36,760,000	(18,888,206)	Capital wheel	Auction	None
Vehicles	50,954,183	6,380,946	44,573,237	43,545,938	(1,027,299)	Faysal bank	Sale & lease back	None
	407,636,157	86,133,639	321,502,518	223,659,326	(97,843,192)			

5.3 Allocation of depreciation is as below:

	2023 (Rupees)	2022 (Rupees)
Cost of services	181,639,358	174,295,942
Administrative expenses	13,726,107	4,648,728
	195,365,465	178,944,670

Rmm

SECURE LOGISTICS GROUP LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2023

6 INTANGIBLES	Computer Software	Navigation Software	Custom clearance and License	Accounting Software	Total
Rupees.....				
Cost					
Balance as at January 01, 2022	6,600,000	52,150,000	3,803,759	4,800,000	67,353,759
Balance as at December 31, 2022	6,600,000	52,150,000	3,803,759	4,800,000	67,353,759
Accumulated Amortization					
Balance as at January 01, 2022	4,007,296	7,433,381	3,803,759	4,080,207	19,324,643
Charge for the year	518,541	8,943,324	-	143,959	9,605,824
Balance as at December 31, 2022	4,525,837	16,376,705	3,803,759	4,224,166	28,930,467
WDV as at December 31, 2022	2,074,163	35,773,295	-	575,834	38,423,292
Cost					
Balance as at January 01, 2023	6,600,000	52,150,000	3,803,759	4,800,000	67,353,759
Balance as at December 31, 2023	6,600,000	52,150,000	3,803,759	4,800,000	67,353,759
Accumulated Amortization					
Balance as at January 01, 2023	4,525,837	16,376,705	3,803,759	4,224,165	28,930,466
Charge for the year	414,832	7,154,660	-	115,166	7,684,658
Balance as at December 31, 2023	4,940,669	23,531,365	3,803,759	4,339,331	36,615,124
WDV as at December 31, 2023	1,659,331	28,618,635	-	460,669	30,738,635
Amortization rate	10%	5%	20%	20%	

Rm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
7 LONG TERM SECURITY DEPOSIT			
Security deposit with clients	7.1	58,080,167	83,280,000
Security against rental building		-	2,918,700
		58,080,167	86,198,700
7.1 The amount includes security deposits lying with customers against contractual performance obligations.			
8 TRADE DEBTS			
Receivables - others		429,776,460	288,782,308
		429,776,460	288,782,308
Expected credit losses		(4,727,413)	(4,596,504)
		425,049,047	284,185,804
9 STORE AND SPARES			
Tyres		73,135,576	62,002,650
Miscellaneous maintenance items		417,351,817	348,483,558
Trackers	9.1	12,433,886	9,022,541
Diesel		97,904,502	66,404,260
		600,825,781	485,913,009
9.1 Trackers			
Cost		12,433,886	9,657,291
NRV Loss		-	(634,750)
		12,433,886	9,022,541
10 ADVANCES DEPOSIT AND OTHER RECEIVABLES			
Advances			
Business advances for way expenses		8,282,026	6,782,396
Advances to Employees		-	649,086
Advance rent		-	972,900
		8,282,026	8,404,382
Deposits			
Security deposit to landlords		31,073,405	31,073,405
Security deposit to clients		450,000	413,600
Askari Bank Limited - finance lease	10.1	2,108,500	19,488,600
Earnest money		1,217,212	360,000
		34,849,117	51,335,605
Other receivables			
Sales tax receivables		-	60,499,873
		43,131,143	120,239,860
10.1 This amount includes security deposit paid to Askari Bank Limited against finance lease liabilities.			
11 CASH AND BANK BALANCES			
Cash in hand		442,591	116,944
Cash at bank in local currency			
- saving account		-	75,014
- current account		590,521	55,128,284
		1,033,112	55,320,242

RSM

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
12 SHARE CAPITAL			
Authorized share capital			
250,000,000 (2022: 250,000,000) Ordinary shares of Rs. 10/- each		2,500,000,000	2,500,000,000
Issued, subscribed and paid up capital			
166,435,068 (2022: 166,435,068) Ordinary shares of Rs. 10/- each fully paid in cash		1,664,350,680	1,664,350,680
13 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
As at 1 January,		165,260,391	296,857,861
Additions		64,471,542	
Interest expense relating to lease liabilities		21,796,351	28,965,706
Payments		(104,312,646)	(160,563,175)
As at 31 December,		147,215,639	165,260,392
Current		143,797,015	160,409,053
Non-current		3,418,624	4,851,339
		147,215,639	165,260,392
Maturity analysis of lease liabilities			
Up to one year		154,750,036	125,458,458
After one year		3,540,875	86,417,888
Total lease liabilities		158,290,911	211,876,346
Future finance charges		11,075,272	46,615,955
		147,215,639	165,260,391
13.1 Cash outflow for leases			
The Group had total cash outflows for leases of Rs. 104,312,646 in 2023 (2022: Rs. 155,712,334).			
13.2 The Group has obtained vehicle on finance leases form different banks at the rate of 3 month KIBOR+1.5 to 1 year KIBOR+2% on quarterly instalment payment. The Group has provided following securities to bank against these finance lease facility;			
- Vehicles to be registered in name of firm and lien to be marked over the registration book in name of bank			
- Personal guarantee of all directors.			
- Creation of charge of on receivables of the Group from Cherat Cement Company to be registered with SECP.			
- Promissory notes.			
- Hypothecation of leased Assets.			
14 EMPLOYEE BENEFIT OBLIGATION			
Employees gratuity		16,717,918	14,077,127
14.1 Reconciliation of net liability is as follows:			
Present value of defined obligations		16,717,918	14,077,127
		16,717,918	14,077,127
14.2 Movement in the net liability is as follows:			
Opening balance		14,077,127	11,242,187
Charge during the year - P/L		2,816,844	4,416,804
Other comprehensive income		(176,053)	(1,581,864)
Closing balance		16,717,918	14,077,127
14.3 Movement in Present value of defined obligation			
Present value of defined obligations at beginning of the year		14,077,127	11,242,187
Current service cost		1,529,800	3,022,162
Interest cost		1,287,044	1,394,642
Remeasurement gain		(176,053)	(1,581,864)
Obligation at end of the year		16,717,918	14,077,127

REM

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

14 EMPLOYEE BENEFIT OBLIGATION (Continued ...)

14.4 Principle actuarial assumptions

The weighted-average assumptions have been used for valuation of this scheme.

a	Discount Rate	15.50%	14.50%
b	Salary increase rate	14.50%	13.50%
c	Rate of return on plan assets for the next year	N/A	N/A
d	Effective duration of Plan		
e	Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001-2005 mortality tables with one year age set back with retirement age is of 60 years.		

	Note	2023 (Rupees)	2022 (Rupees)
14.5 Sensitivity Analysis			
1	Defined Benefit Obligation (DBO)	16,717,918	14,077,127
2	1% Increase in Discount rate	15,849,957	13,449,525
3	1% Decrease in Discount rate	17,342,388	14,825,032
4	1% Increase in Salary Increase rate	17,733,654	14,832,027
5	1% Decrease in Salary Increase rate	16,190,918	13,429,112

15 DEFERRED TAXATION

Deferred tax liability-opening		196,930,250	220,950,811
Charged to profit & loss		(97,916,450)	(24,479,302)
Charged to other comprehensive income		51,057	458,741
		<u>99,064,857</u>	<u>196,930,250</u>

Deferred tax liabilities arising due to following temporary timing differences are as follows:

Deferred tax asset on deductible temporary difference			
Intangibles		(43,126,340)	(4,392,844)
Lease Liability		(42,692,535)	(136,493,017)
Gratuity		(4,848,196)	(4,041,910)
Unused tax losses		(197,998,827)	(51,998,639)
Unused tax credit		(113,032,242)	(46,856,586)
Expected credit losses		(1,118,189)	(1,332,986)
Investment		92,021,946	-
Property and equipment-Owned		62,113,191	124,347,248
Leasehold improvements		35,973,244	-
Property and equipment-Leased		311,772,805	317,698,984
		<u>99,064,857</u>	<u>196,930,250</u>
Tax rate used		29%	29%

16 LOAN FROM ASSOCIATES

Current

Karandaaz Pakistan	16.1	187,500,000	187,500,000
KBP Limited	16.2	25,227,147	23,317,545
		<u>212,727,147</u>	<u>210,817,545</u>

Non-Current

Mr. Pervaiz Afzal Khan - Sponsor	16.3	42,046,368	50,546,368
Total		<u>42,046,368</u>	<u>50,546,368</u>

16.1 The loan is secured against ranking charge on current and fixed assets, post dated cheques of sponsors. The mark-up is payable on quarterly basis in arrear at the rate of KIBOR + 0.5%.

16.2 It represents an unsecured interest bearing loan. The Company will cover devaluation up to KIBOR+0.5%.

16.3 This loan is unsecured and interest free. The loan does not bear any fixed repayment schedule.

Rm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
17 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		16,858,038	42,281,757
EOBI payable		6,028,515	-
Audit fee payable		2,585,600	1,840,000
Salaries payable		51,837,562	29,368,392
Markup accrued		46,455,618	37,523,503
Withholding tax payable		184,468	184,468
Insurance		5,629,815	3,500,000
Rent payable		7,167,231	831,000
Others payable		44,507,704	9,193,968
		181,254,551	124,723,088
18 ADVANCES AGAINST FIXED ASSETS			
Advance against fixed assets	18.1	25,000,000	1,487,933
		25,000,000	1,487,933
18.1 This represents advance received against disposal of fixed assets.			
19 SHORT TERM LOANS			
Short term loan from HBL bank	19.1	283,730,815	332,422,000
		283,730,815	332,422,000
Running finances:			
Faysal Bank Limited	19.2	1,028,474	62,045,030
Askari Bank Limited	19.3	104,999,215	104,999,999
Habib Bank Limited-RF1	19.4	100,000,001	99,792,193
Habib Bank Limited-RF2	19.5	372,959,439	231,257,390
Habib Bank Limited-RF3	19.6	178,055,250	149,488,178
		757,042,378	647,582,790
		1,040,773,193	980,004,790
19.1 The company has obtained loan from Habib Bank Limited at the rate of 1 year KIBOR+1.5% to repay the principal amount of loan along with interest. The Company has provided following securities to bank against this loan;			
- HPA over long haul and distribution vehicles, in favor of HBL with 20% margin.			
- 1st exclusive charge amounting to Rs. 480.25 million over specific long haul and distribution vehicles registered with SECP.			
-Personal guarantees of Mr. Gulraiz Afzal Khan and Mr. Pervaiz Afzal Khan.			
19.2 Running finance facility of Rs. 64 million has obtained at 3MK + 1.75% per annum and is secured against pari passu charge of Rs. 84 million over all present and future current and fixed assets of the company duly registered with SECP, personal guarantees of all the directors, personal guarantees of Pervaiz Afzal Khan and cross corporate guarantee of FIST Security (Private) Limited.			
19.3 Running finance facility of Rs. 105 million has obtained at 1MK + 1.25%. The facility is secured against 1st pari passu charge of Rs. 50 million against all present and future current and fixed assets of the Group registered with SECP, 1st pari passu charge of Rs. 150 million over all present and future current assets and receivables of the Group registered with SECP and personal guarantee of all the directors of the Group excluding personal guarantee of nominee director.			
19.4 The Group has obtained running finance facility of Rs. 120 million at 3MK+1.25%. The facility is secure against 1st pari passu charge of Rs. 67 million over all present and future current and fixed assets of the Group, HPA in favor of HBL of 19 trucks with first exclusive charge of Rs. 125 million registered with SECP, 1st pari passu charge of Rs. 67 million over receivables of the Group and personal guarantee of Mr. Pervaiz Afzal Khan and Gulraiz Afzal Khan.			

RSM

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

19 SHORT TERM LOANS (Continued ...)

- 19.5 The running finance facility was obtained by the company at 3 Month KIBOR plus 0.5% and is backed by Stand by Letter of Credit issued by Credit Suisse and arranged by sponsor shareholder Mr. Pervaiz Akhtar Khan.
- 19.6 The running finance facility was obtained by the company at 3 Month KIBOR plus 0.5% and is backed by Stand by Letter of Credit issued by Saudi Investment Bank and arranged by minority shareholder KBP Ltd.

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

		2023 (Rupees)
a) The following letters of guarantee issued by banks on behalf of the Group		
Faysal Bank in favor of PSO	PKR	5,000,000
HBL in favor of Shell Pakistan	PKR	4,500,000
Faysal Bank in favor of Fatima Fertilizer	PKR	2,000,000

b) Legal Proceedings

Description	Principal Parties	Name of the Court
i. Shaheen Freight filed a suit against the Group in the Civil Court, seeking to recover an amount of Rs. 12,502,435. The basis of this claim is the Group's failure to pay Sales Tax to the Sindh Revenue Board. The case is currently fixed for a hearing before the Islamabad Civil Court and remains pending adjudication. It is more likely that the outcome of the case will be decided in favor of the Group.	Secure Logistics and Shaheen Freight	Civil Court Islamabad
ii. ICL Logistics filed a civil suit against the Group in the Civil Court Islamabad, to recover an amount of Rs. 15.7 million claiming that the Group failed to pay the salaries of drivers hired from ICL. The case is currently fixed for a hearing before the Islamabad Civil Court and remains pending adjudication. It is more likely that the outcome of the case will be decided in favor of the Group.	Secure Logistics and ICL Logistics	Civil Court Islamabad
iii. The Group filed a recovery suit against M.A Hamza over unpaid invoices for transportation and logistics services in 2019. A settlement was reached, with Mr. Ahmed Faiz ur Rehman of M.A Hamza Enterprises issuing Security Cheques worth Rs. 9 million to the Group. However, these cheques bounced due to insufficient funds. The Group reported this, leading to legal actions including an FIR and a suit by Mr. Ahmed Faiz ur Rehman. An application under Section 34 of the Arbitration Act was filed, seeking arbitration, followed by the Group's appeal against the decision in the Islamabad High Court. Currently, the appeal is pending, and it is more likely that the outcome of the case will be decided in favor of the Group.	Secure Logistics and M.A Hamza	Islamabad High Court

Note	2023 (Rupees)	2022 (Rupees)
21 REVENUE - NET		
Logistics division	1,765,138,259	1,363,380,208
Tracker division	19,650,092	26,239,788
Distribution division	85,028,783	63,555,826
Security services	680,181,051	651,176,347
Closed protection duty	4,913,593	1,056,176
Cash in transit	27,692,724	31,428,824
	2,582,604,502	2,136,837,169

Rm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
21 REVENUE - NET (Continued ...)			
Less: Sales tax		(73,867,917)	(20,720,900)
Reimbursement of salaries		(463,891,607)	(447,075,888)
		2,044,844,978	1,669,040,381
22 COST OF SERVICES			
Depreciation	5	181,639,358	174,295,942
Fuel charges		715,630,375	574,971,069
Way expenses		168,563,784	140,223,755
Drivers salaries		54,979,297	46,527,087
Repair and maintenance vehicles		8,862,891	59,512,475
Stock consumption		18,202,111	11,905,950
Insurance expense		13,157,112	19,972,859
Deduction by clients		20,098,591	1,911,235
Backload expense		2,968,547	5,937,093
Track services		2,924,158	3,520,871
Offloading charges		13,500	709,365
Transportation / container charges		1,338,000	4,008,095
Commission expense		160,000	-
Misc. expenses		1,817,560	848,549
Equipment cost		1,300,563	1,023,547
Uniforms		1,116,626	3,949,987
Accommodation rent		6,870,576	7,662,585
Ammunition		888,349	852,515
Utilities and other direct expenses		1,700,422	1,619,815
Social security		2,521,436	2,002,587
NRV Loss		-	634,750
EOBI		4,123,169	2,216,327
Petrol, oil and lubricants		-	13,048,723
		1,208,876,424	1,077,355,181
23 ADMINISTRATIVE EXPENSE			
Salaries and other benefits	23.1	106,281,525	120,617,438
Auditor's remuneration	23.2	2,500,100	1,840,000
Telephone/Mobile/Internet		-	1,437,865
Miscellaneous charges		6,309,923	7,228,253
Legal and professional		6,315,509	5,827,253
Travelling and conveyance		11,878,303	7,177,326
Petrol oil and lubricants		1,690,978	3,381,956
Advertisement		248,554	-
Rent, rates and taxes		22,036,053	16,857,639
Printing and stationery		1,360,735	537,034
Postage and courier		230,109	342,902
Utilities		4,316,517	2,141,175
Repair and maintenance		1,834,242	4,076,146
Consultancy charges		1,307,500	3,226,817
Fee and subscription		1,373,424	4,666,091
Entertainment		7,748,315	3,136,538
Amortization		7,684,660	9,605,824
Depreciation		13,726,107	4,648,728
		196,842,554	196,748,985

RSM

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
23 ADMINISTRATIVE EXPENSE (Continued ...)			
23.1 Salaries and other benefits			
Salaries		102,773,119	114,965,690
Gratuity expenses		2,816,844	4,416,804
EOBI		691,562	1,234,944
		<u>106,281,525</u>	<u>120,617,438</u>
23.2 Auditor's remuneration			
Separate financial statement		2,070,350	1,523,750
Consolidated financial statement		273,400	201,250
Out of pocket expenses		156,350	115,000
		<u>2,500,100</u>	<u>1,840,000</u>
24 OTHER EXPENSE			
Loss on disposal of fixed assets		96,791,470	4,723,845
Loss on sale and lease back		1,051,724	-
Exchange loss		1,909,601	6,744,579
		<u>99,752,795</u>	<u>11,468,424</u>
25 FINANCE COSTS			
Bank charges		525,753	1,704,949
Markup on finance leases		21,235,260	28,965,706
Markup on long term loan		44,379,814	42,834,568
Markup on short term borrowings		97,719,108	30,413,104
Markup on TFC		-	8,485,400
Markup on loan from associates		47,160,244	21,231,332
Mark up salary refinancing		-	6,335,006
		<u>211,020,179</u>	<u>139,970,065</u>
26 OTHER INCOME			
Income from - financial assets			
Profit from saving account		-	218,047
Income from non - financial assets			
Sale of scrap		5,223,395	-
Others		9,780,611	19,961,078
Amortization of deferred grant		-	4,465,109
		<u>15,004,006</u>	<u>24,644,234</u>
27 TAXATION			
Current taxation		72,384,469	(3,105,060)
Deferred taxation		(97,916,450)	(24,479,302)
		<u>(25,531,981)</u>	<u>(27,584,362)</u>
Current taxation			
- Current year		72,384,469	51,044,940
- Prior year adjustments		-	(54,150,000)
		<u>72,384,469</u>	<u>(3,105,060)</u>
27.1 Relationship between tax expense and accounting profit			

The numerical reconciliation between the average tax rate and applicable tax rate has not been presented because the total income of the Group attracted minimum tax under section 113(c) of the Income Tax Ordinance, 2001.

Rsm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
28	Cash and cash equivalents		
	Cash and cash equivalents comprise of following :		
	Cash and bank	1,033,112	55,320,242
	Short term borrowings	(757,042,378)	(647,582,792)
		<u>(756,009,267)</u>	<u>(592,262,550)</u>

29 **TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

The related parties comprise of associated companies, directors and key management personnel. The Group in the normal course of business carries out transactions with various related parties. The Group enters into transactions with related parties on the basis of mutually agreed terms. Significant transactions and balances with related parties are as follows.

29.1 **TRANSACTIONS WITH RELATED PARTIES**

Name of the Party	Relationship with the Company	Nature of Transaction	2023	2022
		Loan received	-	46,794,333
Mr. Pervaiz Afzal Khan	Sponsor	Repayment of loan	8,500,000	-
		Exchange losses	-	3,752,035
		Repayment of loan	-	25,612,459
KBP Limited	16.95% Shareholding	Loan received	-	45,937,459
		Exchange losses	1,909,602	2,992,544
Mr. Gulraiz Afzal Khan	Chief Executive Officer	Payable balance in respect of loan obtained	8,000,000	-

29.2 **BALANCES WITH RELATED PARTIES**

Name of the Party	Relationship with the Company	Nature of Balances	2023	2022
Mr. Pervaiz Afzal Khan	Sponsor	Payable balances in respect of loan obtained	42,046,368	50,546,368
KBP Limited	Common Directorship	Payable balances in respect of loan obtained	25,227,147	23,317,544

30 **REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES**

Particulars	Chief Executive Officer	Directors	Executive
	-----Pak Rupees-----		
<u>2023</u>			
Salary	5,808,000	8,618,400	3,925,333
Housing expense	2,420,000	3,591,000	1,746,667
Medical expense	871,200	1,292,760	388,800
Transport allowance	580,800	861,840	259,200
	<u>9,680,000</u>	<u>14,364,000</u>	<u>6,320,000</u>
Number of persons	1	2	5
<u>2022</u>			
Salary	4,770,000	6,588,000	13,776,000
Housing expense	1,987,500	2,745,000	5,740,000
Medical expense	715,500	988,200	2,066,400
Transport allowance	477,000	658,800	1,377,600
	<u>7,950,000</u>	<u>10,980,000</u>	<u>22,960,000</u>
Number of persons	1	2	9

Rm

SECURE LOGISTICS GROUP LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2023

31 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

31.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Group maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Group is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorized under the following headings:

Note	2023 (Rupees)	2022 (Rupees)
Exposure to credit risk		
The maximum exposure to credit risk at the reporting date was:		
Security deposits	92,929,284	137,534,305
Advances and other receivables	8,282,026	68,904,255
Trade debts	425,049,047	284,185,804
Bank balances	590,521	55,203,298
	<u>526,850,877</u>	<u>545,827,662</u>
To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into		
The aging of trade receivable at the reporting date is:		
Not Past Due	373,033,427	169,698,741
Past Due 1 - 60 Days	52,780,207	103,322,765
Past Due 60 - 120 Days	3,091,238	15,700,660
Past Due 120 Days	871,588	24,088
	<u>429,776,460</u>	<u>288,746,254</u>
Expected credit losses	(4,727,413)	(4,596,504)
	<u>425,049,047</u>	<u>284,149,750</u>
Credit quality of financial assets		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:		
Counter parties without credit rating	526,260,357	490,624,364
Counter parties with credit rating	590,521	55,203,298
	<u>526,850,877</u>	<u>545,827,662</u>

RSM

SECURE LOGISTICS GROUP LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2023

31 FINANCIAL RISK MANAGEMENT (Continued ...)

Bank Balances

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis. The ratings of banks ranges from A to AAA.

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

31.2 **Liquidity Risk**

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with the financial instruments. The management is closely monitoring the Group's liquidity and cash flow position through its treasury function and ensures availability of funds by maintaining credit facilities available from financial institutions. The liquidity management also involves monitoring of liquidity ratios and maintaining debt financing plans.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2023	Carrying Amount	Contractual Cash flows	Less than 1 year	More than 1 year
	----- Rupees -----			
Finance lease liabilities	147,215,639	183,682,969	183,412,969	-
Loan from associates	254,773,515	304,578,207	262,531,839	42,046,368
Creditors, accrued and other payables	181,254,551	181,254,551	181,254,551	-
Short term borrowings	1,040,773,193	1,077,967,269	1,077,967,269	-
	1,624,016,897	1,747,482,996	1,705,166,628	42,046,368
	----- Rupees -----			
2022	Carrying Amount	Contractual Cash flows	Less than 1 year	More than 1 year
	----- Rupees -----			
Finance lease liabilities	165,260,391	211,876,346	86,417,888	125,458,458
Loan from associates	261,363,913	377,988,913	52,875,000	325,113,913
Creditors, accrued and other payables	124,723,088	124,723,088	124,723,088	-
Short term loans	980,004,790	1,056,538,475	756,290,053	300,248,422
	1,531,352,182	1,771,126,822	1,020,306,029	750,820,793

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

31.3 **Market Risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or market rate of foreign currency. The Group incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Group is exposed to interest rate and currency risks.

Market risk management is further analysed in two categories:

- (a) Interest rate risk management.
- (b) Currency rate risk management.

(a) **Interest rate risk management**

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loan, subordinated loans, lease liabilities and short term borrowings. Interest rates are mostly dependent upon Karachi Inter Bank Offered Rate ("KIBOR") as indicated in respective notes. There were no fixed rate instruments outstanding as at reporting date.

RSM

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note	2023 (Rupees)	2022 (Rupees)
Variable rate instruments		
<i>Financial assets</i>		
Bank balances	-	(75,014)
<i>Financial liabilities</i>		
Finance lease liabilities	147,215,639	165,260,391
Loan from associates	187,500,000	187,500,000
Short term loans	1,040,773,193	980,004,790
Net exposure in statement of financial position	1,375,488,831	1,332,690,167

Sensitivity analysis for variable rate instruments

Management runs a sensitivity analysis for interest rate risk, if the interest rates at the reporting date had been increased/(decreased) by 100 basis points with all other variables being constant, the profit/(loss) before tax would have decreased/(increased) by Rs. 13.720 million (2022: Rs. 13.353million). The analysis is prepared assuming that amounts of assets and liabilities outstanding as at the reporting date are outstanding for the entire year.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

(b) Currency rate risk management

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to foreign loan payables. Currently, the Group's foreign exchange risk exposure is restricted to:

Note	2023 (Rupees)	2022 (Rupees)
KBP Limited - Loan from associates	25,227,147	23,317,545

If the functional currency, at reporting date, had weakened / strengthened by 1% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 4.220 million (2022: Rs. 0.233 million) respectively lower / higher, mainly as a result of exchange gains or losses on translation of foreign exchange denominated financial instruments.

32 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets at amortized cost

Security deposits	92,929,284	137,534,305
Advances and other receivables	8,282,026	68,904,255
Trade debts	425,049,047	284,185,804
Cash and bank balance	1,033,112	55,320,242
	527,293,468	545,944,606

Financial liabilities at amortized cost

Finance lease liabilities	147,215,639	165,260,391
Loan from associates	254,773,515	261,363,913
Creditors, accrued and other payables	181,254,551	124,723,088
Short term loans	1,040,773,193	980,004,790
	1,624,016,897	1,531,352,182

PSM

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

33 CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders and remuneration to key management personnel, require interest free unsecured loans from directors, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as long and short term borrowings offset by cash and bank balances.

The gearing ratios as at December 31, 2023 and 2022 are as follows:

Note	2023 (Rupees)	2022 (Rupees)
Finance lease liabilities	147,215,639	165,260,391
Loan from associates	254,773,515	261,363,913
Short term loans	1,040,773,193	980,004,790
	1,442,762,346	1,406,629,094
Less: Cash and cash equivalents	(1,033,112)	(55,320,242)
Net debts	1,441,729,234	1,351,308,852
Issued, subscribed and paid up capital	1,664,350,680	1,664,350,680
Share premium	435,631,420	435,631,420
Accumulated profits	787,811,837	419,669,416
Equity	2,887,793,937	2,519,651,516
Total capital and debt	4,329,523,172	3,870,960,368
Gearing ratio	33%	35%

The Group finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

The Board's policy is to maintain a strong capital base so as to maintain stakeholders' confidence and to ensure sustainable future development of the business.

The Board of Directors monitors return on equity and ensures that the company has an appropriate capital mix. Board of Directors monitors the company's performance along with capital and debt costs. There were no changes to the Group's approach to the capital management during the year.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Group to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset either directly that is, derived from prices.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

As of the reporting date, mutual funds of the company are carried at fair value.

The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

Rm

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

35 CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2023					
Description	Liability against assets subject to finance lease	Loan from HBL Bank	Loan from associates	Salary refinancing	Term finance certificates (TFCs)
Balance as at Jan 01, 2023	165,260,351	332,422,000	282,595,245	-	-
<i>Changes from financing cash flows</i>					
Addition	64,471,542	-	-	-	-
Lease rental paid	(92,637,232)	-	-	-	-
Repayment of loan	-	(48,691,185)	(1,500,000)	-	-
Payment of markup	(11,675,414)	(44,379,814)	-	-	-
Loan received	-	-	-	-	-
<i>Other changes</i>					
Unwinding of salary refinancing	-	-	-	-	-
Exchange losses	-	-	1,909,601	-	-
Markup expense	21,796,392	44,379,814	44,485,994	-	-
Balance as at December 31, 2023	147,215,639	283,730,815	327,490,840	-	-

2022					
Description	Liability against assets subject to finance lease	Loan from HBL Bank	Loan from associates	Salary refinancing	Term finance certificates (TFCs)
Balance as at Jan 01, 2022	296,857,820	371,405,412	125,000,000	96,013,390	110,000,000
<i>Changes from financing cash flows</i>					
Lease rental paid	(160,563,175)	-	-	-	-
Repayment of loan	-	(38,983,412)	-	(96,013,390)	(110,000,000)
Payment of markup	-	(42,834,568)	-	(4,458,564)	(8,485,400)
Loan received	-	-	129,619,334	-	-
<i>Other changes</i>					
Unwinding of salary refinancing	-	-	-	(1,876,442)	-
Exchange losses	-	-	6,744,579	-	-
Markup expense	28,965,706	42,834,568	21,231,332	6,335,006	8,485,400
Balance as at Dec 31, 2022	165,260,351	332,422,000	282,595,245	-	-

36 NUMBER OF EMPLOYEES

	2023	2022
Number of employees	103	106
Average number of employees	98	104

37 DATE OF AUTHORISATION

These consolidated financial statements have been authorised for issue on 10 MAY 2024 by the Board of Directors of the Group.

38 NON ADJUSTING EVENT AFTER THE REPORTING DATE

- 38.1 The Company acquired 75% Shareholding in Sky Guards (Private) Limited (here-in-after referred as "SGPL") on 1st Jan, 2024 in consideration thereof it issued 1,500,000 new ordinary shares at a price of PKR 30/- per share to majority shareholders of SGPL. As a result of which the SGPL became its subsidiary and its share capital increased by 15 million and share premium increased by 30 million.
- 38.2 The Company was listed on Pakistan Stock Exchange (PSX) on 22 April, 2024. Thereby issuing total of 55,704,113 ordinary shares as part of pre-IPO at a price of PKR 10.50 per share, amounting to Rs. 585 million. In addition, the Company issued 50,000,000 ordinary shares through IPO at a floor price of PKR 12.00/- per share amounting to Rs. 600 million. As a result, its share capital increased by 1,057 million and share premium increased 127 million.

Rom

SECURE LOGISTICS GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

39 GENERAL

Figures have been rounded off to the nearest Rupee.

39.1 CORRESPONDING FIGURES

Following material rearrangement have been made in these consolidated Financial Statements for better presentation. Figures of the previous year have been re-arranged and reclassified wherever necessary for the purpose of comparison.

Nature	From	To	2022 (Rupees)
Loan from associates	Non-Current Liabilities (face of financial position)	Current Liabilities (face of financial position)	210,817,545
Loan from Habib Bank Limited	Non-Current Liabilities (face of financial position)	Current Liabilities (Short term loans- face of financial position)	271,376,000
Liability against assets subject to finance lease	Non-Current Liabilities (face of financial position)	Current Liabilities (face of financial position)	62,793,035
Askari Bank Limited - finance lease	Long term security deposits (notes to financial statements)	advances, deposits and other receivables (notes to the financial statements)	19,488,600



CHIEF EXECUTIVE

 Rm

DIRECTOR