



INDEPENDENT AUDITOR'S REPORT

To the members of Parwaaz Financial Services Limited

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the director's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In conclusion with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

Report on Other Legal and Regulatory Requirements

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

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

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

A. F. Ferguson & Co.

Chartered Accountants

Lahore

Dated: April 27, 2023

UDIN: AR202210118g6TViHUX7

**PARWAAZ FINANCIAL
SERVICES LIMITED**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2022**

PARWAAZ FINANCIAL SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

ASSETS	Note	2022 (Rupees)	2021 (Rupees)
NON CURRENT ASSETS			
Property and equipment	6	4,223,244	1,192,748
Long term financing - net	7	113,103,433	-
Financing on behalf of parent entity	8	86,076,348	-
Long term deposits	9	976,875	136,875
Deferred tax asset	10	-	1,803,995
		204,379,900	3,133,618
CURRENT ASSETS			
Advances, deposits, prepayments and other receivables	11	33,565,929	5,434,465
Short term financing - net	12	430,445,000	-
Short term investments	13	1,007,990,044	1,500,000,000
Current portion of long term financing	7	77,650,923	-
Current portion of financing on behalf of parent entity	8	70,089,142	-
Cash and bank balances	14	1,554,909,815	48,513,736
		3,174,650,853	1,553,948,201
TOTAL ASSETS		3,379,030,753	1,557,081,819
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 150,000,000 ordinary shares of Rs. 10 each	15	1,500,000,000	1,500,000,000
Issued, subscribed and paid up capital 150,000,000 ordinary shares of Rs. 10 each	15	1,500,000,000	1,500,000,000
Capital reserve - net of tax	16	67,386,742	-
Revenue reserve: unappropriated profit		114,760,844	42,066,647
		1,682,147,586	1,542,066,647
NON-CURRENT LIABILITIES			
Subordinated loan	17	1,405,089,096	-
Payable to parent entity	18	125,669,441	-
Deferred tax liability	10	29,135,901	-
		1,559,894,438	-
CURRENT LIABILITIES			
Accrued and other liabilities	19	31,284,468	10,030,674
Current portion of payable to parent entity	18	98,730,559	-
Provision for taxation		6,973,702	4,984,498
		136,988,729	15,015,172
TOTAL EQUITY AND LIABILITIES		3,379,030,753	1,557,081,819
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes from 1 to 37 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, 2022

	Note	2022 (Rupees)	December 23, 2020 to December 31, 2021 (Rupees)
Mark-up on financing	21	73,069,145	-
Income other than markup on financing	22	161,040,204	96,068,961
Total income		234,109,349	96,068,961
Finance cost	23	(1,420,731)	(8,700)
		232,688,618	96,060,261
Administrative expenses	24	(118,574,988)	(36,445,900)
Profit before provision and taxation		114,113,630	59,614,361
Net provision on financing	25	(9,459,889)	-
Profit before taxation		104,653,741	59,614,361
Taxation	26	(31,959,544)	(17,547,714)
Profit for the year/period after taxation		72,694,197	42,066,647
Other comprehensive income		-	-
Total comprehensive income		72,694,197	42,066,647
Earnings per share			
- Basic	27.1	0.48	0.28
- Diluted	27.2	0.25	0.28

The annexed notes from 1 to 37 form an integral part of these financial statements.

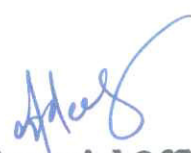
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Chief Executive Officer



Director



Chief Financial Officer

PARWAAZ FINANCIAL SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Issued, subscribed and paid-up capital	Revenue reserve Unappropriated profit	Capital reserve Equity portion of subordinated loan - net of tax	Total shareholders equity
	----- 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				
Profit for the period	-	42,066,647	-	42,066,647
Other comprehensive income for the period	-	-	-	-
	-	42,066,647	-	42,066,647
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

The annexed notes from 1 to 37 form an integral part of these financial statements.


Chief Executive Officer


Director


Chief Financial Officer

PARWAAZ FINANCIAL SERVICES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	December 23, 2020 to December 31, 2021
Note	(Rupees)	(Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	104,653,741	59,614,361
Adjustments for:		
Markup earned on financing	(73,069,145)	-
Profit earned on term deposit receipts, saving account and treasury bills	(159,047,218)	(96,068,961)
Finance cost	1,420,731	8,700
Net provision on financing	9,459,889	-
Depreciation on property and equipment	965,059	59,330
	<u>(220,270,684)</u>	<u>(96,000,931)</u>
Operating loss before working capital changes	(115,616,943)	(36,386,570)
Effect of changes in working capital:		
Increase in long term financing	(193,659,245)	-
Increase in short term financing	(437,000,000)	-
Increase in financing on behalf of parent entity	(156,165,490)	-
Increase in payable to parent entity	224,400,000	-
Increase in accrued and other liabilities	20,020,917	8,762,331
Increase in long term deposits	(840,000)	(136,875)
Decrease/(Increase) in advances, deposits, prepayments and other receivables	8,306,781	(1,696,383)
	<u>(534,937,037)</u>	<u>6,929,073</u>
Cash used in operations	(650,553,980)	(29,457,497)
Receipt of markup on financing	54,509,302	-
Receipt of income on term deposit receipts, saving account and treasury bills	141,168,824	92,330,879
Taxes paid	(26,554,614)	(13,098,868)
Finance cost paid	(187,854)	(8,700)
	<u>168,935,658</u>	<u>79,223,311</u>
Net cash (used in)/generated from operating activities	(481,618,322)	49,765,814
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,995,555)	(1,252,078)
Net cash used in investing activities	(3,995,555)	(1,252,078)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subordinated loan	1,500,000,000	-
Issue of share capital	-	1,500,000,000
Net cash generated from financing activities	1,500,000,000	1,500,000,000
Net increase in cash and cash equivalents	1,014,386,123	1,548,513,736
Cash and cash equivalents at beginning of the year	1,548,513,736	-
Cash and cash equivalents at end of the year/period	2,562,899,859	1,548,513,736

The annexed notes from 1 to 37 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, 2022

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 Daftarkhwan: 2nd Floor, Vogue Towers, 15 C/2, Gulberg III, M.M. Alam Road, Lahore, Punjab.

The ultimate parent of the Company is Karandaz Pakistan.

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:

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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, 2022 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.

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

The following new amendments with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective amendment:

(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, 2024, 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.

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

(b) Amendments to IAS 1 and IFRS 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 amendment on the Company's financial statements.

(c) Amendments 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 financial statements.

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(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 recognise 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.

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

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.

3 Basis of measurement and presentation

3.1 Basis of measurement

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

3.2 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.

4 Significant Accounting Judgments, Estimates And Assumptions

The Company's significant accounting policies are stated in note 5. 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 is provision for current taxation as referred in note 5.1.

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5 Summary of significant accounting policies

The significant 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 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 favour 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.

5.2 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the 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.

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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.

5.3 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method at the rate of 25% per annum, to allocate the cost of the intangible assets over its estimated useful life. Costs associated with maintaining intangible assets, are recognised 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.

5.4 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.

5.5 Other receivables

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

5.6 Income other than markup on financing

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

5.7 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.

5.8 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.

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5.9 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.

5.10 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.

5.11 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 5.1.

5.12 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 recognised 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 at fair value through profit or loss - held for trading;
- Held to maturity financial assets;
- Available-for-sale financial assets; or
- Financing

(a) 'Financial asset at fair value through profit or loss - held for trading

Investments which are acquired principally for the purposes of 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 'at fair value through profit or loss' - held for trading.

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These investments are initially recognised at fair value, being the cost of the consideration given. The transaction costs associated with the financial assets classified as 'at fair value through profit or loss' are charged off to the statement of profit or loss currently.

After initial recognition, these investments are remeasured at fair value determined with reference to the period end quoted rates. Gains or losses on remeasurement of these financial assets are recognised in the statement of profit or loss.

(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 amortised cost. Provision for impairment in value, if any, is taken to the statement of profit or loss. Premiums and discounts on these investments are amortised 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 recognised in other comprehensive income until derecognised or impaired, when the accumulated fair value adjustments recognised 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 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.

Other assets especially mentioned

These are financing, payments against which are overdue for 90 days or more but less than 180 days.

Substandard

These are financing, payments against which are overdue for 180 days or more but less than a year.

Doubtful

These are financing, payments against which are overdue for one year or more but less than 1.5 years.

Loss

These are financing, payments against which are overdue for 1.5 years.

In accordance with the Regulations, the Company maintains specific provision of outstanding principal net of liquid collaterals at the following rates:

Other assets especially mentioned	Nil
Substandard	25% of outstanding principal net of liquid collaterals
Doubtful	50% of outstanding principal net of liquid collaterals
Loss	100% of outstanding principal net of liquid collaterals

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General provision

The management 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.

Derecognition

All financial assets are de-recognised 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 recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value plus directly attributable transaction costs, if any, and subsequently measured at amortised cost, if applicable. Financial liabilities are derecognised 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.

5.13 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.

5.14 Short term leases

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

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6 Property and Equipment

Note	Computer equipment	Office Equipment	Furniture	Total	
----- Rupees -----					
Net carrying value basis					
Year ended December 31, 2022					
	Opening net book value as at January 01	1,192,748	-	-	1,192,748
	Additions (at cost) during the year	3,317,540	327,515	350,500	3,995,555
6.1	Depreciation charge for the year	(942,279)	(7,058)	(15,722)	(965,059)
	Closing net book value as at December	<u>3,568,009</u>	<u>320,457</u>	<u>334,778</u>	<u>4,223,244</u>
Gross carrying value basis					
As at December 31, 2022					
	Cost at year-end	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	<u>3,568,009</u>	<u>320,457</u>	<u>334,778</u>	<u>4,223,244</u>
	Depreciation rate per annum	<u>33%</u>	<u>20%</u>	<u>20%</u>	
Net carrying value basis					
Period from December 23, 2020 to December 31, 2021					
	Opening net book value (NBV) as at December 23, 2020	-	-	-	-
	Additions (at cost) during the period	1,252,078	-	-	1,252,078
6.1	Depreciation charge for the period	(59,330)	-	-	(59,330)
	Closing net book value	<u>1,192,748</u>	<u>-</u>	<u>-</u>	<u>1,192,748</u>
Gross carrying value basis					
As at December 31, 2021					
	Cost at period-end	1,252,078	-	-	1,252,078
	Accumulated depreciation	(59,330)	-	-	(59,330)
	Net book value (NBV)	<u>1,192,748</u>	<u>-</u>	<u>-</u>	<u>1,192,748</u>
	Depreciation rate per annum	<u>33%</u>	<u>20%</u>	<u>20%</u>	

6.1 Allocation of depreciation expense

The depreciation charge for the year has been allocated as follows:

	Note	Year ending 31-Dec-22 (Rupees)	Period from December 2020 to December 31, (Rupees)
Administrative expenses	24	965,059	59,330
		<u>965,059</u>	<u>59,330</u>

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	Note	2022 (Rupees)	2021 (Rupees)
7 Long term financing - net			
Financing - markup bearing	7.1	193,659,245	-
Less:			
General provision	7.2	2,904,889	-
Specific provision		-	-
		190,754,356	-
Less: Current portion		77,650,923	-
Net long term financing		113,103,433	-

7.1 This represents term finance facilities provided on mark-up basis. The mark-up on these loans ranges from 13.05% to 18.71% (2021: nil) 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.

7.2 General provision has been maintained at 1.5% (2021: Nil) of the outstanding balance of financing net of specific provision, based on the management's assessment of credit worthiness of each outstanding borrower.

8 Financing on behalf of parent entity

This represents loans disbursed by the Company to the identified borrowers under programs originated by Karandaa Pakistan through agency agreement (Note 18). These loans are repayable by identified borrowers within a period of two to three years from the date of disbursement.

	2022 (Rupees)	2021 (Rupees)
Financing on behalf of parent entity	156,165,490	-
Less: Current portion	70,089,142	-
Net financing on behalf of parent entity	86,076,348	-

9 Long term deposits

This represents the security deposit paid against fuel cards obtained for employees and locker obtained with Habib Metropolitan Bank Limited for security documents safekeeping purpose.

	2022 (Rupees)	2021 (Rupees)
10 Deferred taxation		
The deferred tax (liability)/asset comprises of temporary differences relating to:		
Pre-commencement expenses	2,251,843	3,002,458
Accrued interest on term deposit receipts (TDRs) and saving account	(6,268,778)	(1,084,044)
Accelerated tax depreciation	(338,173)	(114,419)
Provision for financing	2,743,369	-
Impact of tax on subordinated loan	(27,524,162)	-
	(29,135,901)	1,803,995

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

	2022 (Rupees)	2021 (Rupees)
Opening balance	1,803,995	-
Credited/(Debited) to statement of profit or loss	(3,415,734)	1,803,995
Debited to statement of changes in equity	(27,524,162)	-
Closing balance	(29,135,901)	1,803,995

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11	Advances, deposits, prepayments and other receivables	Note	2022	2021
			(Rupees)	(Rupees)
	Prepayments		288,783	1,225,256
	Short term security deposits		105,000	105,000
	Other receivables	11.1	1,252,453	366,127
	Accrued interest on financing		18,559,841	-
	Accrued interest on term deposit receipts (TDRs) and saving account		13,359,852	3,738,082
			<u>33,565,929</u>	<u>5,434,465</u>

11.1 This includes an amount of Rs. 1,038,215 (2021: Rs. 366,127) receivable from parent entity. Amount for the current period 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.

12	Short term financing - net	Note	2022	2021
			(Rupees)	(Rupees)
	Financing - markup bearing	12.1	437,000,000	-
	Less:			
	General provision	12.2	6,555,000	-
	Specific provision		-	-
	Net short term financing		<u>430,445,000</u>	<u>-</u>

12.1 This represents short term finance facilities provided on mark-up basis. The mark-up on these loans ranges from 13.71% to 20.08% (2021: Nil) per annum. These are secured against personal guarantees of directors, mortgagors, charge over plant and machinery and post dated cheques.

12.2 General provision has been maintained at 1.5% (2021: Nil) of the outstanding balance of financing net of specific provision, based on the management's assessment of credit worthiness of each outstanding borrower.

13	Short Term Investments	Note	2022	2021
			(Rupees)	(Rupees)
	Term Deposit Receipt	13.1	400,000,000	1,500,000,000
	Treasury Bills	13.2	607,990,044	-
			<u>1,007,990,044</u>	<u>1,500,000,000</u>

13.1 The rate of mark-up on these investments ranges from 10.00% to 15.20% (2021: 10.70% to 11.00%) per annum.

13.2 The rate of mark-up on this investment ranges from 14.42% to 16.75% (2021: Nil) per annum.

14	Cash and bank balances	Note	2022	2021
			(Rupees)	(Rupees)
	Cash at bank (saving account)	14.1	1,554,909,093	48,513,736
	Cash in hand		722	-
			<u>1,554,909,815</u>	<u>48,513,736</u>

14.1 The rate of mark-up on these accounts ranges from 7.45% to 14.50% (2021: 6.00% to 8.23%) per annum.

15 Share capital and reserves

15.1 Authorised share capital

2022	2021	2022	2021
(Number of shares)	(Number of shares)	(Rupees)	(Rupees)
150,000,000	150,000,000	1,500,000,000	1,500,000,000

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15.2 Issued, subscribed and paid up share capital

2022 (Number of shares)	2021 (Number of shares)	2022 (Rupees)	2021 (Rupees)
150,000,000	150,000,000	1,500,000,000	1,500,000,000

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

15.3 Movement in ordinary shares

There was no movement in ordinary shares during the year.

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

15.5 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.

16 Capital reserve - net of tax	Note	2022 (Rupees)	2021 (Rupees)
Opening balance		-	-
Equity portion of subordinated loan		94,910,904	-
Impact of deferred tax		(27,524,162)	-
Closing balance		67,386,742	-

17 Subordinated loan

Subordinated loan from parent entity	17.1	1,405,089,096	-
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17.1 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.

18 Payable to parent entity	Note	2022 (Rupees)	2021 (Rupees)
Payable to parent entity	18.1	224,400,000	-
Less: Current portion		98,730,559	-
Net payable to parent entity		125,669,441	-

18.1 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.

19 Accrued and other liabilities	Note	2022 (Rupees)	2021 (Rupees)
Payable to parent entity	19.1	2,626,599	-
Provident fund payable	19.3	8,766,409	1,789,991
Accrued liabilities		14,929,573	6,045,940
Tax deducted at source		1,109,299	1,268,343
Other payable		3,852,588	926,400
		31,284,468	10,030,674

19.1 Payable to parent entity

Payable under service level agreement	19.2	1,880,381	-
Expenses incurred on behalf of the Company		746,218	-
		2,626,599	-

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

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

20 Contingencies and commitments

20.1 There are no known contingencies at the reporting date.

20.2 The Company has commitments in respect of contractual obligations amounting to Rs. 13,774,823 as at December 31, 2022 (2021: Rs. 1,116,129).

	Note	2022	Period from December 23, 2020 to December 31, 2021
		(Rupees)	(Rupees)
21 Markup on financing			
Markup on long term financing	21.1	23,445,798	-
Markup on short term financing	21.2	49,623,347	-
		73,069,145	-

21.1 This represents markup on financing on long term basis bearing markup as mentioned in note 7 to these financial statements.

21.2 This represents markup on financing on short term basis bearing markup as mentioned in note 12 to these financial statements.

	Note	2022	Period from December 23, 2020 to December 31, 2021
		(Rupees)	(Rupees)
22 Income other than markup on financing			
Interest income on term deposit receipts (TDRs)		107,556,710	33,928,660
Interest income on treasury bills		31,640,014	-
Interest income on savings accounts		19,850,494	62,140,301
Management fee from parent entity		1,038,215	-
Processing fee on financing		954,771	-
		161,040,204	96,068,961
23 Finance cost			
Markup on subordinated loan	23.1	1,232,877	-
Bank charges		187,854	8,700
		1,420,731	8,700

23.1 This represents markup on subordinated loan from Karandaaz Pakistan (parent entity) as mentioned in note 17 to these financial statements.

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24	Administrative expenses	Note	Period from December 23, 2020 to December 31, 2021	
			2022 (Rupees)	(Rupees)
	Salaries, wages and benefits		82,949,411	15,781,239
	Legal and professional fee		7,158,238	12,212,118
	Auditors' remuneration	24.1	1,252,625	962,500
	Travel, lodging and per diems		7,545,169	695,065
	Short term lease expense		5,012,299	87,402
	Utilities		731,216	-
	Depreciation on property and equipment	6	965,059	59,330
	Printing and stationery		377,407	-
	Advertisement		49,643	1,268,771
	Marketing/branding		239,639	-
	Fees and subscription		384,011	401,310
	Human resource and operational support cost charged by parent entity		4,000,000	-
	Vehicle operations and maintenance		184,987	-
	Consultancy		1,326,029	650,000
	Office expenses		472,866	57,330
	Directors' fees		5,926,389	4,270,834
			<u>118,574,988</u>	<u>36,445,900</u>
24.1	Auditors' remuneration			
	Statutory audit		732,500	630,000
	Review of interim financial statements		301,875	262,500
	Other services		139,500	-
	Out of pocket expenses		78,750	70,000
			<u>1,252,625</u>	<u>962,500</u>
25	Net provision on financing			
			2022	
			Long term financing	Short term financing
			Total	
			-----Rupees-----	
	Balance at the beginning of the year		-	-
	Provision charged during the year		2,904,889	6,555,000
	Balance at the end of year		<u>2,904,889</u>	<u>6,555,000</u>
			Period from December 23, 2020 to December 31, 2021	
			Long term financing	Short term financing
			Total	
			-----Rupees-----	
	Balance at the beginning of the period		-	-
	Provision charged during the period		-	-
	Balance at the end of period		<u>-</u>	<u>-</u>
26	Taxation		2022	2021
			(Rupees)	(Rupees)
	Current taxation:			
	- Current year		28,543,811	19,351,709
	Deferred taxation		3,415,733	(1,803,995)
			<u>31,959,544</u>	<u>17,547,714</u>
26.1	Tax charge reconciliation			
	Applicable tax rate		29.00%	29.00%
	Tax effect of:			
	Effect of items not allowable for tax purposes		1.54%	0.44%
	Effective tax rate		<u>30.54%</u>	<u>29.44%</u>

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		December 23, 2020 to December 31, 2021	
		2022	(Rupees)
	Note	(Rupees)	(Rupees)
27 Earnings per share			
27.1 Basic earnings per share			
Profit for the year/period		72,694,197	42,066,647
Weighted average number of ordinary shares	15	150,000,000	150,000,000
Basic earnings per share		0.48	0.28
27.2 Diluted earnings per share			
Profit for the year/period		72,694,197	42,066,647
Markup on subordinated loan - net of tax		875,343	-
Weighted average number of ordinary shares	15	150,000,000	150,000,000
Effect of subordinated loan		150,000,000	-
Diluted earnings per share		300,000,000	150,000,000
		0.25	0.28

	2022	2021
	(Rupees)	(Rupees)
28 Cash and Cash Equivalents		
Cash and bank balances	1,554,909,815	48,513,736
Short term investments	1,007,990,044	1,500,000,000
	2,562,899,859	1,548,513,736

29 Financial risk management

29.1 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	
	2022	2021	2022	2021
	-----Percentage-----		(Rupees)	(Rupees)
Fixed rate instruments				
- Financial assets				
Short term investments	10.00% - 16.75%	10.70% - 11.00%	1,007,990,044	1,500,000,000
			1,007,990,044	1,500,000,000

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	Effective rate		Carrying values	
	2022	2021	2022	2021
	-----Percentage-----		(Rupees)	(Rupees)
Variable rate instruments				
- Financial assets				
Cash at bank	7.45% - 14.50%	6.00% - 8.23%	1,554,909,093	48,513,736
Financing	13.05% - 20.08%	-	621,199,356	-
- Financial Liabilities				
Subordinated loan	15.00%	-	(1,405,089,096)	-
			<u>771,019,353</u>	<u>48,513,736</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. 15.549 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	
	2022	2021
	(Rupees)	(Rupees)
Financial assets		
Short term investments- TDR	400,000,000	1,500,000,000
Short term investments- Treasury Bills	607,990,044	-
Cash and bank balances	1,554,909,815	48,513,736
Advances, deposits and other receivables	1,357,453	471,127
Accrued interest on financing	18,559,841	-
Accrued interest on term deposit receipts (TDRs) and saving accounts	13,359,852	3,738,082
Long term financing	190,754,356	-
Short term financing	430,445,000	-
Financing on behalf of parent entity	156,165,490	-
Long term deposits	976,875	136,875
	<u>3,374,518,726</u>	<u>1,552,859,820</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:

	2022		2021	
	Short term	Long term	(Rupees)	(Rupees)
Short term investments				
Habib Metropolitan Bank Limited	A-1+	AA+	400,000,000	1,500,000,000
United Bank Limited	A-1+	AAA	607,990,044	-
			1,007,990,044	1,500,000,000
Cash and bank balances				
United Bank Limited	A-1+	AAA	1,510,083,311	48,504,258
Habib Metropolitan Bank Limited	A-1+	AA+	36,021,384	9,478
Bank Alfalah Limited	A-1+	AA+	8,804,398	-
			1,554,909,093	48,513,736
Accrued interest on term deposit receipts (TDRs) and saving account				
Habib Metropolitan Bank Limited	A-1+	AA+	13,310,586	3,738,082
Bank Alfalah Limited	A-1+	AA+	49,266	-
			13,359,852	3,738,082

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. Nonetheless, based on the assessment of credit worthiness of each borrower, the management has created a general provision as disclosed in note 7 & 12 to the financial statements.

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(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, 2022

Rupees

	Carrying Amount	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	-

December 31, 2021

Rupees

	Carrying Amount	Less than 1 year	Between 1 to 5 years	Over 5 years
		-----Rupees-----		
Accrued and other liabilities	10,030,674	10,030,674	-	-

2022
(Rupees)

2021
(Rupees)

29.2 Financial instrument by category

Financial Assets

Short term investments	1,007,990,044	1,500,000,000
Long term deposits	976,875	136,875
Short term security deposits	105,000	105,000
Other receivables	1,252,453	366,127
Accrued interest on term deposit receipts (TDRs) and saving account	13,359,852	3,738,082
Cash and bank balances	1,554,909,815	48,513,736
Financing	621,199,356	-
Financing on behalf of parent entity	156,165,490	-
Accrued interest on financing	18,559,841	-
	<u>3,374,518,726</u>	<u>1,552,859,820</u>

Financial Liabilities

Accrued and other liabilities	31,284,468	10,030,674
Subordinated loan	1,405,089,096	-
Payable to parent entity	224,400,000	-
	<u>1,660,773,564</u>	<u>10,030,674</u>

29.3 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

29.4 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.

		2022						
Held to maturity	Available for sale	Carrying value		Fair value				
		Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments								
December 31, 2022								
Financial assets measured at fair value								
13	Short term investment - Treasury Bills	-	-	607,990,044	-	607,990,044	-	607,990,044
		-	-	607,990,044	-	607,990,044	-	607,990,044
Financial liabilities measured at fair value								
17	Subordinated loan	-	1,405,089,096	1,405,089,096	-	1,405,089,096	-	1,405,089,096
		-	1,405,089,096	1,405,089,096	-	1,405,089,096	-	1,405,089,096
On-balance sheet financial instruments								
December 31, 2021								
Financial assets measured at fair value								
13	Short term investment - Treasury Bills	-	-	-	-	-	-	-
Financial liabilities measured at fair value								
17	Subordinated loan	-	-	-	-	-	-	-

29.5

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.

Subordinated loan: The revaluation is done using the interest rate available on similar financial liabilities which do not have the share conversion option.

30 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 31. Other significant transactions with related parties and the balances with them are as follows:

Relationship with the Company	Nature of transactions	Year ending 31-Dec-22	Period from December 23, 2020 to December 31, 2021
		(Rupees)	(Rupees)
1) Parent	Receipt against issuance of shares	-	1,499,999,960
	Expenses incurred on behalf of the Company	2,284,990	13,314,217
	Management fee charged by the Company	1,038,215	-
	Interest on financing on behalf of parent entity	3,927,550	-
	Human resource and operational support cost under service level agreement	4,000,000	-
	Advance received under agency agreement	224,400,000	-
	Markup on subordinated loan	1,232,877	-
	Subordinated loan received from parent entity	1,500,000,000	-
	2) Directors	Meeting fee paid to the directors	5,926,389
	Expenses paid on behalf of the Company	93,000	-
	Receipt against issuance of shares	-	40

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

	2022	2021
	(Rupees)	(Rupees)
Period / year end balances		
Payable to parent entity	227,026,599	-
Accrued markup on subordinated loan	1,232,877	-
Liability portion of subordinated loan	1,405,089,096	-
Equity portion of subordinated loan - net of tax	67,386,742	-
Receivable from parent entity	1,038,215	366,127

31 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, 2022				
----- Rupees -----				
	Note	Chief Executive	Executives	Total
Managerial remuneration	31.1	30,808,749	38,124,217	68,932,966
Company's contribution to provident fund		2,011,667	3,226,185	5,237,852
Reimbursements	31.2	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>

Anu

December 23, 2020 to Dec 31, 2021

Rupees

	Chief Executive	Executives	Total
Managerial remuneration	8,932,022	-	8,932,022
Company's contribution to provident fund	828,097	-	828,097
Reimbursements	153,709	-	153,709
	<u>9,913,828</u>	<u>-</u>	<u>9,913,828</u>
Number of persons	<u>1</u>	<u>-</u>	<u>1</u>

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

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

32 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 17.

33	Number of Employees	Year ending	Period from
		31-Dec-22	December 23, 2020 to December 31, 2021
	Number of Employees at reporting date	19	6
	Average number of employees during the Year*	14	2

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

34 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.

The company's corresponding figures presented are for the period from December 23, 2020 to December 31, 2021 and therefore not entirely comparable in respect of statement of profit or loss and other comprehensive income, statement of cashflows, statement of changes in equity and notes to the financial statements.

35 Events after the reporting date


There are no reportable events after the reporting date.

36 Authorization of financial statements

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

37 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