



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Parwaaz Financial Services Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Parwaaz Financial Services Limited as at June 30, 2022 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Amer Raza Mir.

A.F.Ferguson & Co.

Chartered Accountants

Lahore

Date: December 30, 2022

UDIN: RR2022101187e5MPuT2I

PARWAAZ FINANCIAL SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

ASSETS	Note	June 30, 2022	June 30, 2021
		----- Rupees -----	
NON-CURRENT ASSETS			
Property, plant and equipment	7	3,077,237	-
Financing - net	8	133,121,086	-
Long term deposits		976,875	-
Advances made on behalf of parent entity	9	91,448,500	-
		228,623,698	-
CURRENT ASSETS			
Advances, deposits, prepayments and other receivables	10	26,405,376	147,097
Current portion of financing - net	8	51,372,335	-
Current portion of advances made on behalf of parent entity		17,635,500	-
Short term financing - net	11	421,130,457	-
Short term investments	12	1,046,787,501	-
Cash and bank balances	13	34,905,883	1,532,214,881
		1,598,237,052	1,532,361,978
TOTAL ASSETS		1,826,860,750	1,532,361,978
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 150,000,000 (2021: 150,000,000) ordinary shares of Rs. 10 each		1,500,000,000	1,500,000,000
Issued, subscribed and paid up capital 150,000,000 (2021: 150,000,000) ordinary shares of Rs. 10 each			
Revenue reserve: unappropriated profit	14	1,500,000,000 72,621,565 1,572,621,565	1,500,000,000 14,957,670 1,514,957,670
CURRENT LIABILITIES			
Accrued and other liabilities	15	22,918,547	12,015,684
Payable to parent entity	16	224,400,000	-
Deferred taxation		532,093	-
Provision for taxation		6,388,545	5,388,624
		254,239,185	17,404,308
TOTAL EQUITY AND LIABILITIES		1,826,860,750	1,532,361,978

The annexed notes from 1 to 25 form an integral part of these special purpose financial statements.


Chief Executive Officer


Chief Financial Officer

PARWAAZ FINANCIAL SERVICES LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

		July 01, 2021 to June 30, 2022	December 23, 2020 to June 30, 2021
	Note	----- Rupees -----	
Income	17	20,125,976	-
Net impairment losses on financial assets		(5,026,059)	-
		15,099,917	-
Administrative expenses	18	(69,557,433)	(14,992,987)
Other income	19	131,054,283	42,188,803
Finance cost		(12,131)	(3,393)
Profit before taxation		76,584,636	27,192,423
Taxation		(18,920,741)	(12,234,753)
Profit after taxation		57,663,895	14,957,670
Other comprehensive income		-	-
Total comprehensive income		57,663,895	14,957,670

The annexed notes from 1 to 25 form an integral part of these special purpose financial statements.

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Chief Executive Officer


Chief Financial Officer

PARWAAZ FINANCIAL SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

	Share capital	Revenue reserve	Total
		Unappropriated profit	
	Rupees		
Balance as at December 23, 2020	-	-	-
Issue of ordinary shares	1,500,000,000	-	1,500,000,000
Total comprehensive income for the period	-	14,957,670	14,957,670
Balance as at June 30, 2021	1,500,000,000	14,957,670	1,514,957,670
Total comprehensive income for the year	-	57,663,895	57,663,895
Balance as at June 30, 2022	1,500,000,000	72,621,565	1,572,621,565

The annexed notes from 1 to 25 form an integral part of these special purpose financial statements.

Signature

Signature of Chief Executive Officer

Chief Executive Officer

Signature of Chief Financial Officer

Chief Financial Officer


PARWAAZ FINANCIAL SERVICES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	July 01, 2021 to June 30, 2022	December 23, 2020 to June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	76,584,636	27,192,423
Adjustments for:		
Profit earned on term deposit receipts (TDRs), treasury bills and saving accounts	(129,813,730)	-
Markup earned on financing	(20,125,976)	-
Finance cost	12,131	3,393
Net impairment losses on financial assets	5,026,059	-
Depreciation on property, plant and equipment	396,786	-
Operating (loss)/profit before working capital changes	(67,920,094)	27,195,816
Effect of changes in working capital:		
Increase in financing	(185,649,937)	-
Increase in short term financing	(425,000,000)	-
Increase in accrued and other liabilities	10,902,863	12,015,684
Increase in advances made on behalf of parent entity	(109,084,000)	-
Increase in payable to parent entity	224,400,000	-
Increase in long term deposits	(976,875)	-
Increase in advances, deposits, prepayments and other receivables	(41,424,506)	(147,097)
Cash (used in)/generated from operations	(594,752,549)	39,064,403
Receipt of markup on financing	8,220,288	-
Taxes paid	(17,388,727)	(6,846,129)
Finance cost paid	(12,131)	(3,393)
Net cash (used in)/generated from operating activities	(603,933,119)	32,214,881
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of income on TDRs and saving accounts	156,885,645	-
Purchase of property, plant and equipment	(3,474,023)	-
Net cash generated from investing activities	153,411,622	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	-	1,500,000,000
Net cash generated from financing activities	-	1,500,000,000
Net (decrease)/increase in cash and cash equivalents	(450,521,497)	1,532,214,881
Cash and cash equivalents at beginning of the period	1,532,214,881	-
Cash and cash equivalents at end of the period	1,081,693,384	1,532,214,881

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The annexed notes from 1 to 25 form an integral part of these special purpose financial statements.


Chief Executive Officer


Chief Financial Officer

PARWAAZ FINANCIAL SERVICES LIMITED
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 correspondence address of the Company is Cornelius, Lane and Mufti, Nawa-e-Waqt House, 4, Shahrah-e-Fatima Jinnah, Mozang, Data Gunj Buksh Town, Lahore. The Company is in the process of establishing its registered office.

The ultimate parent of the Company is Karandaaz Pakistan.

2 Statement of compliance

These financial statements are special purpose financial statements and 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;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984;
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations);

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

These special purpose financial statements have been prepared solely to enable Karandaaz Pakistan to prepare its financial statements for the year ended June 30, 2022. Further, these special purpose financial statements include restricted disclosures only as required by the management of Karandaaz Pakistan for the preparation of their financial statements.

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED ACCOUNTING STANDARDS

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

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these special purpose financial statements.

3.2 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 approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant to the Company's operations and are, therefore, not detailed in these special purpose financial statements, except for the following:

(a) Amendments to IAS 1, 'Classification of liabilities as current or non-current'

The narrow-scope amendments to IAS 1 Presentation of Financial Statements, effective for accounting periods beginning on or after January 01, 2023, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the settlement of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

These amendments are not expected to have a material impact on the Company's special purpose financial statements when they become effective.

(b) Amendments to IAS 1 and IFRS 2 Practice Statement 2, 'Disclosure of Accounting Policies'

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 above mentioned amendments are effective for accounting periods beginning on or after January 01, 2023.

The Company is in the process of assessing the impact of these amendments on the Company's special purpose financial statements.

(c) Amendment to IAS 8, 'Definition of Accounting Estimates'

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, effective for accounting periods beginning on or after January 01, 2023, clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The Company is in the process of assessing the impact of this amendment on the Company's special purpose financial statements.

(d) Amendments to IAS 12, 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The amendments to IAS 12 Income Taxes, effective for accounting periods beginning on or after January 01, 2023, require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The Company is in the process of assessing the impact of these amendments on the Company's special purpose financial statements.

4 Basis of presentation and measurement

4.1 Basis of measurement

These special purpose financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

4.2 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.

5 Significant accounting judgments, estimates and assumptions

The Company's significant accounting policies are stated in note 6. 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 special purpose 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 areas involving a higher degree of judgment or complexity and where assumptions and estimates are significant to these special purpose financial statements are provision for current taxation as referred in note 6.1 and impairment of financial assets as referred in note 6.11.

6 Summary of significant accounting policies

The accounting policies adopted for the preparation of these special purpose financial statements are listed below:

6.1 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 these special purpose 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.

6.2 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on property, plant 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 7. The Company charges depreciation on all additions to the items of property, plant and equipment from the date asset is available for use till the date of its disposal.

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, plant 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, plant and equipment with a corresponding effect on the depreciation charge and impairment.

An item of property, plant 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.

6.3 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.

6.4 Other receivables

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

6.5 Other income

Income is recognized on accrual basis. Profit/markup on loans and bank accounts are recognized using the effective yield method.

6.6 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.

6.7 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.

6.8 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.


6.9 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.

6.10 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 6.1.

6.11 Financial instruments

6.11.1 Financial assets

In accordance with the requirements of IFRS 9, the Company classifies its financial assets at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

(a) Financial assets at amortized cost

Financial assets at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in the statement of profit or loss.

(b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Income from such assets are recognized directly in other comprehensive income.

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognized in statement of profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognized in statement of profit or loss. Dividends from such investments continue to be recognized in statement of profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to statement of profit or loss following the derecognition of the investment.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

Impairment of financial assets

The Company assesses on a forward looking basis, the expected credit losses associated with its financial assets carried at amortized cost and fair value through other comprehensive income. The Company computes historical loss rates using the historical credit losses which are then adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. For advances and other receivables, the Company applied the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, advances and other receivables have been grouped based on shared credit risk characteristics and the days past due. The Company recognizes in statement of profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

6.11.2 Financial liabilities

Liabilities for accrued and other liabilities are carried at their cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Company.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of profit or loss.

6.12 Derecognition of financial assets and liabilities

(i) Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in the statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as fair value through other comprehensive income (FVTOCI), the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the statement of profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the statement of profit or loss, but is transferred to the statement of changes in equity.

(ii) Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss.

6.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

6.14 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.

6.15 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.

6.16 Revenue recognition

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.

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		June 30, 2022	June 30, 2021
	Note	----- Rupees -----	
7	Property, plant and equipment		
	Net carrying value basis		
	As at June 30, 2022		
	Opening net book value (NBV)	-	-
	Additions during the year (at cost)	3,474,023	-
	Depreciation charge	(396,786)	-
	Closing net book value (NBV)	<u>3,077,237</u>	<u>-</u>
	Gross carrying value basis		
	As at June 30, 2022		
	Cost	3,474,023	-
	Accumulated depreciation	(396,786)	-
	Net book value (NBV)	<u>3,077,237</u>	<u>-</u>
	Depreciation rate % per annum	<u>33.33%</u>	<u>-</u>
7.1	This comprises of computer equipments purchased during the year.		
		June 30, 2022	June 30, 2021
8	Financing - net		
	Financing to SMEs - markup bearing	185,649,937	-
	Less: Expected credit loss	(1,156,516)	-
		<u>184,493,421</u>	<u>-</u>
	Less: Current maturity	(51,372,335)	-
		<u>133,121,086</u>	<u>-</u>
8.1	This represents term finance facilities provided to SMEs on mark-up basis. The mark-up on these loans ranges from 13.05% to 16.49% per annum. These term finances are repayable within a period of 3 years from the date of disbursement and are secured against personal guarantees of directors, mortgagors, charge over plant and machinery and post dated cheques.		
9	Advances made 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 (Note 16). These loans are repayable by identified borrowers within a period of two to three years from the date of disbursement.		

		June 30, 2022	June 30, 2021
	Note	----- Rupees -----	
10	Advances, deposits, prepayments and other receivables		
	Prepaid insurance	2,104,714	-
	Short term security deposits	105,000	-
	Other receivables	385,588	147,097
	Accrued interest on financing	11,905,688	-
	Accrued interest on term deposit receipts (TDRs) & saving accounts	11,904,386	-
		<u>26,405,376</u>	<u>147,097</u>

10.1 This includes an amount of Rs. 351,602 (2021: Rs. 147,097) receivable from Karandaaz Pakistan. Amount for the current year is receivable against management fee for managing its portfolio under agency agreement whereas for the prior period it represents provident fund receivable of an employee.

		June 30, 2022	June 30, 2021
	Note	----- Rupees -----	
11	Short term financing - net		
	Financing to SMEs - markup bearing	425,000,000	-
	Less: Expected credit loss	(3,869,543)	-
		<u>421,130,457</u>	<u>-</u>

11.1 This represents short term finance facilities provided to SMEs on mark-up basis. The mark-up on these loans ranges from 13.71% to 16.68% per annum. These are secured against charge over property, plant and equipment and personal guarantees of directors, mortgagors and partners.

		June 30, 2022	June 30, 2021
	Note	----- Rupees -----	
12	Short term investments		
	Term deposit certificates	850,000,000	-
	Treasury bills	196,787,501	-
		<u>1,046,787,501</u>	<u>-</u>

12.1 The rate of mark-up on these investments ranges from 10% to 14.85% (2021: 6.7%) per annum.

12.2 The rate of mark-up on this investment is 14.42% per annum.

		June 30, 2022	June 30, 2021
	Note	----- Rupees -----	
13	Cash and bank balances		
	Cash at bank:		
	Saving accounts	34,898,647	1,532,214,881
	Cash in hand	7,236	-
		<u>34,905,883</u>	<u>1,532,214,881</u>

13.1 The rate of mark-up on these accounts ranges from 6% to 13% (2021: 6% to 6.25%) per annum.

14 Share capital and reserves

14.1 Authorized share capital

June 30, 2022 (Number of shares)	June 30, 2021 (Number of shares)	June 30, 2022 Rupees	June 30, 2021 Rupees
<u>150,000,000</u>	<u>150,000,000</u>	<u>1,500,000,000</u>	<u>1,500,000,000</u>

14.2 Issued, subscribed and paid up share capital

June 30, 2022 (Number of shares)	June 30, 2021 (Number of shares)	June 30, 2022 Rupees	June 30, 2021 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			

14.3 There was no movement in ordinary shares during the year ended June 30, 2022.

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

14.5 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.

	Note	June 30, 2022 Rupees	June 30, 2021 Rupees
15 Accrued and other liabilities			
Payable to Karandaaz Pakistan	15.1	2,770,693	10,959,301
Accrued liabilities		784,316	290,000
Tax deducted at source		1,550,727	419,689
Other payable		<u>17,812,811</u>	<u>346,694</u>
		<u>22,918,547</u>	<u>12,015,684</u>
15.1 Payable to Karandaaz Pakistan			
Interest accrued on advances made on behalf of parent entity		1,031,480	-
Payable under service level agreement	15.2	1,036,605	-
Expenses incurred on behalf of the Company		<u>702,608</u>	<u>-</u>
		<u>2,770,693</u>	<u>-</u>

15.2 This represents payable to Karandaaz Pakistan with regards to human resource and operational support being provided by Karandaaz Pakistan's employees under the service level agreement.

16 Payable to parent entity

16.1 This represents amount payable to Karandaaz Pakistan under the agency agreement between the two companies which has been provided to the Company to fund growth capital and working capital of various SMEs. The Company is charging management fee at 1% per annum for servicing and managing the financing.

16.2 This shall be solely utilized by the Company to provide financing facility for programs being originated by Karandaaz Pakistan i.e. Women Ventures Program, Green Challenge Fund, Innovation Challenge Fund and any other program under the agency agreement.

		July 01, 2021 to June 30, 2022	December 23, 2020 to June 30, 2021
	Note	----- Rupees -----	
17 Income			
Markup on financing		6,854,409	-
Markup on short term financing		13,271,567	-
		<u>20,125,976</u>	<u>-</u>
18 Administrative expenses			
Salaries, wages and benefits	18.1	48,150,872	1,708,859
Legal and professional fee		6,646,185	10,626,468
Travel, lodging and per diems		3,557,184	-
Rent		1,366,842	-
Utilities		308,407	-
Depreciation on property, plant and equipment		396,786	-
Insurance expense		1,856,132	-
Printing and stationary		135,995	-
Advertisement		501,452	768,771
Fees and subscription		536,751	-
Vehicle operations and maintenance		122,517	-
Office expenses		214,421	-
Directors' fee		5,763,889	1,888,889
		<u>69,557,433</u>	<u>14,992,987</u>
18.1 This includes Karandaaz Pakistan's human resource and operational support cost under the service level agreement amounting to Rs. 2,119,619 (December 23, 2020 to June 30, 2021: nil).			
		July 01, 2021 to June 30, 2022	December 23, 2020 to June 30, 2021
		----- Rupees -----	
18.2 Auditors' remuneration			
Statutory audit		630,000	-
Review of interim financial statements		310,000	262,500
Out of pocket expenses		70,000	-
		<u>1,010,000</u>	<u>262,500</u>
19 Other income			
Interest income on TDRs		86,782,600	12,115,068
Interest income on treasury bills		3,212,501	-
Interest income on savings accounts		39,818,629	30,073,735
Management fee charged to Karandaaz Pakistan		351,602	-
Processing fee on financing		888,951	-
		<u>131,054,283</u>	<u>42,188,803</u>
20 Cash and cash equivalents			
Cash and bank balances		34,905,883	1,532,214,881
Short term investments		1,046,787,501	-
		<u>1,081,693,384</u>	<u>1,532,214,881</u>

21 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 22. Other significant transactions with related parties and the balances with them are as follows:

Relationship with the Company	Nature of transactions	July 01, 2021 to June 30, 2022	December 23, 2020 to June 30, 2021
		Rupees	
1) Parent	Receipt against issuance of shares	-	1,499,999,960
	Expenses paid on behalf of the Company	3,994,262	10,959,301
	Management fee charged by the Company	351,602	-
	Interest on advances made on behalf of parent entity	1,031,480	-
	Human resource and operational support cost under service level agreement	2,119,619	-
	Advance received under agency agreement	224,400,000	-
	2) Directors	Meeting fee paid to the directors	5,763,889
	Expenses paid on behalf of the Company	50,500	-
	Receipt against issuance of shares	-	40

All transactions with related parties have been carried out on mutually agreed terms and conditions.

Year / period end balances	June 30, 2022	June 30, 2021
	Rupees	
Payable to Karandaaz Pakistan	227,170,693	10,959,301
Receivable from Karandaaz Pakistan	351,602	147,097

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

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

	Note	July 01, 2021 - June 30, 2022		
		Chief Executive	Executives	Total
Managerial remuneration	22.1	21,703,597	15,525,854	37,229,451
Company's contribution to provident fund		1,819,764	1,657,264	3,477,028
Reimbursements	22.2	678,774	1,096,018	1,774,792
		<u>24,202,135</u>	<u>18,279,136</u>	<u>42,481,271</u>
Number of persons		<u>1</u>	<u>11</u>	<u>12</u>

December 23, 2020 to June 30, 2021

	----- Rupees -----		
	Chief Executive	Executives	Total
Managerial remuneration	1,708,859	-	1,708,859
Number of persons	1	-	1

22.1 This includes remuneration of CFO charged by Karandaaz Pakistan as human resource and operational support cost under service level agreement.

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

23 Events after the reporting date


There are no reportable events after the reporting date.

24 Authorization of these special purpose financial statements

These special purpose financial statements were authorized for issue by Chief Executive Officer and Chief Financial Officer on _____.

25 Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made. Further, such corresponding period is from December 23, 2020 to June 30, 2021 since the Company was incorporated on December 23, 2020 and therefore the figures may not be entirely comparable.


Chief Executive Officer


Chief Financial Officer