



**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, 2024 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 is 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**

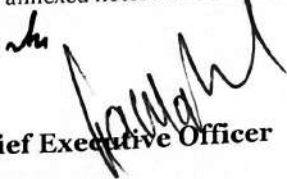
**Dated: August 30, 2024**

**UDIN: RR202410118VPGkonbWT**

**PARWAAZ FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - UN-AUDITED**  
**AS AT JUNE 30, 2024**

ASSETS	Note	(UN-AUDITED) June 30, 2024 (Rupees)	(AUDITED) December 31, 2023 (Rupees)
<b>NON-CURRENT ASSETS</b>			
Property and equipment	5	50,133,061	6,331,171
Right of use asset		24,418,442	27,182,794
Intangible assets		26,248,171	30,286,352
Capital work in progress		306,625	18,575,113
Long term financing - net	6	314,757,711	197,390,037
Financing on behalf of parent entity	7	277,827,449	147,810,387
Long term deposits		3,776,875	3,676,875
		697,468,334	431,252,729
<b>CURRENT ASSETS</b>			
Advances, deposits, prepayments and other receivables	8	80,503,765	46,374,828
Short term financing - net	9	1,180,812,476	1,048,040,000
Short term investments	10	1,119,997,481	1,645,344,496
Current portion of long term financing-net	6	167,739,117	153,503,222
Current portion of financing on behalf of parent entity	7	578,901,113	253,387,376
Taxation - net		19,644,226	12,232,410
Cash and bank balances	11	386,908,173	234,196,887
		3,534,506,351	3,393,079,219
<b>TOTAL ASSETS</b>		<b>4,231,974,685</b>	<b>3,824,331,948</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 300,000,000 ordinary shares of Rs. 10 each	12	3,000,000,000	3,000,000,000
Issued, subscribed and paid up capital 150,000,000 ordinary shares of Rs. 10 each	12	1,500,000,000	1,500,000,000
Capital reserve - net of tax		67,386,742	67,386,742
Revenue reserve: unappropriated profit		226,695,147	201,740,807
		1,794,081,889	1,769,127,549
<b>NON-CURRENT LIABILITIES</b>			
Sub-ordinated loan	13	1,423,702,972	1,494,391,763
Lease liabilities		17,039,680	18,907,382
Deferred tax liability		23,709,751	25,393,470
Payable to parent entity	14	295,415,278	179,357,073
		1,759,867,681	1,718,049,688
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	15	94,224,002	83,067,335
Current portion of payable to parent entity	14	578,901,113	253,387,376
Current portion of lease liability		4,900,000	700,000
		678,025,115	337,154,711
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,231,974,685</b>	<b>3,824,331,948</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	16		

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.

  
**Chief Executive Officer**

  
**Director**

  
**Chief Financial Officer**

# PARWAAZ FINANCIAL SERVICES LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - UN-AUDITED  
FOR THE SIX MONTHS ENDED JUNE 30, 2024

	Note	Six month period ended June 30, 2024 (Rupees)	Six month period ended June 30, 2023 (Rupees)
Markup on financing	17	178,036,318	81,245,802
Income other than markup on financing	18	185,590,014	224,174,789
<b>Total Income</b>		<b>363,626,332</b>	<b>305,420,591</b>
Finance cost	19	(157,330,482)	(136,471,626)
		206,295,850	168,948,965
Administrative expenses	20	(160,331,745)	(90,450,879)
<b>Profit before provision and taxation</b>		<b>45,964,105</b>	<b>78,498,086</b>
Net provision / loss allowance		(3,809,545)	(24,051,377)
<b>Profit before taxation</b>		<b>42,154,560</b>	<b>54,446,709</b>
Taxation	21	(14,331,191)	(16,460,052)
<b>Profit after taxation</b>		<b>27,823,369</b>	<b>37,986,657</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>27,823,369</b>	<b>37,986,657</b>
<b>Earnings per share</b>			
- Basic	22.1	0.19	0.25
- Diluted	22.2	0.46	0.45

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.

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Chief Executive Officer

  
Director

  
Chief Financial Officer


**PARWAAZ FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UN-AUDITED**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2024**

	Issued, subscribed and paid-up capital	Revenue reserve Unappropriated profit	Capital reserve Equity portion of sub- ordinated loan - net of tax	Total shareholders equity
	----- Rupces -----			
<b>Balance as at January 01, 2023 - audited</b>	1,500,000,000	114,760,844	67,386,742	1,682,147,586
<b>Total comprehensive income for the period</b>				
Profit for the period	-	37,986,657	-	37,986,657
Other comprehensive income for the period	-	-	-	-
	-	37,986,657	-	37,986,657
<b>Balance as at June 30, 2023 - un-audited</b>	<u>1,500,000,000</u>	<u>152,747,501</u>	<u>67,386,742</u>	<u>1,720,134,243</u>
<b>Balance as at January 01, 2024 - before adoption of IFRS 9</b>	1,500,000,000	201,740,807	67,386,742	1,769,127,549
<b>Impact of adoption of IFRS 9 - net of tax (Note 2.2)</b>	-	(2,869,029)	-	(2,869,029)
<b>Balance as at January 01, 2024 - after adoption of IFRS 9</b>	<u>1,500,000,000</u>	<u>198,871,778</u>	<u>67,386,742</u>	<u>1,766,258,520</u>
<b>Total comprehensive income for the period</b>				
Profit for the period	-	27,823,369	-	27,823,369
Other comprehensive income for the period	-	-	-	-
	-	27,823,369	-	27,823,369
<b>Balance as at June 30, 2024 - un-audited</b>	<u>1,500,000,000</u>	<u>226,695,147</u>	<u>67,386,742</u>	<u>1,794,081,889</u>

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.

  
**Chief Executive Officer**

  
**Director**

  
**Chief Financial Officer**

**PARWAAZ FINANCIAL SERVICES LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS - UN-AUDITED**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2024**

	Note	Six month period	Six month period
		ended June 30, 2024	ended June 30, 2023
		(Rupees)	(Rupees)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		42,154,560	54,446,709
Adjustments for:			
Profit earned on TDRs, T-bills and saving accounts		(178,864,343)	(222,340,959)
Markup earned on financing		(178,036,318)	(81,245,802)
Interest component on sub-ordinated loan		154,955,180	136,432,582
Finance cost		43,004	39,044
Net provision / loss allowance		3,809,545	24,051,377
Financial charges on lease liability		2,332,298	-
Depreciation on ROU assets		2,764,352	-
Amortization on Intangibles		4,038,180	-
Depreciation on property and equipment		4,868,337	855,503
		<u>(184,089,765)</u>	<u>(142,208,255)</u>
<b>Operating loss before working capital changes</b>		<b>(141,935,205)</b>	<b>(87,761,546)</b>
<b>Effect of changes in working capital:</b>			
Increase in long term financing		(132,754,094)	(72,208,521)
Increase in short term financing		(143,416,178)	(86,550,000)
Increase in financing on behalf of parent entity		(455,530,799)	(204,687,905)
Increase in payable to parent entity		441,571,942	163,945,739
Increase in accrued and other liabilities		11,156,667	754,505
Increase in long term deposit		(100,000)	(600,000)
Decrease in short term investments		-	72,655,366
Decrease / (Increase) in advances, deposits, prepayments and other receivables		8,858,124	(6,596,521)
		<u>(270,214,338)</u>	<u>(133,287,337)</u>
<b>Cash used in operations</b>		<b>(412,149,543)</b>	<b>(221,048,883)</b>
Receipt of markup on financing		149,749,176	71,837,313
Receipt of income on TDRs and saving accounts		168,108,222	48,067,490
Receipt on T-bills		-	108,131,288
Taxes paid		(22,254,870)	(14,342,515)
Bank charges paid		(43,004)	(39,044)
		<u>295,559,524</u>	<u>213,654,532</u>
<b>Net cash used in operating activities</b>		<b>(116,590,019)</b>	<b>(7,394,351)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to capital work in progress		(306,625)	(15,359,044)
Purchase of property and equipment		(30,095,114)	(1,356,390)
<b>Net cash used in investing activities</b>		<b>(30,401,739)</b>	<b>(16,715,434)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of mark-up on sub-ordinated loan		(225,643,971)	(56,712,329)
<b>Net cash used in financing activities</b>		<b>(225,643,971)</b>	<b>(56,712,329)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(372,635,729)</b>	<b>(80,822,114)</b>
Cash and cash equivalents at beginning of the period		1,879,541,383	2,562,899,859
<b>Cash and cash equivalents at end of the period</b>	23	<b>1,506,905,654</b>	<b>2,482,077,745</b>

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.

  
**Chief Executive Officer**

  
**Director**

  
**Chief Financial Officer**

# PARWAAZ FINANCIAL SERVICES LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE SIX MONTHS ENDED JUNE 30, 2024

### 1 CORPORATE AND GENERAL INFORMATION

#### 1.1 Legal status and operations

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

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

The registered office of the Company is: 4th Floor, 34-S Main Boulevard, Block K Gulberg 2, Lahore, Punjab, Pakistan.

The ultimate parent of the Company is Karandaaz Pakistan.

The Company has complied with insurance coverage requirement as required by NBFC Rules 2003. In accordance with Sub-section 09 of Section 07 (NBFC rules 2003), the company has obtained sufficient insurance coverage from an insurance company rated minimum A- by a credit rating agency registered with the Commission against any losses that may be incurred as a result of employee's fraud or gross negligence. The insurance includes asset insurance, cash insurance and vehicle insurance coverage amounting to Rs. 183,082.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These condensed interim 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 Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017;

- 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);

- Provisions of directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984.

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

## 2.2 First-time adoption of IFRS (IFRS-9)

The Company has adopted IFRS 9 effective from January 01, 2024 with modified retrospective approach as permitted under IFRS 9. The cumulative impact of initial application of Rs. 2.87 million has been recorded as an adjustment to equity at the beginning of the current accounting period. The details of the impacts of initial application are tabulated below:

	Balances as of December 31, 2023 (Audited)	Impact of Recognition of ECL	Taxation	Adjusted Balances
<b>Assets</b>				
Long term financing	350,893,259	251,876	-	351,145,135
Short term financing	1,048,040,000	(8,236,560)	-	1,039,803,440
Taxation - net	12,232,410	(1,143,701)	-	11,088,709
<b>Liabilities</b>				
Accrued and other liabilities	83,067,335	(3,943,798)	-	79,123,537
Deferred Tax	25,393,470	-	(2,315,558)	23,077,912
<b>Equity</b>				
Revenue reserve: unappropriated profit	201,740,807	(2,869,029)	-	198,871,778

Further, in respect of classification of financial assets, the Company's management has assessed which business models apply to the financial assets held by the company and has classified its financial instruments into the appropriate IFRS-9 categories, including 'amortised cost' as follows:

	Classification		Adjusted Balances	
	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)
Long term financing	Held to Maturity	Amortised Cost	350,893,259	351,145,135
Long term deposits	Held to Maturity	Amortised Cost	3,676,875	3,676,875
Advances, deposits, prepayments and other receivables	Loans and receivables	Amortised Cost	46,374,828	46,374,828
Financing made on behalf of parent entity	Loans and receivables	Amortised Cost	401,197,763	401,197,763
Short term financing - net	Held to Maturity	Amortised Cost	1,048,040,000	1,039,803,440
Short Term Investments	Held to Maturity	Amortised Cost	1,645,344,496	1,645,344,496
Cash and bank balances	Loans and receivables	Amortised Cost	234,196,887	234,196,887

The changes in accounting policy with respect to the application of IFRS-9 has been given in notes 4.6 and 4.7.

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## **2.3 Basis of presentation and measurement**

These condensed interim financial statements are un-audited but subject to limited scope review. These condensed interim financial statements do not include all the information and disclosures required in an audited financial statements and therefore should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2023.

These condensed interim financial statements have been prepared under the historic cost convention except otherwise stated. These condensed interim financial statements are prepared in Pak Rupees, which is the functional currency of the Company.

- 2.4** The comparative statement of financial position presented in these condensed interim financial statements has been extracted from the audited financial statements of the company for the year ended December 31, 2023, whereas the comparative statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flow are extracted from the un-audited condensed interim financial statements for six month period ended June 30, 2023.

## **3 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED ACCOUNTING STANDARDS**

### **3.1 Standards, amendments and interpretations to published standards effective in current period**

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2024 but are considered not to be relevant or do not have any material effect on the company's operations and therefore are not detailed in these condensed interim financial statements except for IFRS 9 'Financial Instruments', the impact of which is disclosed under note 2.2, and application of below guidance issued by the Institute of Chartered Accountants of Pakistan (ICAP) on accounting for minimum taxes and final taxes.

During the current period, ICAP has withdrawn Technical Release 27 'IAS 12, Income Taxes (Revised 2012)' and issued the 'IAS 12, Application Guidance on Accounting for Minimum Taxes and Final Taxes' (the Guidance). Accordingly, in accordance with the Guidance, the Company has changed its accounting policy to designate the amount calculated on taxable income using the notified tax rate as an income tax expense. Any excess over the amount designated as income tax, is then recognized as a 'Levy' under 'IAS 37, Provisions, Contingent Liabilities and Contingent Assets', which were previously being recognised as 'income tax'. However, no adjustment in this regard has been made in these condensed interim financial statements for the six-month period ended June 30, 2024 since the consequential impact is not material.

### **3.2 Standards, amendments and interpretations to existing standards not yet effective and not applicable/ relevant to 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, 2024 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements apart from those which have been disclosed in the annual audited financial statements of the Company for the year ended December 31, 2023.

## **4 MATERIAL ACCOUNTING POLICIES**

- 4.1** The material accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the audited financial statements of the company for the year ended December 31, 2023, except for the changes disclosed in note 3.1 and notes 4.6 to 4.7.

- 4.2** The preparation of these condensed interim financial statements in conformity with accounting and reporting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

**4.3** The significant judgements, estimates and assumptions made by the management in applying the Company's accounting policies and the factors used in making those estimates and associated assumptions were the same as those that were applied to the annual audited financial statements for the year ended December 31, 2023.

**4.4** The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2023.

**4.5** Income tax expense is recognized in each interim period based on best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

#### **4.6 Impact of IFRS 9 Financial Instruments**

IFRS 9 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard introduces a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the general and specific provisioning approach as currently followed. The ECL approach has an impact on all assets of the company which are exposed to credit risk.

In preparation of these financial statements, the Company has applied requirements of IFRS 9 from the date of initial application of January 01, 2024 with a modified retrospective approach for restatement. As permitted by the transitional provisions of IFRS 9, the Company has not restated comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other reserves at the beginning of the current period without restating the comparative figures.

#### **4.7 Financial instruments**

##### **Initial Recognition**

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

Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVTPL, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

##### **(a) Financial assets**

##### **Classification of financial assets**

The company classifies its financial instruments in the following categories:

- at fair value through profit or loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"),
- at amortised cost.

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. For equity instruments held for trading, the Company elects to designate them through FVTPL whereas, all other equity instruments are designated through FVTOCI.



Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is 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.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the 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.

By default, all other financial assets are subsequently measured at FVTPL.

The Company classifies its financial liabilities in the following categories:

- at fair value through profit and loss ("FVTPL"), or
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the company has opted to measure them at FVTPL.

### **Subsequent measurement**

(i) Financial assets at FVTOCI

Investments elected to be as equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

(ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment. The Company carries long term loans and advances, long term financing to SME and financing made on behalf of parent at amortised cost.

(iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the condensed interim statement of profit or loss in the period in which they arise.

Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in condensed interim statement of profit or loss. Currently, there are no financial liabilities designated at FVTPL.

### **Impairment**

The Company assesses on a forward-looking basis the ECL associated with its debt and equity instrument assets carried at amortized cost and FVTOCI. the Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and



- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

### **Expected credit loss measurement**

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

The key judgments and assumptions adopted by the Company in addressing the requirements of the IFRS 9 are outlined below:

### **Significant increase in credit risk (SICR)**

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the quantitative or qualitative criteria have been met including past due history, ageing, probability of default etc.

The assessment of SICR incorporates forward-looking information and is performed on a periodic basis at a portfolio level for loans to SMEs and non-SMEs. In relation to loans and advances, deposits and other receivables, cash and cash equivalents etc., the assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Chief Risk Officer.

### **Measuring ECL - Explanation of inputs, assumptions and estimation techniques**

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired"), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime (Lifetime EAD). The expected amount to be drawn up is computed after adjustment of the appropriate credit factor.
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of financial instrument, counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

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The ECL is determined by projecting the PD, LGD and EAD for each period and for each individual exposure or collective segment. In lieu of the peculiar nature of the Company's condensed interim financial statements and the portfolio, data for calculating PD% either for specific obligors or industry at large is not available and due to the lack of publicly available information on defaults / loan loss data, current year point-in-time PDs have been sought from Standard & Poor's (S&P) Global Corporate Default Rates study for the year 2023. Forward looking PDs have been estimated through a multi-variate regression model utilizing Gross Provision Charge Ratio of top 15 banks of Pakistan as a dependent variable while the independent variables are GDP Growth Rate, and change in Consumer Price Index (CPI). The change in CPI also acts as a proxy for prevailing interest rates, due to which a separate independent variable of interest rates was excluded given presence of multi-collinearity. The thesis here is that a subdued GDP growth rate and high inflation (consequently leading to higher interest rates), results in higher provisioning charge, and portfolio infection rates on a relative basis.

The LGD estimates which have been used across the calculation are exhibited below:

- 5% where exposure is backed by government securities;
- 35% for Stage 1 and Stage 2 exposures where marketable / liquid collateral is available;
- 45% for Stage 1 and Stage 2 exposures;
- 45% for subordinated non-perpetual exposures;
- 75% for Stage 1 and Stage 2 where exposure is unsecured, perpetual, or sub-ordinated;
- 95% for stage 3 exposures.

In respect of debt exposure with instruments issued by entities which have a credit rating issued by one of the licensed credit rating agencies, the same credit rating (either of the entity, or of the instrument) are used to map an estimate for Probability of Default. In case of absence of credit rating, mapping with other available ratings along security is considered for assessment of PD%.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has identified the key economic variables impacting credit risk and expected credit losses for each portfolio / party.

### **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 amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in condensed interim statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to condensed interim statement of profit or loss and other comprehensive income. 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 condensed interim statement of profit or loss and other comprehensive income, but is transferred to condensed interim 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 recognised in the condensed interim statement of profit or loss.



	Un-Audited June 30, 2024	Audited December 31, 2023
	----- Rupees -----	

5 Property and equipment

Property and equipment

50,133,061	6,331,171
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5.1 Property and equipment

Un-Audited  
Six months period ended June 30, 2024

Computer equipment	Office equipment	Furniture and fixtures	Motor vehicle	Total
Rupees				

Net carrying value basis

Six months period ended June 30, 2024

Opening net book value as at January 01, 2024	5,663,760	254,954	264,678	147,779	6,331,171
Additions (at cost) during the period	860,595	1,138,934	37,280,193	9,390,505	48,670,227
Depreciation charge for the period	(1,436,978)	(100,710)	(3,054,071)	(276,578)	(4,868,337)
Closing net book value as at June 30, 2024	<u>5,087,377</u>	<u>1,293,178</u>	<u>34,490,800</u>	<u>9,261,706</u>	<u>50,133,061</u>

Gross carrying value basis

As at June 30, 2024

Cost at period end	9,478,803	1,466,449	37,630,693	9,540,004	58,115,949
Accumulated depreciation	(4,391,426)	(173,271)	(3,139,893)	(278,298)	(7,982,888)
Net book value	<u>5,087,377</u>	<u>1,293,178</u>	<u>34,490,800</u>	<u>9,261,706</u>	<u>50,133,061</u>
Depreciation rate per annum	<u>33%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	

Net carrying value basis

Audited  
Year ended December 31, 2023

Year ended December 31, 2023

Opening net book value (NBV) as at January 01, 2023	3,568,009	320,457	334,778	-	4,223,244
Additions during the year	4,048,590	-	-	149,499	4,198,089
Depreciation charge for the year	(1,952,839)	(65,503)	(70,100)	(1,720)	(2,090,162)
Closing net book value as at December 31, 2023	<u>5,663,760</u>	<u>254,954</u>	<u>264,678</u>	<u>147,779</u>	<u>6,331,171</u>

Gross carrying value basis

As at December 31, 2023

Cost	8,618,208	327,515	350,500	149,499	9,445,722
Accumulated depreciation	(2,954,448)	(72,561)	(85,822)	(1,720)	(3,114,551)
Net book value (NBV)	<u>5,663,760</u>	<u>254,954</u>	<u>264,678</u>	<u>147,779</u>	<u>6,331,171</u>
Depreciation rate per annum	<u>33%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	

5.2 Depreciation expense for the period on entity's owned property & equipment has been charged to administrative expenses as referred in note 20.

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		Un-Audited June 30, 2024	Audited December 31, 2023
	Note	----- Rupees -----	
<b>6 Long term financing - net</b>			
Financing - markup bearing	6.1	488,990,907	356,236,811
Less:			
General provision	6.2	-	(5,343,552)
Impact of ECL as per adoption of IFRS 9		(6,494,079)	-
		<u>482,496,828</u>	<u>350,893,259</u>
Less: Current maturity		(167,739,117)	(153,503,222)
Net long term financing		<u><b>314,757,711</b></u>	<u><b>197,390,037</b></u>

**6.1** This represents term finance facilities provided on mark-up basis. The mark-up on these loans ranges from 22.24% to 27.99% (December 31, 2023: 19.00% to 27.28%) per annum. These term finances are repayable within a period of 3 to 7 years from the date of disbursement and are secured against personal guarantees of directors, mortgagors, and post dated cheques.

**6.2** General provision was maintained at 1.5% of the outstanding balance to cater for unanticipated credit losses, during the corresponding period.

#### **7 Financing on behalf of parent entity**

This represents loans disbursed by the Company to the identified borrowers under programs originated by Karandaaz Pakistan through agency agreement (Note 14). These loans are repayable by identified borrowers within a period of two to four years from the date of disbursement. The risks associated with such financing vests with the parent entity and therefore no provision for ECL has been recognised.

		Un-Audited June 30, 2024	Audited December 31, 2023
	Note	----- Rupees -----	
Financing on behalf of parent entity		856,728,562	401,197,763
Less: Current portion		(578,901,113)	(253,387,376)
Net financing on behalf of parent entity		<u><b>277,827,449</b></u>	<u><b>147,810,387</b></u>

#### **8 Advances, deposits, prepayments and other receivables**

Prepayments		5,035,258	1,015,462
Short term security deposits		105,000	105,000
Other receivables	8.1	6,464,829	5,365,076
Accrued interest on financing		66,704,432	38,389,032
Accrued interest on term deposit receipts (TDRs) and saving accounts		2,194,246	1,500,258
		<u><b>80,503,765</b></u>	<u><b>46,374,828</b></u>

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8.1 This includes an amount of Rs. 1,295,256 (December 31, 2023: 3,554,280) receivable from parent entity against management fee for managing its portfolio under agency agreement and expenses incurred on behalf of parent entity.

9	Short term financing - net	Note	Un-Audited	Audited
			June 30, 2024	December 31, 2023
			----- Rupees -----	
	Financing - markup bearing	9.1	1,229,416,178	1,086,000,000
	Less:			
	General provision	9.2	-	(15,960,000)
	Specific provision	9.3	-	(22,000,000)
	Impact of ECL after adoption of IFRS 9		(48,603,702)	-
	Net short term financing		<u>1,180,812,476</u>	<u>1,048,040,000</u>

9.1 This represents short term finance facilities provided on mark-up basis. The mark-up on these loans ranges from 21.74% to 25.99% (December 31, 2023: 18.5% to 26.91%) per annum. These are secured against personal guarantees of directors, mortgagors, charge over plant and machinery and post dated cheques.

9.2 General provision has been maintained at Nil (Dec 31, 2023: 1.5% ) of the outstanding balance, after adjustment of Rehmpack specific provision, to cater for unanticipated credit losses.

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

10	Short term investments	Note	Un-Audited	Audited
			June 30, 2024	December 31, 2023
			----- Rupees -----	
	Treasury bills	10.1	<u>1,119,997,481</u>	<u>1,645,344,496</u>

10.1 The rate of mark-up on these investments ranges from 19.94 % to 21.95 % (December 31, 2023: 15.1% to 22.5%) per annum.

10.2 T-Bills amount includes Rs. 40.641 million (December 31, 2023: Rs. 25.39 million) invested in respect of employees' provident fund.

11	Cash and bank balances	Note	Un-Audited	Audited
			June 30, 2024	December 31, 2023
			----- Rupees -----	
	Cash at bank:			
	Saving account	11.1	386,843,720	234,196,792
	Cash in hand		64,453	95
			<u>386,908,173</u>	<u>234,196,887</u>

11.1 The rate of mark-up on these accounts ranges from 10.47% to 20.57% (December 31, 2023: 7.5% to 20.73%) per annum.

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**12 Share capital and reserves****12.1 Authorised share capital**

Un-Audited June 30, 2024	Audited December 31, 2023	Un-Audited June 30, 2024	Audited December 31, 2023
(Number of shares)		----- Rupees -----	
300,000,000	300,000,000	<u>3,000,000,000</u>	<u>3,000,000,000</u>

**12.2 Issued, subscribed and paid up share capital**

Un-Audited June 30, 2024	Audited December 31, 2023	Un-Audited June 30, 2024	Audited December 31, 2023
(Number of shares)		----- Rupees -----	
150,000,000	150,000,000	<u>1,500,000,000</u>	<u>1,500,000,000</u>
Ordinary shares of Rs.10 each, fully paid in cash			

**12.3** There was no movement in ordinary shares during the six month period ended June 30, 2024.

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

**12.5** 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	Un-Audited June 30, 2024	Audited December 31, 2023
<b>13 Sub-ordinated loan</b>		----- Rupees -----	
Sub-ordinated loan from parent entity	13.1	<u>1,423,702,972</u>	<u>1,494,391,763</u>

**13.1** This represents liability component of sub-ordinated loan classified as compound financial instrument, which was obtained under the agreement between the Company and its parent entity dated November 28, 2022 after the approval of SECP. The subordinated loan tenure is 5 years and is currently carrying markup of 3 month KIBOR minus 2% per annum payable quarterly. The loan is sub-ordinated to other indebtedness of the Company.

	Note	Un-Audited June 30, 2024	Audited December 31, 2023
<b>14 Payable to parent entity</b>		----- Rupees -----	
Payable to parent entity	14.1	874,316,391	432,744,449
Less: Current portion		(578,901,113)	(253,387,376)
Net payable to parent entity		<u>295,415,278</u>	<u>179,357,073</u>

**14.1** This represents amount payable to parent company under the agency agreement and addendum to aforesaid agreement between the two companies which has been provided to borrower entities.

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		Un-Audited June 30, 2024	Audited December 31, 2023
	Note	----- Rupees -----	
<b>15</b>	<b>Accrued and other liabilities</b>		
	Payable to parent entity	8,447,199	7,008,114
	Provident fund payable	44,702,285	26,910,909
	Accrued liabilities	18,530,275	20,852,654
	Tax deducted at source	3,436,093	2,825,965
	Other payable	19,108,150	25,469,693
		<b>94,224,002</b>	<b>83,067,335</b>
<b>15.1</b>	<b>Payable to parent entity</b>		
	Interest accrued on financing on behalf of parent entity	8,447,199	6,399,746
	Payable under service level agreement	-	608,368
		<b>8,447,199</b>	<b>7,008,114</b>

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

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

## **16 Contingencies and commitments**

**16.1** There was no change in the status of contingencies as disclosed in the note 24 to the annual audited financial statements for the year ended December 31, 2023.

**16.2** The Company has commitments in respect of contractual obligations amounting to Rs. 36,173,227 as at June 30, 2024 (December 31, 2023: Rs. 44,676,443).

		Un-Audited Six month period ended June, 30 2024	Un-Audited Six month period ended June, 30 2023
	Note	----- Rupees -----	
<b>17</b>	<b>Markup on financing</b>		
	Markup on long term financing	43,387,546	27,416,392
	Markup on short term financing	134,648,772	53,829,410
		<b>178,036,318</b>	<b>81,245,802</b>

**17.1** This represents markup on financing on long term basis bearing markup as mentioned in Note 6 to these financial statements.

**17.2** This represents markup on Financing on short term basis bearing markup as mentioned in Note 9 to these financial statements.

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	Note	Un-Audited	Un-Audited
		Six month period ended June, 30 2024	Six month period ended June, 30 2023
		----- Rupees -----	
<b>18</b>	<b>Income other than markup on financing</b>		
	Interest income on term deposit receipts (TDRs)	-	10,114,631
	Interest income on T-bills	149,909,252	180,786,654
	Interest income on saving accounts	28,955,091	31,439,675
	Management fee from parent entity	2,204,644	1,149,094
	Processing fee on financing	4,521,027	684,735
		<b>185,590,014</b>	<b>224,174,789</b>

<b>19</b>	<b>Finance cost</b>		
	Markup on sub-ordinated loan	154,955,180	136,432,582
	Bank charges	43,004	39,044
	Financial charges on lease liability	2,332,298	-
		<b>157,330,482</b>	<b>136,471,626</b>

**19.1** This represents markup on sub-ordinated loan from parent entity as mentioned in note 13 to these financial statements.

	Un-Audited	Un-Audited
	Six month period ended June, 30 2024	Six month period ended June, 30 2023
		----- Rupees -----
<b>20</b>	<b>Administrative expenses</b>	
	Salaries, wages and benefits	117,503,980
	Legal and professional fee	5,065,892
	Auditors' remuneration	1,119,998
	Travel, lodging and per diems	9,273,911
	Short term lease expense	3,881,886
	Utilities	3,718,739
	Depreciation on property and equipment	4,868,337
	Depreciation on ROU Asset	2,764,352
	Amortization on intangibles	4,038,180
	Printing and stationery	499,587
	Marketing/branding	792,725
	Fees and subscription	1,211,791
	Human resource and operational support cost charged by parent entity	-
	Vehicle operations and maintenance	285,810
	Consultancy	-
	Insurances	183,082
	Office expenses	2,208,975
	Digital portfolio cost	664,500
	Directors' fees	2,250,000
		<b>160,331,745</b>
		<b>90,450,879</b>

<b>21</b>	<b>Taxation</b>		
	Current taxation:		
	- Current period	13,699,352	27,367,862
	- Deferred taxation	631,839	(10,907,810)
		<b>14,331,191</b>	<b>16,460,052</b>

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		Un-Audited		
		For the Six Months ended		
		June 30, 2024	June 30, 2023	
		----- Rupees -----		
22	Earnings per share	Note	(Rupees)	(Rupees)
22.1	<b>Basic earnings per share</b>			
	Profit for the period		27,823,369	37,986,657
	Weighted average number of ordinary shares	12	150,000,000	150,000,000
	Basic earnings per share		0.19	0.25
22.2	<b>Diluted earnings per share</b>			
	Profit for the period		27,823,369	37,986,657
	Markup on sub-ordinated loan - net of tax		110,018,178	96,867,133
			137,841,547	134,853,790
	Weighted average number of ordinary shares	12	150,000,000	150,000,000
	Effect of sub-ordinated loan		150,000,000	150,000,000
			300,000,000	300,000,000
	Diluted earnings per share		0.46	0.45

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	Un-Audited June 30, 2024	Un-Audited June 30, 2023
<b>23 Cash and cash equivalents</b>	----- Rupees -----	
Cash and bank balances	386,908,173	164,694,375
Short term investments	1,119,997,481	2,317,383,370
	<u>1,506,905,654</u>	<u>2,482,077,745</u>

**24 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 25. Other significant transactions with related parties and the balances with them are as follows:

Relationship with the Company	Nature of transactions	Un-Audited Six month period ended June, 30 2024	Un-Audited Six month period ended June, 30 2023
----- Rupees -----			
1) Parent	Management fee charged by the Company	2,204,644	1,149,094
	Interest on financing on behalf of parent entity	12,246,551	3,890,227
	Principal on financing on behalf of parent entity	66,119,754	11,809,344
	Repayment on financing on behalf of parent entity	76,020,020	-
	Financing on behalf of parent entity	521,650,553	213,267,249
	Human resource and operational support cost under service level agreement	-	6,291,621
	Expenses incurred by company on behalf of parent entity	420,308	1,536,389
	Advance received under agency agreement	517,591,962	163,945,739
	Markup on sub-ordinated Debt	154,955,180	136,432,582
2) Directors	Meeting fee paid to the directors	2,250,000	4,500,000
3) Group Entities	Fee for Renewal of Exemption Certification of CCP - Infrazamin	100,000	-
	Fee for Renewal of Exemption Certification of CCP - PMICL	100,000	-

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

	Un-Audited June 30, 2024	Audited December 31, 2023
<b>Period / year end balances</b>	----- Rupees -----	
Payable to parent entity	882,763,598	439,752,563
Accrued markup on sub-ordinated loan	-	89,302,667
Liability portion of sub-ordinated loan	1,423,702,973	1,494,391,763
Capital Reserve (Equity portion of sub-ordinated loan - net of tax)	67,386,742	67,386,742
Receivable from parent entity	1,195,256	3,554,280
CCP exemption renewal fee receivable - PMICL	100,000	-

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**25 Remuneration of Chief Executive Officer (CEO) and key management personnel**

The aggregate amount charged in the condensed interim financial statements for the year for remuneration, to the CEO and executives is as under:

<b>Un-Audited</b>				
<b>Six month period ended June 30, 2024</b>				
----- Rupees -----				
	<b>Note</b>	<b>Chief Executive Officer</b>	<b>Executives</b>	<b>Total</b>
Managerial remuneration		15,393,000	67,035,350	82,428,350
Company's contribution to provident fund		1,419,300	5,514,042	6,933,342
Reimbursements	25.2	<u>1,034,987</u>	<u>5,807,627</u>	<u>6,842,614</u>
		<u>17,847,287</u>	<u>78,357,019</u>	<u>96,204,306</u>
Number of persons		<u>1</u>	<u>26</u>	<u>27</u>

<b>Un-Audited</b>				
<b>Six month period ended June 30, 2023</b>				
----- Rupees -----				
		<b>Chief Executive Officer</b>	<b>Executives</b>	<b>Total</b>
Managerial remuneration	25.1	14,509,800	27,800,005	42,309,805
Company's contribution to provident fund		1,218,000	2,127,450	3,345,450
Reimbursements	25.2	<u>948,023</u>	<u>3,087,789</u>	<u>4,035,812</u>
		<u>16,675,823</u>	<u>33,015,244</u>	<u>49,691,067</u>
Number of persons		<u>1</u>	<u>17</u>	<u>18</u>

**25.1** This includes remuneration of Chief Financial Officer (CFO) charged by parent entity as human resource and operational support cost under service level agreement.

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

**26 Events after the reporting period**

There are no reportable events after the reporting period.

**27 Corresponding figures**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. No significant rearrangements or reclassifications have been made in these condensed interim financial statements during the period.

**28 Authorization of financial statements**

These condensed interim financial statements were authorized for issue on \_\_\_\_\_, 2024 by the Board of Directors of the Company.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer