

PARWAAZ FINANCIAL SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

		2023 (Rupees)	2022 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	6,331,171	4,223,244
Right of use asset	7	27,182,794	-
Intangible assets	8	30,286,352	-
Capital work in progress	9	18,575,113	-
Long term financing - net	10	197,390,037	113,103,433
Financing on behalf of parent entity	11	147,810,387	86,076,348
Long term deposits	12	3,676,875	976,875
		431,252,729	204,379,900
CURRENT ASSETS			
Advances, deposits, prepayments and other receivables	14	46,374,828	33,565,929
Short term financing - net	15	1,048,040,000	430,445,000
Short term investments	16	1,645,344,496	1,007,990,044
Current portion of long term financing	10	153,503,222	77,650,923
Current portion of financing on behalf of parent entity	11	253,387,376	70,089,142
Taxation - net		12,232,410	-
Cash and bank balances	17	234,196,887	1,554,909,815
		3,393,079,219	3,174,650,853
TOTAL ASSETS		3,824,331,948	3,379,030,753
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 300,000,000 ordinary shares of Rs. 10 each	18	3,000,000,000	1,500,000,000
Issued, subscribed and paid up capital 150,000,000 ordinary shares of Rs. 10 each	18	1,500,000,000	1,500,000,000
Capital reserve - net of tax	19	67,386,742	67,386,742
Revenue reserve: unappropriated profit		201,740,807	114,760,844
		1,769,127,549	1,682,147,586
NON-CURRENT LIABILITIES			
Subordinated loan	20	1,494,391,763	1,405,089,096
Payable to parent entity	21	179,357,073	125,669,441
Lease Liabilities	22	18,907,382	-
Deferred tax liability	13	25,393,470	29,135,901
		1,718,049,688	1,559,894,438
CURRENT LIABILITIES			
Accrued and other liabilities	23	83,067,335	31,284,468
Current portion of payable to parent entity	21	253,387,376	98,730,559
Current portion of lease liability	22	700,000	-
Provision for taxation		-	6,973,702
		337,154,711	136,988,729
TOTAL EQUITY AND LIABILITIES		3,824,331,948	3,379,030,753
CONTINGENCIES AND COMMITMENTS			
	24		

The annexed notes from 1 to 41 form an integral part of these financial statements.


Chief Executive Officer


Director


Chief Financial Officer

PARWAAZ FINANCIAL SERVICES LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
Mark-up on financing	25	181,405,225	73,069,145
Income other than markup on financing	26	492,680,689	161,040,204
Total income		674,085,914	234,109,349
Finance cost	27	(299,015,964)	(1,420,731)
		375,069,950	232,688,618
Administrative expenses	28	(214,514,021)	(118,574,988)
Profit before provision and taxation		160,555,929	114,113,630
Net provision on financing	29	(33,843,663)	(9,459,889)
Profit before taxation		126,712,266	104,653,741
Taxation	30	(39,732,303)	(31,959,544)
Profit after taxation		86,979,963	72,694,197
Other comprehensive income		-	-
Total comprehensive income		86,979,963	72,694,197
Earnings per share			
- Basic	31.1	0.58	0.48
- Diluted	31.2	1.00	0.25

The annexed notes from 1 to 41 form an integral part of these financial statements.


Chief Executive Officer


Director


Chief Financial Officer

PARWAAZ FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Issued, subscribed and paid-up capital	Revenue reserve Unappropriated profit (Rupees)	Capital reserve Equity portion of subordinated loan - net of tax	Total shareholders equity
Balance as at December 31, 2021	1,500,000,000	42,066,647	-	1,542,066,647
Total comprehensive income for the year				
Profit for the year	-	72,694,197	-	72,694,197
Other comprehensive income for the year	-	-	-	-
	-	72,694,197	-	72,694,197
Equity portion of subordinated loan recognized	-	-	94,910,904	94,910,904
Less: deferred tax	-	-	(27,524,162)	(27,524,162)
	-	-	67,386,742	67,386,742
Balance as at December 31, 2022	1,500,000,000	114,760,844	67,386,742	1,682,147,586
Total comprehensive income for the year				
Profit for the year	-	86,979,963	-	86,979,963
Other comprehensive income for the year	-	-	-	-
	-	86,979,963	-	86,979,963
Balance as at December 31, 2023	1,500,000,000	201,740,807	67,386,742	1,769,127,549

The annexed notes from 1 to 41 form an integral part of these financial statements.

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Chief Executive Officer

Director

Chief Financial Officer

PARWAAZ FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 (Rupees)	2022 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		126,712,266	104,653,741
Adjustments for:			
Markup earned on financing	25	(181,405,225)	(73,069,145)
Profit earned on term deposit receipts, saving account and treasury bills	26	(487,178,333)	(159,047,218)
Finance cost	27	299,015,964	1,420,731
Net provision on financing	29	33,843,663	9,459,889
Amortization on Intangibles	8	2,019,090	-
Depreciation on ROU assets	7	460,725	-
Depreciation on property and equipment	6	2,090,162	965,059
		(331,153,954)	(220,270,684)
Operating loss before working capital changes		(204,441,688)	(115,616,943)
Effect of changes in working capital:			
Increase in long term financing	10	(162,577,566)	(193,659,245)
Increase in short term financing	15	(649,000,000)	(437,000,000)
Increase in financing on behalf of parent entity	11	(245,032,273)	(156,165,490)
Increase in long term deposits	12	(2,700,000)	(840,000)
Decrease in advances, deposits, prepayments and other receivables	14	12,325,026	8,306,781
Increase in payable to parent entity	21	208,344,449	224,400,000
Increase in accrued and other liabilities	23	53,015,742	20,020,917
		(785,624,622)	(534,937,037)
Cash used in operations		(990,066,310)	(650,553,980)
Receipt of markup on financing		166,349,824	54,509,302
Receipt of income on term deposit receipts, saving account and treasury bills		477,099,810	141,168,824
Taxes paid		(62,680,846)	(26,554,614)
Bank charges paid		(93,269)	(187,854)
		580,675,519	168,935,658
Net cash used in operating activities		(409,390,791)	(481,618,322)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to capital work in process		(18,575,113)	-
Purchase of Intangibles	8	(32,305,442)	-
Purchase of property and equipment	6	(4,198,089)	(3,995,555)
Net cash used in investing activities		(55,078,644)	(3,995,555)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(8,400,000)	-
Receipt of subordinated loan		-	1,500,000,000
Payment of mark-up on subordinated loan	20	(210,489,041)	-
Net cash used in/generated financing activities		(218,889,041)	1,500,000,000
Net (decrease)/increase in cash and cash equivalents		(683,358,476)	1,014,386,123
Cash and cash equivalents at beginning of the year		2,562,899,859	1,548,513,736
Cash and cash equivalents at end of the year	32	1,879,541,383	2,562,899,859

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

PARWAAZ FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

Parwaaz Financial Services Limited ("the Company") was incorporated in Pakistan as a company limited by shares under the Companies Act, 2017 on December 23, 2020. The Company obtained license to carry out investment finance services as a Non-banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) on June 22, 2021.

The objective of the Company is to provide financing primarily to Small and Medium Enterprises (SMEs) within Pakistan. The Company also intends to provide business development services to SMEs.

The registered office of the Company is 4th Floor 34 S, Main boulevard Gulberg 2, Lahore, Punjab.

The parent of the Company is Karandaaz Pakistan.

The company has obtained sufficient insurance coverage against any losses that may be incurred as a result of employee's fraud or gross negligence.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and notified entities Regulations, 2008 (here-in-after mentioned as 'The NBFC rules and NBFC regulations');
- Directives issued by the Securities and Exchange Commission of Pakistan ("SECP"); and
- Provisions of and directives issued under the Companies Act, 2017.

Where the requirements of the Companies Act, 2017, the NBFC rules and NBFC regulations and the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Act, 2017, the NBFC Rules and NBFC Regulations, or the requirements of the said directives shall prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:



2.2.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year or have been early adopted by the Company

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on or after January 01, 2023 but are considered not to be relevant to the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

a) Narrow scope amendments to International Accounting Standard (IAS) 1, IFRS Practice Statement 2 and IAS 8

The IASB amended IAS 1 to require entities to disclose their 'material' rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2 'Making Materiality Judgements') from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in note 4 and note 5 to the financial statements.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 01, 2024 but are considered not to be relevant to the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

a) Amendment to International Accounting Standard (IAS) 1, 'Non-current liabilities with covenants' (effective for annual period beginning on January 1, 2024)

The new amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. Covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.

The amendments also introduce additional disclosure requirements. When an entity classifies a liability arising from a loan arrangement as non-current and that liability is subject to the covenants which an entity is required to comply with within twelve months of the reporting date, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The Company is yet to assess the impact of these amendments on its financial statements.



b) International Financial Reporting Standard (IFRS) S1, 'General requirements for disclosure of sustainability-related financial information and International Financial Reporting Standard (IFRS) S2, 'Climate-related disclosures' (effective for annual period beginning on January 1, 2024)

The International Sustainability Standards Board (ISSB) issued its first two sustainability reporting standards on June 26, 2023, applicable on reporting periods beginning on or after January 01, 2024, subject to endorsement of the standards by local jurisdictions. These standards include the core framework for the disclosure of material information about sustainability-related risks, opportunities across an entity's value chain and set out the requirements for entities to disclose information about climate-related risks and opportunities.

IFRS S1 requires entities to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reporting in making decisions relating to providing resources to the entity. The standards provide guidance on identifying sustainability-related risks and opportunities, and the relevant disclosures to be made in respect of those sustainability-related risks and opportunities.

IFRS S2 is a thematic standard that builds on the requirements of IFRS S1 and is focused on climate-related disclosures. IFRS S2 requires an entity to identify and disclose climate-related risks and opportunities that could affect the entity's prospects over the short, medium and long term. In addition, IFRS S2 requires entities to consider other industry-based metrics and seven cross-industry metrics when disclosing qualitative and quantitative components on how the entity uses metrics and targets to measure, monitor and manage the identified material climate-related risks and opportunities. The cross-industry metrics include disclosures on greenhouse gas (GHG) emissions, transition risks, physical risks, climate-related opportunities, capital deployment, internal carbon prices and remuneration.

The aforementioned standards have not been notified locally or declared exempt, in relation to the Company, by the Securities and Exchange Commission of Pakistan (SECP) as at December 31, 2023.

2.2.3 Exemption from applicability of certain standards

(a) Adoption of IFRS 9, 'Financial instruments'

The SECP, through SRO 1827(I)/2002 dated September 29, 2022, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2024. IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Company which are exposed to credit risk. The Company is in the process of assessing the full impact of this standard and the Company awaits final guidelines from pertinent regulators for application of some aspects of IFRS 9.

(b) Amendment of IFRS 07, 'Financial Instruments'

The SECP has deferred the application of International Financial Reporting Standard (IFRS) 07, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

2.3 Basis of measurement and presentation

2.4 Accounting convention

These financial statements have been prepared under the historical cost convention except as otherwise stated.



2.5 Presentation and functional currency

These financial statements are prepared in Pak Rupees, which is the presentation as well as functional currency of the Company. Figures have been rounded off to the nearest rupee unless otherwise specified.

3 Significant Accounting Judgments, Estimates And Assumptions

The Company's material accounting policies are stated in note 4. Not all of these significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies that management considers critical because of the complexity, judgment of estimation involved in their application and their impact on these financial statements.

Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The area involving a higher degree of judgment or complexity and where assumptions and estimates are significant to the financial statements are as follows:

- Useful lives and residual values of property and equipment - note 4.1.
- Use of discount rates and interpretation of lease terms - note 4.3.
- Recognition of deferred tax assets and estimation of income tax provision - note 4.9.
- Identification and initial measurement of compound financial instruments - note 4.10

4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on property and equipment is charged to the statement of profit or loss, using the straight line method, to allocate their cost over their estimated useful lives, at the rate mentioned in note 6. The Company charges depreciation on all additions to the items of property and equipment from the date asset is available for use till the date of its disposal.

Depreciation on additions to property and equipment is charged on additions from the date the asset becomes available for the intended use up to the date on which it is derecognized.

Capital work in progress and advances for capital expenditures are transferred to the respective item of property and equipment when available for intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

The Company assesses at each reporting date whether there is any indication that property and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.



Any change in estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized in the statement of profit or loss.

4.2 Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method, to allocate the cost of the intangible assets over its estimated useful life. Costs associated with maintaining intangible assets, are recognized as an expense as and when incurred.

The Company charges amortization on additions from the date the asset becomes available for the intended use up to the date when it is derecognized. Intangible assets with indefinite useful lives are not amortized.

4.3 Lease liability and right of use asset

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which a leased asset is available for use by the Company.

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 Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate 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, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of right-to-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.4 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and bank balances, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less which form an integral part of the Company's cash management.

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4.5 Revenue recognition

Mark-up / income on financing

Markup income / return on financing is recognized on a time proportion basis using the contractual rates except the markup income / return on non-performing financing which is recognized on a receipt basis in accordance with the requirements of the NBFC rules and NBFC regulations issued by the SECP. Return / markup on rescheduled / restructured financing is recognized as permitted by the aforementioned regulations, except where, in the opinion of the management, it would not be prudent to do so.

Income from investment

Mark-up / return on investments is recognized on time proportion basis using contractual rates. Where debt securities are purchased at premium or discount, the related premiums or discounts are amortized through the profit or loss over the remaining period of maturity of said investment. Gain or loss on sale of investment is accounted for in the period in which the sale occurs.

Income on bank deposits

Return on bank deposits are recognized on time proportionate basis.

4.6 Short term investments

Investments classified as financial asset at amortized cost are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

4.7 Provisions

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

4.8 Contingencies and commitments

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 Company; 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 measured with sufficient reliability.

Accounting policy in respect of contingent taxation liabilities is further elaborated in note 4.9.

4.9 Taxation

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



Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. Where there is uncertainty in income tax accounting i.e. when it is not probable that the tax authorities will accept the treatment, the impact of the uncertainty is measured and accounted for using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty. Such judgements are reassessed whenever circumstances have changed or there is new information that affects the judgements. Where, at the assessment stage, the taxation authorities have adopted a different tax treatment and the Company considers that the most likely outcome will be in favor of the Company, the amounts are shown as contingent liabilities. In making a judgment and / or estimate relating to probability of outcome, the management considers laws, statutory rules, regulations and their interpretations. Where, based on management's estimate, a provision is required, the same is recorded in the financial statements.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the statement of profit or loss, except in the case of items charged or credited to equity or other comprehensive income, in which case it is included in the statement of changes in equity or statement of other comprehensive income as the case may be.

4.10 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These are derecognized when the Company ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or historical cost as the case may be.

Other particular recognition and subsequent measurement methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

Financial Assets

All the financial assets are initially recognized at fair value, being the cost of the consideration given including transaction costs associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the statement of profit or loss. Financial assets are classified as:

- Financial asset held for trading;
- Financial asset held to maturity;
- Available-for-sale financial assets; or
- Financing



(a) Financial asset held for trading

Investments which are acquired principally for the selling in the near term and are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking are classified as held for trading.

(b) Held to maturity financial assets

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at fair value plus transaction costs that are directly attributable to these investments. Subsequent to initial measurement, held to maturity investments are stated at amortized cost. Provision for impairment in value, if any, is taken to the statement of profit or loss. Premiums and discounts on these investments are amortized using the effective interest rate method and taken to the statement of profit or loss.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the above categories. Subsequent to initial recognition, they are measured at fair value and changes therein, if any are recognized in other comprehensive income until derecognized or impaired, when the accumulated fair value adjustments recognized in other comprehensive income are included in the statement of profit or loss. However, unquoted investments are stated at cost less impairment losses, if any.

(d) Financing

Financing comprises of installment finance facilities extended to the companies. Financing is stated net of provision for non-performing financing, if any, determined as per requirements of NBFC rules and regulations, and the policy of the Company. The outstanding principal and mark-up of the financing, payments against which are overdue for 90 days or more are classified as non-performing loans (NPLs). The unrealized interest / profit / mark-up / service charges on NPLs is suspended and credited to interest suspense account. Further the NPLs are classified into following categories as prescribed in the Regulations.

Substandard


These are financing, payments against which are overdue for 90 days for financing to medium enterprises or 180 days in case of financing to the small enterprises.

Doubtful

These are financing, payments against which are overdue for 180 days in case of financing to medium enterprises and overdue by 1 year in case of financing to the small enterprises.

Loss

These are financing, payments against which are overdue for over a year in case of financing to medium enterprises and overdue by 1.5 years in case of financing to the small enterprises.



In accordance with the Regulations under S.R.O 592(I)/2023 dated May 17, 2023 the Company maintains specific provision of outstanding principal net of liquid collaterals at the following rates as stated in the following ammendments in NBFC regulations 2008:

- For financing to small enterprises

Other assets especially mentioned	Re-payment overdue by 90 days	Nil
Substandard	Re-payment overdue by 180 days	25% of outstanding principal net of liquid collaterals
Doubtful	Re-payment overdue by 1 year	50% of outstanding principal net of liquid collaterals
Loss	Re-payment overdue by 1.5 years	100% of outstanding principal net of liquid

- For financing to medium enterprises

Substandard	Re-payment overdue by 90 days	25% of outstanding principal net of liquid collaterals
Doubtful	Re-payment overdue by 180 days	50% of outstanding principal net of liquid collaterals
Loss	Re-payment overdue by 1 year or financial instruments discounted are not paid within 180 days	100% of outstanding principal net of liquid collaterals

General provision

The Risk Management function of the Company regularly conducts assessments of the portfolio to identify borrowers most likely to be affected due to changes in the business and economic environment. The Company expects that its borrowers will continue to be impacted due to significant increase in policy rate by the State Bank of Pakistan, increased inflation and decline in purchasing power of general public.

Derecognition

All financial assets are de-recognized when the right to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risk and rewards of ownership.

Financial Liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value plus directly attributable transaction costs, if any, and subsequently measured at amortized cost, if applicable. Financial liabilities are derecognized at the time they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the year in which it arises.



Compound financial instruments

In accordance with requirements of IAS 32 'Financial Instruments: Presentation', the Company assess whether a financial instrument meets the definition of financial liability or equity and recognizing the financial instrument accordingly. If the financial instrument is a compound instrument, the Company recognizes each component separately with the equity component representing the residual amount after deducting the fair values of liabilities component from the consideration. Such equity component is recognized as 'Capital Reserve' and presented net of related deferred tax.

Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit or loss.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities and tax assets and tax liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on net basis or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5 SUMMARY OF OTHER ACCOUNTING POLICIES

The summary of other than material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost less any identified impairment loss.

5.2 Employees' provident fund

The Company operates a contributory provident fund for those employees who have opted for this scheme. Equal contributions are made by the Company and employee to the fund. The Company intends to create a separate provident fund trust to manage the employees' provident fund.

5.3 Foreign currency transactions and translations


Transactions in foreign currencies are translated in Pakistan rupees at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan rupees at the rates of exchange approximating those prevalent at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

5.4 Dividend and appropriation to reserves

Dividend and other appropriation to reserves are recognized in the financial statements in the period in which these are approved.

5.5 Short term leases

The Company's policy with respect to short term leases i.e. of a period less than 12 months is to recognize payments on a straight line basis as an expense in the statement of profit or loss.



6 Property and equipment

	2023 (Rupees)	2022 (Rupees)
Property & Equipment	6,331,171	4,223,244

6.1 Property & Equipment

	2023				
	Computer equipment	Office Equipment	Furniture and Fixtures	Motor Vehicle	Total
	Rupees				
Net carrying value basis					
Year ended December 31, 2023					
Opening net book value as at January 01, 2023	3,568,009	320,457	334,778	-	4,223,244
Additions (at cost) during the year	4,048,590	-	-	149,499	4,198,089
Depreciation charge for the year	(1,952,839)	(65,503)	(70,100)	(1,720)	(2,090,162)
Closing net book value as at December	5,663,760	254,954	264,678	147,779	6,331,171
Gross carrying value basis					
As at December 31, 2023					
Cost at year end	8,618,208	327,515	350,500	149,499	9,445,722
Accumulated depreciation	(2,954,448)	(72,561)	(85,822)	(1,720)	(3,114,551)
Net book value	5,663,760	254,954	264,678	147,779	6,331,171
Depreciation rate per annum	33%	20%	20%	20%	
Net carrying value basis					
	2022				
Year ended December 31, 2022					
Opening net book value (NBV) as at January 01, 2022	1,192,748	-	-	-	1,192,748
Additions during the year	3,317,540	327,515	350,500	-	3,995,555
Depreciation charge for the year	(942,279)	(7,058)	(15,722)	-	(965,059)
Closing net book value as at December 31, 2022	3,568,009	320,457	334,778	-	4,223,244
Gross carrying value basis					
As at December 31, 2022					
Cost	4,569,618	327,515	350,500	-	5,247,633
Accumulated depreciation	(1,001,609)	(7,058)	(15,722)	-	(1,024,389)
Net book value (NBV)	3,568,009	320,457	334,778	-	4,223,244
Depreciation rate per annum	33%	20%	20%	0%	

6.2 Depreciation expense for the year on entity's owned property & equipment has been charged to administrative expenses as referred in note 28.

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		<u>2023</u> (Rupees)	<u>2022</u> (Rupees)
7	Right of use asset		
	Rented office space	27,182,794	-

7.1 **Right of use asset**

2023

Rented office space
Rupees

Net carrying value basis

Year ended December 31, 2023

Opening net book value as at January 01, 2023

Additions (at cost) during the year

Depreciation charge for the year

-
27,643,519
(460,725)

Closing net book value as at December

27,182,794

Gross carrying value basis

As at December 31, 2023

Value at year end

Accumulated depreciation

27,643,519
(460,725)

Net book value

27,182,794

Depreciation rate per annum

20%

Net carrying value basis

2022

Year ended December 31, 2022

Opening net book value (NBV) as at January 01, 2022

Additions during the year

Depreciation charge for the year

-

-

-

Closing net book value

-

Gross carrying value basis

As at December 31, 2022

Cost

Accumulated depreciation

-

-

Net book value (NBV)

-

Depreciation rate per annum

0%

7.2 Depreciation expense for the year on entity's right of use asset has been charged to administrative expenses as referred in note 28.

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8	Intangible assets	2023 (Rupees)	2022 (Rupees)
	Computer software and license	30,286,352	-

8.1	Intangible assets	2023
		Computer software Rupees

Net carrying value basis

Year ended December 31, 2023

Opening net book value as at January 01, 2023

Additions (at cost) during the year

Amortization charge for the year

-
32,305,442
(2,019,090)

Closing net book value as at December

30,286,352

Gross carrying value basis

As at December 31, 2023

Value at year end

Accumulated amortization

32,305,442
(2,019,090)

Net book value

30,286,352

Amortization rate per annum

25%

Net carrying value basis

2022

Year ended December 31, 2022

Opening net book value (NBV) as at January 01, 2022

Additions during the year

Amortization charge for the year

-
-
-

Closing net book value

-

Gross carrying value basis

As at December 31, 2022

Cost

Accumulated amortization

Net book value (NBV)

-
-
-

Amortization rate per annum

0%

8.2 Amortization expense for the year on the intangible assets has been charged to administrative expenses as referred in note 28.

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11 Financing on behalf of parent entity

This represents loans disbursed by the Company to the identified borrowers under programs originated by Karandaaz Pakistan through agency agreement as referred in note 21. These loans are repayable by identified borrowers within a period of two to four years from the date of disbursement.

	2023	2022
	(Rupees)	(Rupees)
Financing on behalf of parent entity	401,197,763	156,165,490
Less: Current portion	253,387,376	70,089,142
Net financing on behalf of parent entity	147,810,387	86,076,348

12 Long term deposits

These deposits primarily include security deposit for Head office 4th floor 34 S, Main boulevard Gulberg 2 paid to landlord & deposit kept with PSO for managing fuel cards of employees.

	2023	2022
	(Rupees)	(Rupees)

13 Deferred tax liability

The deferred tax (liability)/asset comprises of temporary differences relating to:

Pre-commencement expenses	1,501,229	2,251,843
Accrued interest on term deposit receipts (TDRs), t-bills and saving account	(9,191,547)	(6,268,778)
Accelerated tax depreciation	(540,150)	(338,173)
Right of use asset	(7,883,010)	-
Lease liabilities	5,686,141	-
Provision for financing	12,558,030	2,743,369
Impact of tax on subordinated loan	(27,524,162)	(27,524,162)
	(25,393,470)	(29,135,901)

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13.1 The gross movement in net deferred tax (liability)/asset during the year is as follows:

	Note	2023 (Rupees)	2022 (Rupees)
Opening balance		(29,135,901)	1,803,995
Credited/(Debited) to statement of profit or loss		3,742,431	(3,415,734)
Debited to statement of changes in equity		-	(27,524,162)
Closing balance		<u>(25,393,470)</u>	<u>(29,135,901)</u>

14 Advances, deposits, prepayments and other receivables

Prepayments		1,015,462	288,783
Short term security deposits		105,000	105,000
Other receivables	14.1	5,365,076	1,252,453
Accrued interest on financing		38,389,032	18,559,841
Accrued interest on term deposit receipts (TDRs) and saving account		1,500,258	13,359,852
		<u>46,374,828</u>	<u>33,565,929</u>

14.1 This includes an amount of Rs. 3,554,280 (2022: Rs. 1,038,215) receivable from parent entity receivable against management fee for managing its portfolio under agency agreement and expenses incurred on behalf of parent entity.

	Note	2023 (Rupees)	2022 (Rupees)
15 Short term financing - net			
Financing - markup bearing	15.1	1,086,000,000	437,000,000
Less:			
General provision	15.2	15,960,000	6,555,000
Specific provision	15.3	22,000,000	-
Net short term financing		<u>1,048,040,000</u>	<u>430,445,000</u>

15.1 This represents short term finance facilities provided on mark-up basis. The mark-up on these loans ranges from 18.5% to 26.91% (2022: 13.71% to 20.08%) per annum. These are secured against personal guarantees of directors, mortgagors, charge over plant and machinery and/or post dated cheques.

15.2 General provision has been maintained at 1.5% (2022: 1.5%) of the outstanding balance, after adjustment of Rehmpack specific provision, to cater for unanticipated credit losses.

15.3 Rehmpack Pvt Ltd was classified to loss category and 100% specific provision was made against its outstanding amount.

2022			
Amount outstanding	Provisions required	Provisions held	
(Rupees)			

2023			
Provision rate	Amount outstanding	Provisions required	Provisions held
(Rupees)			

Note

15.4 Particulars of non-performing financing

Category of classification

Sub-standard	25%	-	-	-
Doubtful	50%	-	-	-
Loss	100%	22,000,000	22,000,000	22,000,000
		22,000,000	22,000,000	22,000,000

15.5 Particulars of provision against financing

Balance at 01 January	-	6,555,000	6,555,000
Provision charge	22,000,000	9,405,000	31,405,000
Bad debts written off during the year	-	-	-
Balance at 31 December	22,000,000	15,960,000	37,960,000

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			2023	2022
	Note		(Rupees)	(Rupees)
16	Short Term Investments			
	Term Deposit Receipt	16.1	-	400,000,000
	Treasury Bills	16.2	1,645,344,496	607,990,044
			<u>1,645,344,496</u>	<u>1,007,990,044</u>

16.1 The rate of mark-up on these investments ranges from 15.2 % to 20.00% (2022: 10.00% to 15.20%) per annum.

16.2 The rate of mark-up on this investment ranges from 15.1% to 22.5% (2022: 14.42% to 16.75%) per annum.

16.3 T-bills amount include 25.39 million (2022: Nill) invested in respect of employees' provident fund.

			2023	2022
	Note		(Rupees)	(Rupees)
17	Cash and bank balances			
	Cash at bank:			
	Saving Account	17.1	234,196,792	1,554,909,093
	Cash in hand		95	722
			<u>234,196,887</u>	<u>1,554,909,815</u>

17.1 The rate of mark-up on these accounts ranges from 7.50% to 20.73% (2022: 7.45% to 14.50%) per annum.

18 Share capital and reserves

18.1 Authorised share capital

2023	2022	2023	2022
(Number of shares)		(Rupees)	(Rupees)
<u>300,000,000</u>	<u>150,000,000</u>	<u>3,000,000,000</u>	<u>1,500,000,000</u>

18.2 Issued, subscribed and paid up share capital

2023	2022	2023	2022
(Number of shares)		(Rupees)	(Rupees)
<u>150,000,000</u>	<u>150,000,000</u>	<u>1,500,000,000</u>	<u>1,500,000,000</u>

Ordinary shares of Rs.10 each,
fully paid in cash

18.3 Movement in ordinary shares

There was no movement in ordinary shares during the year. Authorized share capital was increased from Rs. 1,500,000,000 to Rs. 3,000,000,000 after grant of SECP approval.

18.4 Karandaaz Pakistan holds 149,999,996 shares representing 99.99% shares of the Company.

18.5 All ordinary shares rank equally with regard to the company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company.

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			2023	2022
	Note		(Rupees)	(Rupees)
19 Capital reserve - net of tax				
Opening balance			67,386,742	-
Equity portion of subordinated loan			-	94,910,904
Impact of deferred tax			-	(27,524,162)
Closing balance			<u>67,386,742</u>	<u>67,386,742</u>
20 Subordinated loan				
Subordinated loan from parent entity	20.1		<u>1,494,391,763</u>	<u>1,405,089,096</u>

20.1 This represents liability component of subordinated loan classified as compound financial instrument, which was obtained under the agreement between Karandaaz Pakistan (parent entity) and the company dated November 28, 2022 after the approval of SECP. The subordinated loan tenure is 5 years and is currently carrying markup of 3 Months KIBOR minus 2% per annum payable quarterly. The loan is subordinated to other indebtedness of the Company.

			2023	2022
	Note		(Rupees)	(Rupees)
21 Payable to parent entity				
Payable to parent entity	21.1		432,744,449	224,400,000
Less: Current portion			<u>253,387,376</u>	<u>98,730,559</u>
Net payable to parent entity			<u>179,357,073</u>	<u>125,669,441</u>

21.1 This represents amount payable to Karandaaz Pakistan under the agency agreement and addendum to aforesaid agreement between the two companies which has been provided to borrower entities.

			2023	2022
	Note		(Rupees)	(Rupees)
22 Lease liabilities				
Lease liability	22.1		19,607,382	-
Less: Current portion of lease liability			<u>700,000</u>	<u>-</u>
Net lease liabilities			<u>18,907,382</u>	<u>-</u>

22.1 The lease obligation relates to a 5 year rental agreement (expiring on November 30, 2028) for the Company's head office. Rentals are payable in advance, with an increment of 25% after 3 years from the initial date (December 31, 2023). The Company has recognized a right of use asset at the present value of the lease payments at the incremental borrowing rate of 22.69% and prepaid rental installment. The Company is reasonably certain that it will not exercise its option to terminate the agreement early.

			2023	2022
			(Rupees)	(Rupees)
22.2				
Opening balance			-	-
Additions during the year			27,643,519	-
Finance cost			363,863	-
Repayments			<u>(8,400,000)</u>	<u>-</u>
Closing balance			<u>19,607,382</u>	<u>-</u>

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	Note	2023 (Rupees)	2022 (Rupees)
22.3 Maturity Analysis			
Undiscounted lease payments are as follows:			
1 year		700,000	-
2 years		8,400,000	-
3 years		8,575,000	-
4 years		10,500,000	-
5 years		9,625,000	-
		37,800,000	-
Future finance cost		(18,192,618)	-
Lease liability as at December 31, 2023		19,607,382	-

23 Accrued and other liabilities

Payable to parent entity	23.1	7,008,114	2,626,599
Provident fund payable	23.3	26,910,909	8,766,409
Accrued liabilities		20,852,654	14,929,573
Tax deducted at source		2,825,965	1,109,299
Other payable		25,469,693	3,852,588
		83,067,335	31,284,468

23.1 Payable to parent entity

Interest accrued on financing on behalf of parent entity		6,399,746	-
Payable under service level agreement	23.2	608,368	1,880,381
Expenses incurred on behalf of the Company		-	746,218
		7,008,114	2,626,599

23.2 This represents payable to parent entity with regards to human resource and operational support being provided under the service level agreement.

23.3 The Company is in the process of establishing a separate trust to manage the provident fund.

24 Contingencies and commitments

24.1 There are no known contingencies at the reporting date.

24.2 The Company has commitments in respect of contractual obligations amounting to Rs. 44,676,443 as at December 31, 2023 (2022: Rs. 13,774,823).



			2023 (Rupees)	2022 (Rupees)
25	Markup on financing	Note		
	Markup on long term financing	25.1	64,271,659	23,445,798
	Markup on short term financing	25.2	117,133,566	49,623,347
			<u>181,405,225</u>	<u>73,069,145</u>

25.1 This represents markup on financing on long term basis bearing markup as mentioned in note 10 to these financial statements.

25.2 This represents markup on financing on short term basis bearing markup as mentioned in note 15 to these financial statements.

			2023 (Rupees)	2022 (Rupees)
26	Income other than markup on financing			
	Interest income on term deposit receipts (TDRs)		11,810,520	107,556,710
	Interest income on treasury bills		406,973,873	31,640,014
	Interest income on savings accounts		68,393,940	19,850,494
	Management fee from parent entity		3,123,545	1,038,215
	Processing fee on financing		2,378,811	954,771
			<u>492,680,689</u>	<u>161,040,204</u>

27	Finance cost			
	Markup on subordinated loan	20.1	298,558,832	1,232,877
	Bank charges		93,269	187,854
	Financial charges on lease liability		363,863	-
			<u>299,015,964</u>	<u>1,420,731</u>

28	Administrative expenses			
	Salaries, wages and benefits		137,787,978	82,949,411
	Legal and professional fee		22,616,104	7,158,238
	Auditors' remuneration	28.1	1,917,375	1,252,625
	Travel, lodging and per diems		13,235,179	7,545,169
	Short term lease expense		11,603,446	5,012,299
	Utilities		1,273,032	731,216
	Depreciation on property and equipment	6	2,090,162	965,059
	Depreciation on ROU Asset	7	460,725	
	Amortization on Intangibles	8	2,019,090	
	Printing and stationery		656,178	377,407
	Advertisement		38,000	49,643
	Marketing/branding		316,192	239,639
	Fees and subscription		1,438,893	384,011
	Human resource and operational support cost charged by parent entity		7,292,303	4,000,000
	Vehicle operations and maintenance		57,135	184,987
	Consultancy		1,149,000	1,326,029
	Insurances		201,483	-
	Office expenses		2,424,246	472,866
	Directors' fees		7,937,500	5,926,389
			<u>214,514,021</u>	<u>118,574,989</u>



	2023	2022
	(Rupees)	(Rupees)
28.1 Auditors' remuneration		
Statutory audit	1,112,500	732,500
Review of interim financial statements	287,500	301,875
Other services	423,125	139,500
Out of pocket expenses	94,250	78,750
	<u>1,917,375</u>	<u>1,252,625</u>

29 Net provision on financing

	2023		
	Long term financing	Short term financing	Total
	(Rupees)	(Rupees)	(Rupees)
Balance at the beginning of the year	2,904,889	6,555,000	9,459,889
Provision charged during the year	2,438,663	31,405,000	33,843,663
Balance at the end of year	<u>5,343,552</u>	<u>37,960,000</u>	<u>43,303,552</u>

	2022		
	Long term financing	Short term financing	Total
	(Rupees)	(Rupees)	(Rupees)
Balance at the beginning of the year	-	-	-
Provision charged during the year	2,904,889	6,555,000	9,459,889
Balance at the end of the year	<u>2,904,889</u>	<u>6,555,000</u>	<u>9,459,889</u>

	2023	2022
	(Rupees)	(Rupees)
30 Taxation		
Current taxation:		
- Current year	43,474,734	28,543,811
Deferred taxation	(3,742,431)	3,415,733
	<u>39,732,303</u>	<u>31,959,544</u>

30.1 Tax charge reconciliation

Applicable tax rate	29.00%	29.00%
Tax effect of:		
Effect of items not allowable for tax purposes	2.36%	1.54%
Effective tax rate	<u>31.36%</u>	<u>30.54%</u>

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		Note	2023		2022	
			(Rupees)		(Rupees)	
31	Earnings per share					
31.1	Basic earnings per share					
	Profit for the year		Rupees			
	Weighted average number of ordinary shares		Number			
	Basic earnings per share	18	86,979,963	72,694,197		
			150,000,000	150,000,000		
			0.58	0.48		
31.2	Diluted earnings per share					
	Profit for the year		Rupees			
	Markup on subordinated loan - net of tax		Rupees			
		27	86,979,963	72,694,197		
			211,976,771	875,343		
			298,956,734	73,569,540		
	Weighted average number of ordinary shares	18	Number			
	Effect of subordinated loan		Number			
			150,000,000	150,000,000		
			150,000,000	150,000,000		
			300,000,000	300,000,000		
	Diluted earnings per share		Rupees			
			1.00	0.25		

		2023	2022
		(Rupees)	(Rupees)
32	Cash and Cash Equivalents		
	Cash and bank balances	234,196,887	1,554,909,815
	Short term investments	1,645,344,496	1,007,990,044
		<u>1,879,541,383</u>	<u>2,562,899,859</u>

33 Financial risk management

33.1 Financial risk factors

The Company's current activities expose it to a variety of financial risks: market risk comprising of interest rate risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's current market risk exposure is limited to interest rate risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

(i) Interest rate risk

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

The Company has financing and subordinated loan in Pakistan Rupees at variable rates. The financing and subordinated loan have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR).

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	Effective rate		Carrying values	
	2023	2022	2023	2022
	Percentage		(Rupees)	(Rupees)
Fixed rate instruments				
- Financial assets				
Short term investments	15.10% - 22.50%	10.00% - 16.75%	1,645,344,496	1,007,990,044
			<u>1,645,344,496</u>	<u>1,007,990,044</u>

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	Effective rate		Carrying values	
	2023	2022	2023	2022
	-----Percentage-----		(Rupees)	(Rupees)
Variable rate instruments				
- Financial assets				
Cash at bank	7.50% - 20.73%	7.45% - 14.50%	234,196,792	1,554,909,093
Financing	18.50% - 27.28%	13.05% - 20.08%	1,398,933,259	621,199,356
- Financial Liabilities				
Subordinated loan	15% - 20.91%	15%	(1,494,391,763)	(1,405,089,096)
			<u>138,738,288</u>	<u>771,019,353</u>

Cash flow sensitivity analysis for variable rate instruments

If interest rates on saving account, at the period end date, fluctuates by 1 % higher / lower with all other variables held constant, profit before taxation for the period would have been Rs. 2.34 million higher / lower, mainly as a result of higher / lower interest income on floating rate instruments.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from components of financial statements as disclosed below:

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Carrying values	
	2023	2022
	(Rupees)	(Rupees)
Financial assets		
Short term investments- TDR	-	400,000,000
Short term investments- Treasury Bills	1,645,344,496	607,990,044
Cash and bank balances	234,196,887	1,554,909,815
Advances, deposits and other receivables	5,470,076	1,357,453
Accrued interest on financing	38,389,032	18,559,841
Accrued interest on term deposit receipts (TDRs) and saving accounts	1,500,258	13,359,852
Long term financing	350,893,259	190,754,356
Short term financing	1,048,040,000	430,445,000
Financing on behalf of parent entity	401,197,763	156,165,490
Long term deposits	3,676,875	976,875
	<u>3,728,708,646</u>	<u>3,374,518,726</u>

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(ii) Credit quality of major financial assets

The credit quality of major financial assets that are not impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

		2023		2022	
		(Rupees)		(Rupees)	
		Short term	Long term	Rating Agency	
Short term investments					
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	25,393,122	400,000,000
United Bank Limited	A-1+	AAA	VIS	1,619,951,374	607,990,044.00
				1,645,344,496	1,007,990,044
Cash and bank balances		Short term	Long term	Rating Agency	
United Bank Limited	A-1+	AAA	VIS	107,187,327	1,510,083,311
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	126,414,018	36,021,384
Bank Alfalah Limited	A1+	AA+	PACRA	595,447	8,804,398
				234,196,792	1,554,909,093
Accrued interest on term deposit receipts (TDRs) and saving account		Short term	Long term	Rating Agency	
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,494,194	13,310,586
Bank Alfalah Limited	A1+	AA+	PACRA	6,064	49,266
				1,500,258	13,359,852

With respect to receivable from borrowers, after giving due consideration to the strong financial standing of the respective parties, management does not expect non-performance by the parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses.

The following is the contractual maturities of financial liabilities:

	December 31, 2023			
	Rupees			
	Carrying Amount	Less than 1 year	Between 1 to 5 years	Over 5 years
		-----Rupees-----		
Accrued and other liabilities	83,067,335	83,067,335	-	-
Payable to parent entity	432,744,449	253,387,376	179,357,073	-
Subordinated loan	1,494,391,763	-	1,494,391,763	-
Lease Liability	19,607,382	700,000	18,907,382	-
	2,029,810,929	337,154,711	1,692,656,218	-
		-----Rupees-----		
		Less than 1 year	Between 1 to 5 years	Over 5 years
		-----Rupees-----		
Accrued and other liabilities	31,284,468	31,284,468	-	-
Payable to parent entity	224,400,000	98,730,559	125,669,441	-
Subordinated loan	1,405,089,096	-	1,405,089,096	-
	1,660,773,564	130,015,027	1,530,758,537	-

33.2 Financial instrument by category

Financial Assets

Short term investments	
Long term deposits	
Short term security deposits	
Other receivables	
Accrued interest on term deposit receipts (TDRs) and saving account	
Cash and bank balances	
Financing	
Financing on behalf of parent entity	
Accrued interest on financing	

2023
(Rupees)

1,645,344,496	1,007,990,044
3,676,875	976,875
105,000	105,000
5,365,076	1,252,453
1,500,258	13,359,852
234,196,887	1,554,909,815
1,398,933,259	621,199,356
401,197,763	156,165,490
38,389,032	18,559,841

3,728,708,646

3,374,518,726

Financial Liabilities

Accrued and other liabilities	
Subordinated loan	
Payable to parent entity	
Lease Liability	

83,067,335	31,284,468
1,494,391,763	1,405,089,096
432,744,449	224,400,000
19,607,382	-

2,029,810,929

1,660,773,564

33.3 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

A Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, both for financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

B Fair values

33.4 Classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		2023					
		Carrying value			Fair value		
		Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total	Total
	Note						
On-balance sheet financial instruments							
December 31, 2023							
Financial assets measured at fair value							
Short term investment - Treasury Bills	16	1,645,344,496	-	-	-	1,645,344,496	1,645,344,496
		1,645,344,496	-	-	-	1,645,344,496	1,645,344,496

		2022					
		Carrying value			Fair value		
		Held to maturity	Available for sale	Loans and receivables	Other financial liabilities/assets	Total	Total
On-balance sheet financial instruments							
December 31, 2022							
Financial assets measured at fair value							
Short term investment - Treasury Bills	16	607,990,044	-	-	-	607,990,044	607,990,044
		607,990,044	-	-	-	607,990,044	607,990,044

33.5 Treasury Bills: Pakistan revaluation (PKRV) rate is average of the yield-to-maturity on government securities traded in the secondary market and determined at the end of day. The yield-to-maturity on government securities is quoted by the six brokerage houses keeping in view the yield-to-maturity on government securities traded in the secondary market.

34 Related party transactions

The Company's related parties comprise of its directors, associated undertakings, parent company and key management personnel. Remuneration of CEO and key management personnel has been disclosed in note 35. Other significant transactions with related parties and the balances with them are as follows:

Relationship with the Company	Nature of transactions	Year ending December 31, 2023 (Rupees)	Year ending December 31, 2022 (Rupees)
1) Parent	Expenses incurred on behalf of the Company	-	2,284,990
	Management fee charged by the Company	3,123,545	1,038,215
	Interest on financing on behalf of parent entity	16,780,083	3,927,550
	Repayment on financing on behalf of parent entity	64,009,964	-
	Financing on behalf of parent entity	305,812,237	156,165,490
	Human resource and operational support cost under service level agreement	7,292,303	4,000,000
	Expenses incurred by company on behalf of parent entity	2,553,107	-
	Advance received under agency agreement	237,577,727	224,400,000
	Markup on subordinated loan	298,558,832	1,232,877
	Subordinated loan received from parent entity	-	1,500,000,000
2) Directors	Meeting fee paid to the directors	7,937,500	5,926,389

All transactions with related parties have been carried out at arm's length.

	2023 (Rupees)	2022 (Rupees)
Period / year end balances		
Payable to parent entity	439,752,563	227,026,599
Accrued markup on subordinated loan	89,302,667	1,232,877
Liability portion of subordinated loan	1,494,391,763	1,405,089,096
Capital Reserve (Equity portion of subordinated loan - net of tax)	67,386,742	67,386,742
Receivable from parent entity	3,554,280	1,038,215

35 Remuneration of chief executive (CEO) and key management personnel

The aggregate amount charged in the financial statements for the year for remuneration, to the Chief Executive and executives is as under:

For the Year ended Dec 31, 2023 ----- Rupees -----				
	Note	Chief Executive	Executives	Total
Managerial remuneration	35.1	26,160,000	66,306,978	92,466,978
Company's contribution to provident fund		2,436,000	5,531,417	7,967,417
Reimbursements	35.2	2,170,262	7,464,973	9,635,235
		<u>30,766,262</u>	<u>79,303,368</u>	<u>110,069,630</u>
Number of persons		<u>1</u>	<u>24</u>	<u>25</u>

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For the Year ended Dec 31, 2022

		----- Rupees -----		
		Chief Executive	Executives	Total
Managerial remuneration	35.1	30,808,749	38,124,217	68,932,966
Company's contribution to provident fund	35.2	2,011,667	3,226,185	5,237,852
Reimbursements		1,374,293	3,122,291	4,496,584
		<u>34,194,709</u>	<u>44,472,693</u>	<u>78,667,402</u>
Number of persons		<u>1</u>	<u>16</u>	<u>17</u>

35.1 This includes remuneration of CFO charged by parent entity as human resource and operational support cost under service level agreement.

35.2 This includes communication and fuel reimbursements allowed to employees as per the Company's policy.

36 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. Capital includes ordinary share capital and reserves.

The Company monitors capital using a gearing ratio, which is long term debt divided by total capital. During the year, the Company obtained subordinated loan from its parent company as referred in note 20.

37 Number of Employees	Year ending December 31, 2023	Year ending December 31, 2022
Number of Employees at reporting date	31	19
Average number of employees during the Year*	24	14

* Represents the average taken of the number of employees at the end of each month in the year

38 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. However, no significant re-arrangements or reclassifications have been made in these financial statements during the year.

39 Events after the reporting date

There are no reportable events after the reporting date.

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40 Authorization of financial statements

These financial statements were authorized for issue on 04 April 2024 2024 by the Board of Directors of the Company.

41 General

Figures reported in these financial statements have been rounded off to the nearest rupee unless otherwise stated.


Chief Executive Officer
Director
Chief Financial Officer