

**PARWAAZ.**

FINANCIAL SERVICES LIMITED

ANNUAL

# REPORT 2025

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For the financial year ended  
**December 31, 2025**

**EMPOWERING SMES • DRIVING INCLUSIVE GROWTH**

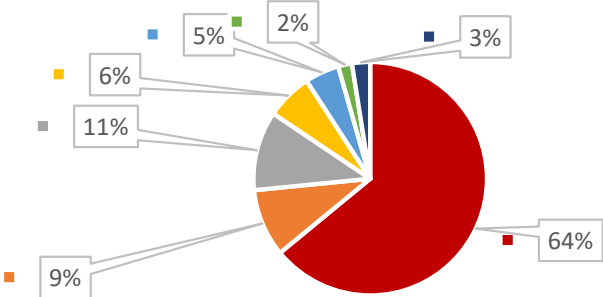
Listed NBFC | Registered in Pakistan

# Financial Highlights



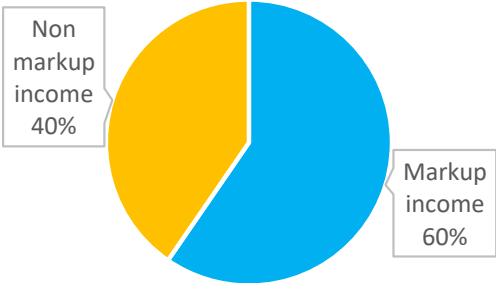
## PFSL at Glance

**Administrative**



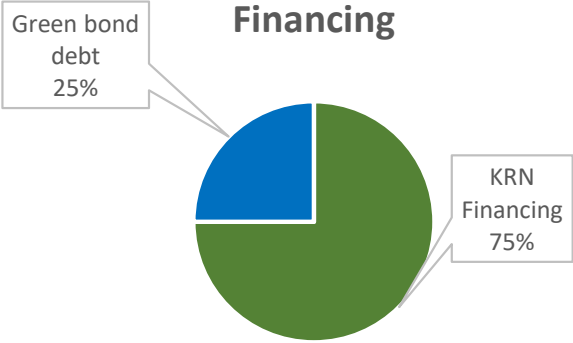
- Salaries, wages and benefits
- Depreciation and amortization
- Legal & professional and fee & sub
- Travelling and hotel
- Utilities, leases and office expenses
- Audit and consultancy
- Others

**Total Income**



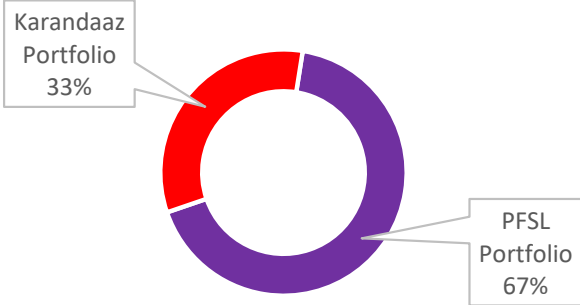
- Markup income
- Non markup income

**Financing**



- KRN Financing
- Green bond debt

**Portfolio**



- PFSL Portfolio
- Karandaaz Portfolio

## Last 4 years' history and performance:

Items	2025	2024	2023	2022
	Rs in "000"			
<b>Profit or loss account (For the year)</b>				
Markup on long term financing	182,070	120,593	64,272	23,446
Markup on short term financing	266,406	265,083	117,134	49,623
Treasury income	269,407	693,596	487,178	159,047
Management fee from parent entity	10,636	6,398	3,124	1,038
Processing fee on financing	10,136	6,329	2,379	955
Grant income from Palladium International Limited	11,432	-	-	-
Finance cost	(385,276)	(626,702)	(299,016)	(1,421)
Administrative expenses	(337,817)	(333,421)	(214,514)	(118,575)
Profit before provision for impairment loss and taxation	28,068	131,875	160,556	114,114
(Loss) / profit before taxation	(103,124)	80,325	126,712	104,654
(Loss) / profit after taxation	(76,791)	52,791	86,980	72,694
(Loss) / earnings per share	(0.51)	0.35	0.58	0.48

### Balance sheet (As at 31st Dec)

PPE, ROU, Intangible & CWIP	79,907	111,144	82,375	4,223
Lending gross portfolio	4,097,083	2,654,819	1,442,237	630,659
Short term investments	53,169	20,803,449	1,645,344	1,007,990
Cash and bank balances	281,452	253,560	234,197	1,554,910
Current assets	3,260,465	23,022,727	3,139,692	3,104,562
Total assets	4,489,947	23,828,556	3,423,134	3,222,865
Subordinated loan	1,485,677	1,484,412	1,494,392	1,405,089
Long term borrowings	1,011,941	-	-	-
Current liabilities	241,398	20,490,871	115,314	106,493
Total liabilities	2,747,688	22,009,506	1,654,007	1,540,718
Equity and reserves	1,742,259	1,819,050	1,769,128	1,682,148

### Performance (For the year)

Return of equity (%)	-4%	3%	5%	4%
Return on assets (%)	-2%	0%	3%	2%
Cost to income ratio (%)	96%	88%	76%	51%
Earning per share (PKR/share)	(0.51)	0.35	0.58	0.48

### Leverage (As at 31st Dec)

Total liabilities to equity (%)	158%	1210%	93%	92%
Long term liabilities to equity ratio (%)	143%	82%	84%	84%

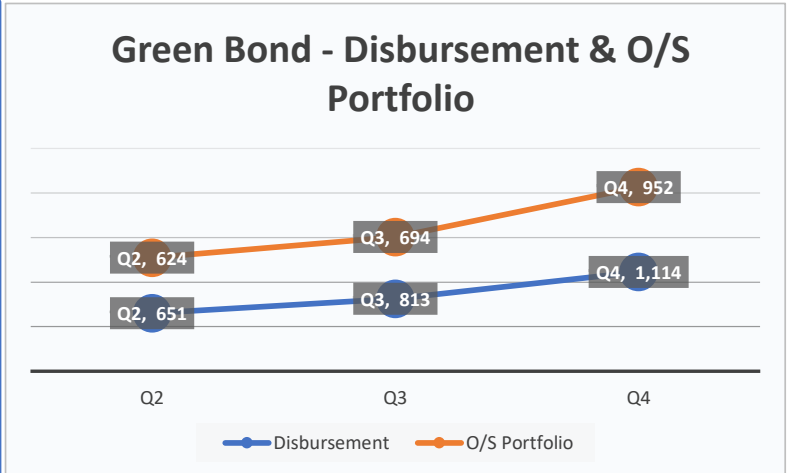
### Liquidity (As at 31st Dec)

Cash to current liabilities (Times)	1.17	0.01	2.03	14.60
Current ratio (Times)	13.51	1.12	27.23	29.15

# Our Impact



Parwaaz continues to drive meaningful impact by generating economic value, creating employment opportunities, and contributing to environmental sustainability through responsible growth and strategic initiatives.



## DRIVING GROWTH WITH PURPOSE

*Sustainability isn't just our goal, it's our growth strategy*

Parwaaz continues to drive meaningful impact by generating economic value, creating employment opportunities, and contributing to environmental sustainability through responsible growth and strategic initiatives.

**PKR 18,694M**  
Revenue Generated

**12,151**  
Jobs Created

**PKR 7,254M**  
Value Added

**4,562**  
tCO<sub>2</sub>e Net GHG  
Emissions Avoided

# Chairman Review Report

It is my privilege to present the Chairman's Review of **Parwaaz Financial Services Limited (PFSL)** for the year ended December 31, 2025.

Despite a challenging economic environment, the Company demonstrated resilience through strong growth in its financing portfolio and continued focus on underserved sectors. A key milestone during the year was the successful launch and full deployment of the **Parwaaz Green Action Bond**, reinforcing our commitment to sustainable and innovative financing.

While the Company reported a financial loss, primarily due to IFRS 9 impairment charges and margin compression, the Board considers these measures prudent and necessary for long-term stability. Management is actively focused on improving asset quality and restoring profitability.

The Board remains committed to strong governance and strategic oversight, ensuring that PFSL continues to deliver on its mandate of financial inclusion and sustainable impact.

Looking ahead, we remain cautiously optimistic and confident in the Company's ability to capitalize on emerging opportunities.

On behalf of the Board, I thank our stakeholders for their continued support and acknowledge the dedication of the management and staff.



**Chairman of the Board**  
Parwaaz Financial Services Limited



## DIRECTORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2025

### OVERVIEW

As a representative of the Board of Directors, I am pleased to present the financial statements of Parwaaz Financial Services Limited (PFSL) for the year ended December 31, 2025.

Parwaaz Financial Services Limited (PFSL) is a wholly owned subsidiary of Karandaaz Pakistan, which is a not-for-profit organization supported by the United Kingdom's Foreign, Commonwealth & Development Office (FCDO) and the Bill & Melinda Gates Foundation (BMGF). The Company remains committed to empowering small and medium enterprises (SMEs) across Pakistan by providing innovative financial solutions that enhance profitability, generate meaningful social impact, and contribute to sustainable economic development.

Despite a challenging economic environment, PFSL demonstrated resilience during the year, achieving notable growth in its financing portfolio while strengthening operational efficiency. These achievements reflect the robustness of our strategic direction and the disciplined execution by the management team.

With the continued support of our sponsors and shareholders, and the dedication of our management and staff, PFSL remains steadfast in advancing financial inclusion and enabling SMEs to play a pivotal role in Pakistan's economic progress.

### Strategic Focus Areas

PFSL continues to align its efforts across key sectors to maximize both economic and social impact:

**Agricultural Value Chain:** Enhancing productivity, resilience, and sustainability across the agriculture ecosystem.

**Industrial Value Chain:** Strengthening manufacturing capabilities and supporting industrial growth.

**Green Energy:** Promoting renewable energy solutions to address climate challenges and support sustainable practices.

**Healthcare Sector:** Expanding access to quality and affordable healthcare services.

**Education Sector:** Supporting initiatives that improve learning outcomes and expand educational opportunities.

**Digital Channels:** Advancing digital infrastructure and financial technologies to drive innovation and inclusion.

### MAJOR MILESTONES IN 2025

The year 2025 proved to be both challenging and rewarding for Parwaaz, as we navigated a dynamic economic landscape while continuing to deliver on our strategic objectives. However, I am pleased to report that despite these challenges, it has been an exceptionally rewarding year for the company.

### Portfolio Performance

Beyond our specialized green initiatives, our core business has demonstrated remarkable momentum. Our own source portfolio achieved a growth rate of 54% over the last year. This expansion, achieved in a testing economic environment, reflects our disciplined approach to risk management and our focus on high-potential market segments.

**Strategic Milestone (The Green Bond):**

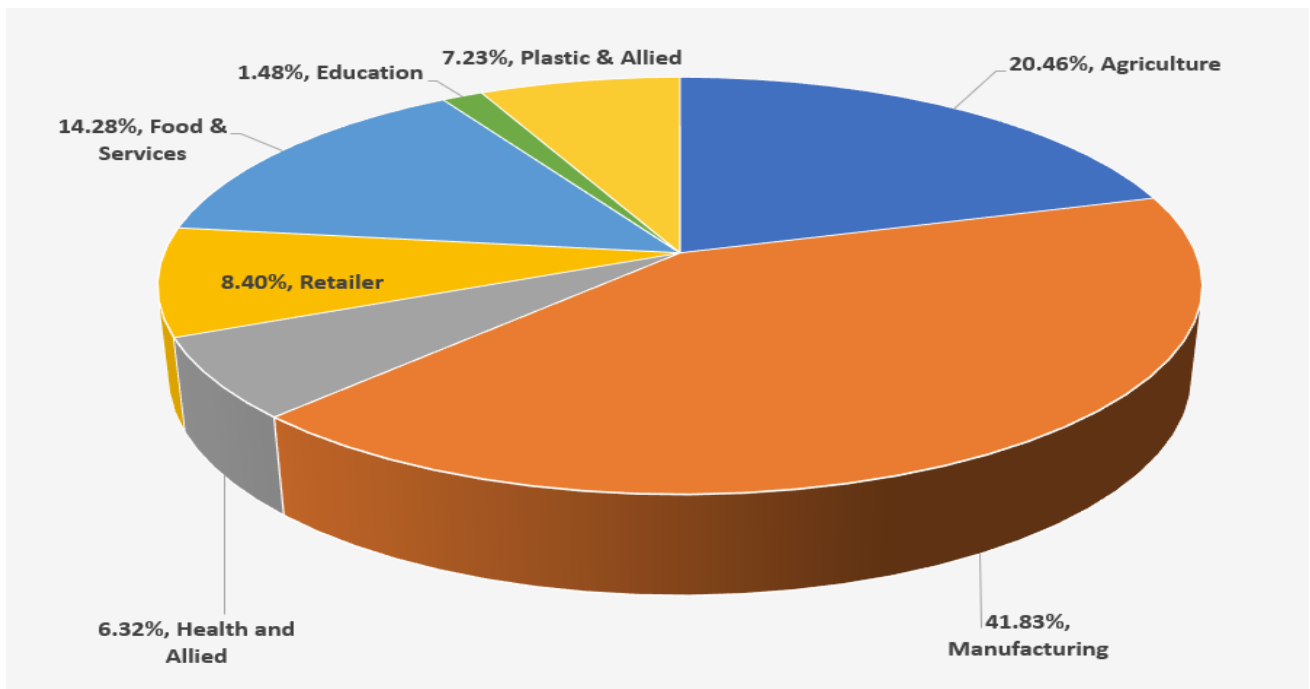
A defining achievement of 2025 was the successful launch of the Parwaaz Green Action Bond. This PKR 1 Billion instrument was officially listed on the Pakistan Stock Exchange, marking a pivotal step in our commitment to sustainable finance.

I am proud to share that 95% of the bond proceeds have been deployed, directly fueling impactful projects that align with our environmental objectives. This successful execution reinforces our position as a leader in innovative, purpose-driven capital allocation.

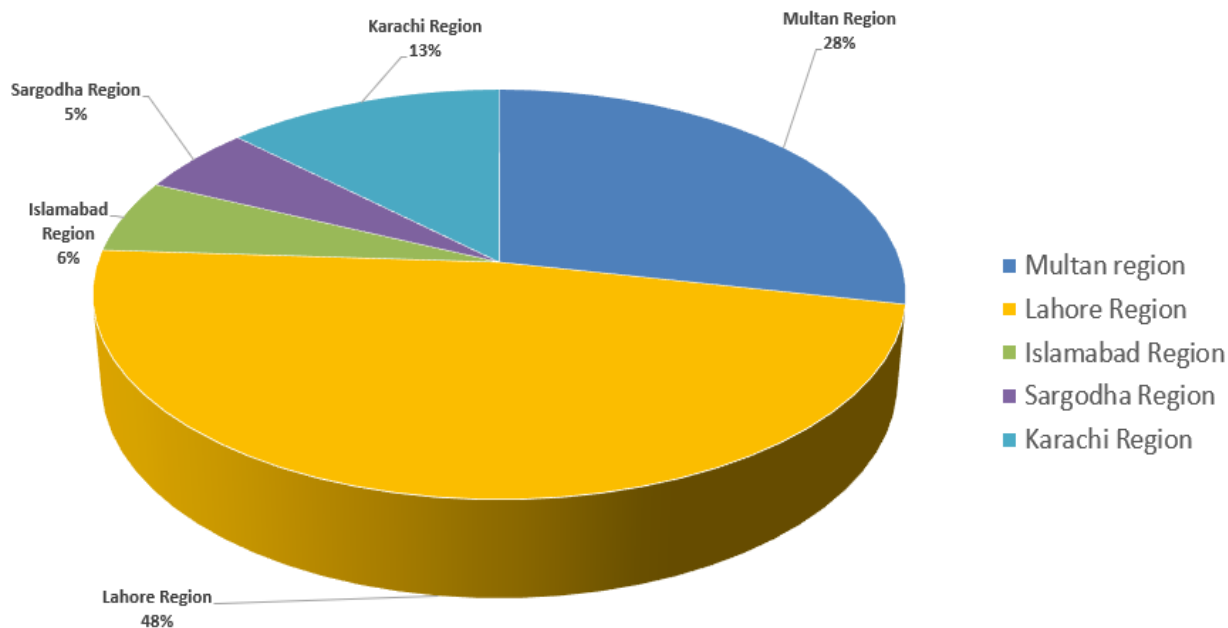
**Operational Footprint:**

Our deployment strategy remains diversified, ensuring we reach underserved areas while maintaining a strong presence in established economic hubs. To provide a clearer picture of our impact and reach, the following sections include detailed visual representations of our activity:

Sectoral Distribution: The graph illustrates the distribution of funds across various industries, highlighting our balanced exposure.



Geographical Distribution: The graph showcases our footprint across Pakistan, reflecting our commitment to nationwide economic integration.



## Economic Review and Strategic Outlook

The year 2025 marked a period of relative macroeconomic stabilization in Pakistan, with GDP growth estimated at around 2.5%–3.0% following the economic challenges of preceding years. Inflation moderated significantly from earlier highs, supported by prudent monetary policy and improved supply conditions, while fiscal consolidation efforts continued under the IMF program. The external sector also showed signs of stability, aided by controlled imports and steady remittance inflows. However, policy rate has significantly declined, supporting private sector credit growth and decreasing the cost of borrowing, particularly for SMEs.

Within this evolving economic landscape, the demand for accessible and innovative financial solutions remained strong, especially among underserved and growth-oriented segments.

PFSL continued to align its strategy across key sectors to maximize both economic and social impact, with a focus on the agricultural and industrial value chains, green energy, healthcare, education, and digital channels. These focus areas not only address critical gaps in the economy but also position the Company to support sustainable and inclusive growth.

The Company further expanded its footprint beyond traditional economic centers into underserved and pastoral regions, reinforcing its commitment to financial inclusion. Through targeted investments in information technology and physical infrastructure, PFSL is enabling SMEs with advanced tools, improved access to finance, and robust risk management frameworks thereby strengthening their capacity for long-term resilience and sustainable growth.

Looking ahead, PFSL remains well-positioned to capitalize on emerging opportunities, with a continued focus on innovation, strategic partnerships, and responsible financing to drive inclusive and sustainable economic progress across Pakistan.

## Company's Performance During the Year

### Key Financial Highlights

The company experienced a downward trend in financial performance during FY 2025. Profit before provision and taxation stood at PKR 28 million in 2025 (2024: PKR 132 million), primarily due to a significant decline in policy rates and a reduction in volumes held in the money market.

The company recorded a Loss Before Taxation of PKR 103 million (2024: Profit Before Tax, PKR 80 million), largely on account of impairment losses on financial assets under IFRS 9. Management is actively implementing measures to address these impairments and expects a significant improvement in the upcoming period.

Despite the decline in profitability, the company's financing portfolio demonstrated strong growth, with gross outstanding amounts reaching PKR 4.1 billion at year-end (2024: PKR 2.7 billion), reflecting continued focus on its core financing operations.

Description	Dec 31, 2025 (PKR million)	Dec 31, 2024 (PKR million)
(Loss)/Profit Before Taxation	(103)	80
Taxation	26	(28)
(Loss)/Profit After Taxation	(77)	53
(Loss)/Earnings Per Share (Basic & Diluted)	(0.51)	0.35

## Revenue

Total revenue for FY 2025 amounted to PKR 753 million (2024: PKR 1,092 million), reflecting a 31% decline. This was primarily due to the impact of lower interest rates on margins, despite an increase in financing volumes. Income from sources other than financing declined by 57% due to lower volumes maintained in the money market, as funds were largely deployed in the company's core financing operations.

Description	Dec 31, 2025 (PKR million)	Dec 31, 2024 (PKR million)	Change (%)
Markup on Financing	448	386	16%
Income Other Than Markup on Financing	304	706	(57%)
Total Revenue	753	1,092	(31%)

## Expenses

Administrative expenses increased slightly during the year, primarily due to inflationary pressures. Key expense components are as follows:

- **Finance Cost:** PKR 385 million (2024: PKR 627 million), representing a 39% decrease, mainly driven by lower interest rates.
- **Impairment Losses:** Net impairment losses increased to PKR 131 million (2024: PKR 52 million), reflecting a cautious provisioning approach under IFRS 9. Management is implementing measures to improve asset quality and expects partial reversal of these impairments in the near future.

## RISK MANAGEMENT FRAMEWORK

PFSL maintains a robust and comprehensive risk management framework aimed at effectively mitigating credit, operational, liquidity, and market risks. Key initiatives undertaken during the year include:

1. **Credit Risk:** Maintenance of a well-diversified portfolio supported by rigorous due diligence and prudent credit evaluation mechanisms.
2. **Operational Risk:** Strengthening of internal systems and processes, complemented by proactive risk identification and management practices.
3. **Compliance:** Ongoing staff training programs and strict adherence to applicable regulatory requirements and industry standards.
4. **Internal Audit:** Independent internal audit function outsourced to BDO Ebrahim & Co. to ensure objective oversight and continuous improvement in internal controls.

## **CODE OF CORPORATE GOVERNANCE FRAMEWORK:**

### **Composition of the Board of Directors**

The Board of Directors comprises seven members, including two Independent Directors, four Nominee Directors, and the Chief Executive Officer of the Company.

To ensure effective governance and oversight, the Board has constituted four committees, namely the Board Audit Committee (BAC), Board Risk Management Committee (BRMC), Board Human Resources Committee (BHRC), and Board Information Technology Committee (BITC).

The composition of the Board is as follows:

1. Shehzad Naqavi – Independent Director (Chairman of the Board, BRMC & BHRC)
2. Yameen Kerai – Independent Director (Chairman of BAC)
3. Sharjeel Murtaza – Nominee Director (Chairman of BITC)
4. Navid Yousaf Goraya – Nominee Director
5. Shumaila Rifaqat – Nominee Director
6. Amir Naeem – Nominee Director
7. Javed Iqbal – Chief Executive Officer

**Key Appointment in 2025;** During the year, the Company strengthened its governance framework through the appointment of a full-time Company Secretary in December 2025, ensuring enhanced compliance, coordination, and adherence to corporate governance requirements.

### **Future Outlook**

The outlook for Pakistan's economy in 2026 remains cautiously optimistic. Moderate growth is anticipated, provided structural reforms, fiscal consolidation, and external support continue to be successfully implemented.

However, addressing ongoing challenges, such as fiscal imbalances, inflationary pressures, and external debt, will be critical to ensure sustainable economic progress.

While this overview reflects current economic trends and conditions, the situation remains dynamic and may evolve rapidly in response to domestic and international developments.

### **ACKNOWLEDGEMENTS**

On a concluding note, we would like to thank our valued customers for their continued patronage and support, and to place on record our sincere gratitude to the Securities & Exchange Commission of Pakistan and Karandaaz for their continued support and guidance to PFSL.

On behalf of the Board  
Parwaaz Financial Services Limited



CHAIRMAN OF THE BOARD

## **Credit Rating Review**

During the year, the Company's credit ratings were reaffirmed by PACRA at *A+* (long-term) and *A1* (short-term) with a stable outlook, along with an instrument rating of *AA-* for the Green Bond. The ratings reflect the Company's improving fundamentals, supported by steady portfolio growth, prudent risk management, and a focused SME strategy.

The ratings also incorporate the strength of the sponsor, providing continued strategic direction, financial flexibility, and sound governance oversight. A stable ownership structure, along with an experienced Board and management team, supports effective decision-making.

Operationally, the Company has continued to scale while maintaining manageable asset quality. Strengthened internal controls, enhanced risk frameworks, and ongoing digitalization have further improved efficiency and monitoring.

The ratings remain cognizant of macroeconomic pressures, including elevated interest rates and inflation, impacting repayment capacity across the sector. Nevertheless, the Company has demonstrated resilience through disciplined underwriting, diversification, and cost optimization.

The stable outlook reflects expectations of continued portfolio growth, sound asset quality, and adequate capitalization. However, any material deterioration in credit quality, liquidity, or capital position may exert downward pressure on the ratings.



**INDEPENDENT AUDITOR'S REVIEW REPORT**

**TO THE MEMBERS OF PARWAAZ FINANCIAL SERVICES LIMITED**

**REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Parwaaz Financial Services Limited (the Company) for the year ended December 31, 2025 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2025.

Further, we highlight below instances of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

S. No.	Paragraph Reference	Description
1	18	The Audit Committee did not meet separately with the head of internal audit and other members of the internal audit function without the chief financial officer and external auditors being present.
2	18	The Audit Committee's Terms of Reference do not include several responsibilities prescribed under the Regulations.

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
**Lahore**

**Date: April 29, 2026**

**UDIN: CR202510884PW1p8Zbfy**

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network, 308-Upper Mall, Shahrah-e-Quaid-e-Azam, P.O. Box 39, Lahore-54000, Pakistan  
Tel: +92 (42) 35199343-50/Fax: +92 (42) 35199351

**Statement of Compliance with Listed Companies (Code of Corporate Governance)**  
**Regulations, 2019**

Name of Company: **Parwaaz Financial Services Limited**

Year ending: **December 31, 2025**

The Company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are 7 as per the following:

- a. Male: 6
- b. Female: 1

2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Shehzad Naqvi Mr. Yameen Kerai
Non-Executive Directors	Mr. Amir Naeem Mr. Navid Yousaf Goraya Mr. Sharjeel Murtaza Ms. Shumaila Rifaqat
Executive Directors	Mr. Javed Iqbal
Female Director	Ms. Shumaila Rifaqat

As per the requirements of the Regulations, the independent directors constitute one third of the Board. Out of the total 6 elected directors and CEO (deemed director), the Company has 2 independent directors, currently on its Board, thereby resulting in 0.33 fraction higher than one third. The fraction contrived in one-third number is not rounded up as the two elected independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, as per applicable laws and regulations. As they fulfill the necessary requirements as per applicable laws and regulations, hence, appointment of a third independent director is not warranted;

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct however, it has not been disseminated throughout the company along with its supporting policies and procedures. The Company plans to disseminate the code of conduct in the future in order to comply with this requirement;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured a complete record of particulars of significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. The Board has arranged Director's Training program for the following:

- |                         |            |
|-------------------------|------------|
| 1) Mr. Shehzad Naqvi    | (Chairman) |
| 2) Mr. Yameen Kerai     | (Director) |
| 3) Ms. Shumaila Rifaqat | (Director) |
| 4) Mr. Amir Naeem       | (Director) |
| 5) Mr. Sharjeel Murtaza | (Director) |

10. The board has approved appointment of chief financial officer and company secretary, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the board;

12. The Board has formed committees comprising of members given below:

**Audit Committee**

- |                      |            |
|----------------------|------------|
| Mr. Yameen Kerai     | (Chairman) |
| Mr. Amir Naeem       | (Member)   |
| Ms. Shumaila Rifaqat | (Member)   |

**HR and Remuneration Committee**

- |                      |            |
|----------------------|------------|
| Mr. Shehzad Naqvi    | (Chairman) |
| Mr. Yameen Kerai     | (Member)   |
| Mr. Sharjeel Murtaza | (Member)   |
| Ms. Shumaila Rifaqat | (Member)   |
| Mr. Javed Iqbal      | (Member)   |

**IT Committee**

- |                      |                     |
|----------------------|---------------------|
| Mr. Sharjeel Murtaza | (Chairman)          |
| Mr. Yameen Kerai     | (Member)            |
| Ms. Shumaila Rifaqat | (Member)            |
| Mr. Taimoor Ali      | (Technical Advisor) |

**Risk Management Committee**

- |                         |                     |
|-------------------------|---------------------|
| Mr. Shehzad Naqvi       | (Chairman)          |
| Mr. Sharjeel Murtaza    | (Member)            |
| Ms. Shumaila Rifaqat    | (Member)            |
| Mr. Navid Yousaf Goraya | (Technical Advisor) |
| Mr. Javed Iqbal         | (Member)            |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committees were as per following:

- a) Audit Committee: Four meetings held during the financial year 2024-2025  
b) HR and Remuneration Committee: Two meetings held during the financial year 2024-2025  
c) IT Committee: Two meetings held during the financial year 2024-2025  
d) Risk Management Committee: Three meetings held during the financial year 2024-2025
15. The Board has set up an internal audit function which is outsourced and is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company. However, the Board is in the process of appointing or designating a fulltime employee as a head of internal audit to act as coordinator between firm providing internal audit services and the Board;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. Except for the non-compliances described below, we confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and

S. No.	Requirements	Explanation for Non-Compliance	Regulation Number
1	<b><u>Audit Committee Meetings with Internal Auditors</u></b> The audit committee shall meet the head of internal audit and other members of the internal audit function without the chief financial officer and the external auditors being present.	The Company was listed in September 2025, and only one Audit Committee meeting was held thereafter in October 2025. The Company will comply with this requirement in the upcoming Audit Committee meetings after the year end.	27(2)
2	<b><u>Audit Committee TORs</u></b> The terms of reference of the audit committee shall be explicitly documented which shall also include all prescribed responsibilities under the Code of Corporate Governance, 2019, to enable the Committee to perform its functions effectively.	The Company was listed in September 2025 and the revised Terms of Reference of the Board Audit Committee will be approved in the upcoming Board Meetings after the year end.	27(3) & (4)

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

S. No.	Requirements	Explanation for Non-Compliance	Regulation Number
1	<b><u>Responsibilities of the Board and its members</u></b> Adoption of the corporate governance practices	All mandatory requirements of Code are complied with, and Company has adopted good corporate governance practices by complying with majority of the non-mandatory provisions	10(1)
2	<b><u>Role of the Board and its members to address Sustainability Risks and Opportunities</u></b>	The Board acknowledges the Code's sustainability and DE&I requirements, and the Board remains committed to addressing emerging sustainability risks and opportunities	10A

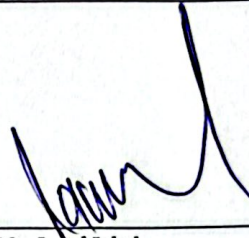
	The Board is responsible for governance and oversight of sustainability risks and opportunities and takes appropriate measures to address it. Further, the Board ensures that the Company's sustainability and DE&I related strategies are periodically reviewed and monitored. The Board may establish a dedicated sustainability committee or assign additional responsibilities to an existing Board committee	relevant to the company and its business and overseeing the implementation of DE&I policies to align with our long-term strategic goals and is currently evaluating whether to establish a dedicated committee or the board will perform this role itself.	
3	<b><u>Code of Conduct and its dissemination</u></b> The Board shall have in place a formal code of conduct that promotes ethical culture in the company and prevents conflict of interest. The Board shall take appropriate steps to disseminate code of conduct throughout the Company along with supporting policies and procedures.	The Company has prepared a code of conduct; however, it has not yet been communicated throughout the organization with supporting policies and procedures. The Board plans to disseminate the same throughout the Company in due course.	10(3)
4	<b><u>Nomination Committee</u></b> The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the board has not constituted a separate Nomination Committee, and the functions are being performed by the Board itself.	29
5	<b><u>Disclosure of significant policies on website</u></b> The company may post key elements of its significant policies, brief synopsis of terms of reference of the Board Committees and key elements of the directors' remuneration policy on its website.	The significant policies, terms of reference of the Committees and key elements of the directors' remuneration policy exist in the Company's record and shall be uploaded on the Company's website in due course.	35
6	<b><u>Directors' Orientation and Training Program</u></b> Companies shall make appropriate arrangements to carry out orientation for their directors and are encouraged to ensure directors obtain prescribed training certifications. A newly appointed director on the Board may acquire, the directors training program certification within a period of one year from the date of appointment unless exempted. Companies are also encouraged to arrange training for at least one female executive and one head of department every year under the Directors' Training program.	All the Directors are highly qualified and experienced and the Company will arrange their orientation in due course. Currently, training under the Directors' Training Program has been completed by five directors, and Company will make further arrangements for the remaining Directors in due course. The Company plans to arrange Directors' Training Program certification for female executives and heads of department in future periods.	18 & 19
7	<b><u>Composition of Internal Audit Function</u></b> The company shall appoint or designate a fulltime employee other than chief financial officer, as head of	Following the Company's listing in September 2025, Company will appoint or designate a full-time employee as Head of Internal Audit in due course.	31(6)

	internal audit holding equivalent qualification prescribed under these Regulations, to act as coordinator between firm providing internal audit services and the Board.		
8	<p><b>Directors' Report – Reporting and Disclosure</b></p> <p>The quarterly financial statements of companies shall be published and circulated along with directors' review on the affairs of the company, and the Directors' Report shall include total number and composition of directors, names of members of the Board's committees and remuneration policy of non executive directors including independent directors, while the Annual Report shall contain aggregate remuneration of executive and non executive directors, with encouragement to disclose individual directors' remuneration.</p>	<p>Following the Company's listing in September 2025, management will circulate quarterly accounts along with directors' review on the affairs of the company in future periods.</p> <p>The Directors' Report issued along with the annual report covers certain required areas. However, remaining disclosure requirements will be ensured in future periods.</p>	34(2)(i), (iii) & (iv)



Mr. Shehzad Naqvi  
Chairman

Dated: 29 April 2026



Mr. Javed Iqbal  
Chief Executive Officer/ Director



**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, 2025, 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 material accounting policy information 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, 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 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, 2025 and of the loss 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1	<b>Provision for expected credit loss</b> <i>(Refer notes 4.13, 9.3, 12.2, 13.3, and 31 to the financial statements)</i> The Company has recognised a net impairment loss on financial assets amounting to Rs. 131,192,433 in the statement of profit or loss and other	Our audit procedures in respect of this matter included the following: <ul style="list-style-type: none"><li>We obtained and updated our understanding of management's assessment of credit loss allowance in respect of financing including the Company's internal rating model, accounting policy and model methodology.</li></ul>

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S. No.	Key audit matter	How the matter was addressed in our audit
	<p>comprehensive income in the current year. As at December 31, 2025, the Company holds a credit loss allowance of Rs. 234,030,383 against financing extended by the Company.</p> <p>Provision for expected credit loss is recorded in accordance with IFRS 9 Financial Instruments, under which a forward looking Expected Credit Loss (ECL) approach is applied to all financing not held at fair value through profit and loss. Financing is classified into 12 month ECL or lifetime ECL based on the assessment of Significant Increase in Credit Risk (SICR) or credit impairment, determined by comparing the risk of default at the reporting date with that at initial recognition.</p> <p>The estimation of ECL involves significant management judgement, particularly in determining the staging of financing, identification of SICR and credit impaired financing, and in determining key ECL parameters including probability of default (PD), loss given default (LGD), and the use of forward looking information.</p> <p>The determination of credit loss allowance against financing based on the above criteria remains a significant area of judgment and estimation. Because of the significance of the impact of these judgments / estimations and the materiality of financing relative to the overall financial statements of the Company, we considered this area as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• The testing of controls included testing of: <ul style="list-style-type: none"> <li>➢ controls over correct classification of financing and monitoring of financing with higher risk of default; and</li> <li>➢ controls over accurate computation, recording of provisions, governance and approval process related to provisions.</li> </ul> </li> <li>• We selected a sample of loan accounts and performed the following substantive procedures: <ul style="list-style-type: none"> <li>➢ assessed the reasonableness and accuracy of the data used for ECL computation based on accounting records as well as the related external sources used for this purpose;</li> <li>➢ checked repayments of loans / markup / profit instalments and tested classification of financing based on review of repayment pattern, inspection of credit documentation and discussions with the management;</li> <li>➢ tested the staging of financing as per the criteria of SICR and in accordance with IFRS 9;</li> </ul> </li> <li>• Tested the mathematical accuracy of the model;</li> <li>• Assessed the reasonableness of the forward-looking assumptions used by the management in calculation of ECL; and</li> <li>• Assessed the adequacy and appropriateness of the related disclosures in the financial statements for compliance with the requirement of the applicable financial reporting framework.</li> </ul>

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

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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 judgment 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.



We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **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 Muhammad Ahsan Nadeem.

**A. F. Ferguson & Co.**  
**Chartered Accountants**

**Lahore**

**Date: April 29, 2026**

**UDIN: AR202510884xajAOVvS3**

**PARWAAZ FINANCIAL SERVICES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2025**

ASSETS	Note	2025 (Rupees)	2024 (Rupees)
<b>NON-CURRENT ASSETS</b>			
Property and equipment	5	33,481,791	45,510,646
Right of use asset	6	17,552,380	23,570,333
Intangible assets	7	28,872,478	42,063,507
Capital work in progress	8	-	-
Long term financing - net	9	1,086,448,285	690,907,505
Deferred tax asset - net	10	41,050,807	-
Long term advances and deposits	11	22,076,172	3,776,875
		1,229,481,913	805,828,866
<b>CURRENT ASSETS</b>			
Advances, deposits, prepayments and other receivables	12	110,132,308	72,135,400
Short term financing - net	13	2,134,605,577	1,621,416,941
Short term investments	14	53,168,752	20,803,448,517
Current portion of long term financing - net	9	658,553,054	249,325,707
Taxation - net	15	22,553,704	22,840,585
Cash and bank balances	16	281,451,569	253,559,533
		3,260,464,964	23,022,726,683
<b>TOTAL ASSETS</b>		<b><u>4,489,946,877</u></b>	<b><u>23,828,555,549</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital (300,000,000 ordinary shares of Rs. 10 each)	17	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued, subscribed and paid up capital (150,000,000 ordinary shares of Rs. 10 each)	17	1,500,000,000	1,500,000,000
Equity portion of subordinated loan - net of tax	18	67,386,742	67,386,742
Unappropriated profit		174,872,155	251,662,918
		1,742,258,897	1,819,049,660
<b>NON-CURRENT LIABILITIES</b>			
Subordinated loan	19	1,485,677,374	1,484,412,177
Long term borrowings	20	1,011,941,333	-
Lease liability	21	8,671,470	10,711,329
Deferred tax liability - net	10	-	23,511,038
		2,506,290,177	1,518,634,544
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	22	103,208,437	130,201,188
Short term borrowings	23	-	20,283,693,837
Payable to parent entity	24	131,491,344	68,576,320
Current portion of lease liability	21	6,698,022	8,400,000
		241,397,803	20,490,871,345
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>4,489,946,877</u></b>	<b><u>23,828,555,549</u></b>
<b>CONTINGENCIES AND COMMITMENTS</b>	25		

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The annexed notes from 1 to 44 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, 2025**

	Note	<u>2025</u> (Rupees)	<u>2024</u> (Rupees)
Markup on financing	26	448,475,603	385,675,906
Income other than markup on financing	27	304,179,418	706,322,890
<b>Total income</b>		<b>752,655,021</b>	<b>1,091,998,796</b>
Finance cost	28	(385,276,184)	(626,702,281)
		367,378,837	465,296,515
Net loss on derecognition of financial assets measured at amortised cost	29	(1,493,763)	-
Administrative expenses	30	(337,817,008)	(333,421,416)
<b>Profit before provision for impairment loss on financial assets and taxation</b>		<b>28,068,066</b>	<b>131,875,099</b>
Net impairment loss on financial assets	31	(131,192,433)	(51,549,714)
<b>(Loss) / profit before taxation</b>		<b>(103,124,367)</b>	<b>80,325,385</b>
Taxation	32	26,333,604	(27,534,245)
<b>(Loss) / profit after taxation</b>		<b>(76,790,763)</b>	<b>52,791,140</b>
Other comprehensive income for the year:			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified to profit or loss		-	-
<b>Total comprehensive (loss) / income</b>		<b>(76,790,763)</b>	<b>52,791,140</b>
<b>(Loss) / earnings per share</b>			
- Basic and diluted	33.1	(0.51)	0.35

The annexed notes from 1 to 44 form an integral part of these financial statements.

  
**Chief Executive Officer**

  
**Director**

  
**Chief Financial Officer**

**PARWAAZ FINANCIAL SERVICES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Issued, subscribed and paid-up capital	Revenue reserve		Total shareholders equity
		Unappropriated profit	Equity portion of subordinated loan - net of tax	
		(Rupees)		
Balance as at January 01, 2024 - before adoption of IFRS 09	1,500,000,000	201,740,807	67,386,742	1,769,127,549
Impact of adoption of IFRS 09 - net of tax	-	(2,869,029)	-	(2,869,029)
<b>Balance as at January 01, 2024 - after adoption of IFRS 09</b>	<b>1,500,000,000</b>	<b>198,871,778</b>	<b>67,386,742</b>	<b>1,766,258,520</b>
Profit for the year	-	52,791,140	-	52,791,140
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>52,791,140</b>	<b>-</b>	<b>52,791,140</b>
<b>Balance as at December 31, 2024</b>	<b>1,500,000,000</b>	<b>251,662,918</b>	<b>67,386,742</b>	<b>1,819,049,660</b>
<b>Balance as at January 01, 2025</b>	<b>1,500,000,000</b>	<b>251,662,918</b>	<b>67,386,742</b>	<b>1,819,049,660</b>
Loss for the year	-	(76,790,763)	-	(76,790,763)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(76,790,763)</b>	<b>-</b>	<b>(76,790,763)</b>
<b>Balance as at December 31, 2025</b>	<b>1,500,000,000</b>	<b>174,872,155</b>	<b>67,386,742</b>	<b>1,742,258,897</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

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**Chief Executive Officer**

  
**Director**

  
**Chief Financial Officer**

**PARWAAZ FINANCIAL SERVICES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Note	2025 (Rupees)	2024 (Rupees)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / profit before taxation		(103,124,367)	80,325,385
Adjustments for:			
Markup earned on financing	26	(448,475,603)	(385,675,906)
Income other than markup on financing	27	(304,179,418)	(665,901,674)
Finance cost	28	385,276,184	626,702,281
Net loss on derecognition of financial assets measured at amortised cost	29	1,493,763	-
Net impairment loss on financial assets	31	131,192,433	51,549,714
Employee benefit expense	30	4,244,437	-
Amortisation on Intangibles	7	13,191,029	8,681,519
Depreciation on right of use asset	6	6,017,953	6,058,723
Depreciation on property and equipment	5	12,480,845	11,427,885
		<u>(198,758,377)</u>	<u>(347,157,458)</u>
<b>Operating loss before working capital changes</b>		<b>(301,882,744)</b>	<b>(266,832,073)</b>
<b>Effect of changes in working capital:</b>			
Increase in long term financing		(807,861,642)	(598,109,384)
Increase in short term financing		(641,287,554)	(614,472,600)
Increase in long term deposits		(22,543,734)	(100,000)
(Increase) / decrease in advances, deposits, prepayments and other receivables		(14,266,615)	353,972,553
Increase in payable to parent entity		62,915,024	24,887,032
(Decrease) / increase in accrued and other liabilities		(26,992,751)	63,220,253
		<u>(1,450,037,272)</u>	<u>(770,602,146)</u>
<b>Cash used in operations</b>		<b>(1,751,920,016)</b>	<b>(1,037,434,219)</b>
Receipt of markup on financing		417,583,207	360,534,370
Receipt of income on term deposit receipts, savings accounts and treasury bills		83,868,153	301,640,778
Taxes paid	15	(37,941,360)	(38,852,995)
Bank charges paid	28	(135,291)	(86,753)
		<u>463,374,709</u>	<u>623,235,400</u>
<b>Net cash used in operating activities</b>		<b>(1,288,545,307)</b>	<b>(414,198,819)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	5	(451,990)	(32,032,247)
Purchase of intangibles	7	-	(20,458,674)
Receipts / (payments) against investments - net		21,006,230,839	(20,803,448,517)
		<u>21,005,778,849</u>	<u>(20,855,939,438)</u>
<b>Net cash generated from / (used in) investing activities</b>		<b>21,005,778,849</b>	<b>(20,855,939,438)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of markup on subordinated loan		(163,592,056)	(294,606,163)
Payment of markup on green bond		(66,016,711)	-
Lease rentals paid	21	(8,400,000)	(8,400,000)
(Payment of) / receipt of short-term borrowings		(20,417,747,270)	19,947,162,570
Payment of transaction cost on issuance of long term borrowings		(3,614,000)	-
Receipt of long term borrowings		1,000,000,000	-
<b>Net cash (used in) / generated from financing activities</b>		<b>(19,659,370,037)</b>	<b>19,644,156,407</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>57,863,505</b>	<b>(1,625,981,850)</b>
Cash and cash equivalents at beginning of the period		253,559,533	1,879,541,383
<b>Cash and cash equivalents at end of the period</b>	34	<b>311,423,038</b>	<b>253,559,533</b>

The annexed notes from 1 to 44 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, 2025**

**1 CORPORATE AND GENERAL INFORMATION**

**1.1 Legal status and operations**

Parwaaz Financial Services Limited ("the Company") was incorporated on December 23, 2020 under the Companies Act, 2017 as a company limited by shares. 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 ("the NBFC Rules") and Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("the NBFC Regulations") on June 22, 2021. The Company became listed on September 12, 2025 after listing its Green Bonds on the Pakistan Stock Exchange pursuant to Chapter 5C of Pakistan Stock Exchange Rule Book, i.e. "Privately Placed Debt Securities' Listing Regulations".

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

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

The ultimate parent of the Company is Karandaz Pakistan.

The Company has complied with insurance coverage requirement as required by NBFC Rules 2003. In accordance with Section 09 (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 Pakistan Credit Rating Agency Limited (PACRA) has assigned long-term rating of A+ (2024: A+) and short-term rating of A1 (2024: A1) to Parwaaz Financial Services Limited on September 26, 2025.

**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. Accounting and reporting standards applicable in Pakistan comprise of:

- IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- 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, directives and notifications issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

Where provisions of, directives and notifications issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984, the NBFC rules and NBFC regulations, and the directives issued by the SECP differ from the IFRS Accounting Standards, the provisions of, directives and notifications issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and NBFC Regulations, or the requirements of the said directives have been followed.

**2.2 Basis of measurement**

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

**2.3 General**

**2.3.1 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees which is the Company's functional currency. All the financial information presented has been rounded off to the nearest rupees, except otherwise stated.

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### **2.3.2 Corresponding figures**

Corresponding figures have been rearranged/reclassified wherever necessary to reflect more appropriate presentation of figures in accordance with accounting and reporting standards as applicable in Pakistan. However no significant reclassifications have been made except for presentation of balances related to financing on behalf of parent company on net basis as disclosed in note 24.2.

### **2.4 Initial application of standards, amendments or an interpretation to existing standards**

#### **2.4.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year**

Certain standards, amendments and interpretations to International Financial Reporting Standards ('IFRS') are effective for accounting period beginning on January 1, 2025, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 01, 2026 but are considered not to be relevant to the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

##### **(a) Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments**

The amendment clarify the timing for recognizing and derecognizing certain financial assets and liabilities, introduce an exception for some financial liabilities settled via electronic cash transfers, provide additional guidance for assessing if a financial asset meets the Solely Payment of Principal and Interest ('SPPI') criterion, require new disclosures for instruments with cash flow changes linked to Environmental, Social and Governance ('ESG') targets, and update disclosures for equity instruments designated at Fair Value through Other Comprehensive Income ('FVOCI').

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

The above mentioned amendment is effective for accounting periods beginning on or after January 01, 2026.

##### **(b) Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-Dependent Electricity**

This amendment changes the 'own use' and hedge accounting requirements of IFRS 9 and includes targeted disclosure requirements to IFRS 7. This amendment applies only to contracts that expose an entity to variability in the underlying amount of electricity because the source of its generation depends on uncontrollable natural conditions (such as the weather). This is described as 'contracts referencing nature-dependent electricity.

This amendment is not expected to have a material impact on the Company's financial statements when it becomes effective.

The above mentioned amendment is effective for accounting periods beginning on or after January 01, 2026.

##### **(c) Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency**

This amendment focuses on the translation procedures applied when an entity's presentation currency is that of a hyperinflationary economy. They clarify the requirements for translating the results and financial position of an entity with a functional currency of a non-hyperinflationary economy, as well as those of a foreign operation whose functional currency is non-hyperinflationary, into a hyperinflationary presentation currency. The amendment is intended to enhance the usefulness of the resulting information in a cost effective manner, reduce diversity in practice, and provide a clearer and more consistent basis for reporting in a hyperinflationary currency, in response to stakeholder feedback.

This amendment is not expected to have a material impact on the Company's financial statements when it becomes effective.

The above mentioned standard is effective for accounting periods beginning on or after January 1, 2027.

**(d) IFRS 18 - Presentation and Disclosure in Financial Statements**

The new standard on presentation and disclosure in financial statements, IFRS 18, focuses on updates to the statement of profit or loss. It introduces key concepts such as the structure of the statement of profit or loss, required disclosures for certain profit or loss performance measures reported outside the financial statements (management-defined performance measures), and enhanced principles on aggregation and disaggregation applicable to the primary financial statements and notes.

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

The above mentioned standard is effective for accounting periods beginning on or after January 1, 2027.

**(e) Annual improvements to International Financial Reporting Standards (IFRS) – Volume 11**

Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash Flows.

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

These improvements are effective for accounting periods beginning on or after January 01, 2026.

**(f) IFRS 19 - 'Subsidiaries without Public Accountability: Disclosures'**

The new standard on presentation and disclosure in financial statements, IFRS 19, focuses on reduced disclosure requirements for eligible subsidiaries. It introduces key concepts such as applying the recognition and measurement requirements of other IFRS Accounting Standards while replacing full disclosure requirements with simplified disclosures, and providing a framework that balances the information needs of users with cost savings for preparers. IFRS 19 is voluntary and applies to subsidiaries that do not have public accountability and whose ultimate or intermediate parent produces consolidated financial statements available for public use in compliance with IFRS Accounting Standards.

This standard is not expected to have a material impact on the Company's financial statements when it becomes effective.

The above mentioned standard is effective for accounting periods beginning on or after January 1, 2027.

**(g) Amendment to IFRS 19 - 'Subsidiaries without Public Accountability: Disclosures'**

This amendment helps eligible subsidiaries by reducing disclosure requirements for Standards and amendments issued between February 2021 and May 2024, specifically:

- IFRS 18 Presentation and Disclosure in Financial Statements;
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12);
- Lack of Exchangeability (Amendments to IAS 21); and
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).

In the future, IFRS 19 will be amended at the same time as the IASB issues or revises other IFRS Accounting Standards.

This amendment is not expected to have a material impact on the Company's financial statements when it becomes effective.

The above mentioned standard is effective for accounting periods beginning on or after January 1, 2027.

### **2.4.3 Exemption from applicability of certain standards**

#### **IFRS 07, 'Financial Instruments: Disclosures'**

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 Significant accounting judgments, estimates and assumptions**

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

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

- (i) Useful lives and residual values of property and equipment - note 4.1.
- (ii) Use of discount rates and interpretation of lease terms - note 4.3.
- (iii) Recognition of deferred tax assets/liabilities and estimation of income tax provision - note 4.9
- (iv) Identification and initial measurement of compound financial instruments - note 4.12.
- (v) Allowance for expected credit losses - note 4.13.

### **4 MATERIAL ACCOUNTING POLICY INFORMATION**

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

#### **4.1 Property and equipment**

##### **Recognition and measurement**

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

##### **Subsequent expenditure**

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

##### **Depreciation**

Depreciation is calculated to charge the cost of items of property and equipment less their estimated residual values using the straight line method and is generally recognized in statement of profit or loss at rates given in note 5 to these financial statements. Capital work in progress is not depreciated.

Depreciation on additions to property, plant and equipment is charged on a pro-rata basis from the date an asset is acquired or capitalized till the date the asset is disposed-off.

##### **Residual values and useful lives**

The Company reviews the residual values and useful lives of property and equipment on a regular basis. Any change in such 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.

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## **Disposal**

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

## **4.2 Intangible assets**

### **Recognition and measurement**

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. Costs associated with maintaining intangible assets, are recognized as an expense as and when incurred.

### **Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands (if any), is recognized in the statement of profit or loss as incurred.

### **Amortisation**

Amortisation is calculated using the straight-line method, to allocate the cost of the intangible assets over its estimated useful life. The Company charges amortisation 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 amortised.

## **4.3 Lease liability and right of use of asset**

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

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

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

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

#### **4.4 Employees' retirement benefits**

##### **Defined contribution plan**

##### **Provident fund**

The Company is operating a provident fund scheme for employees who have opted for the scheme. Equal monthly contributions are made by the employer and the employee to the fund in accordance with the fund rules at the rate of 10% of basic salary. The Company intends to create a separate provident fund trust to manage the employees' provident fund.

#### **4.5 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term borrowings repayable on demand and integral to Company's cash management and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

#### **4.6 Revenue recognition and finance cost**

##### **(a) Revenue recognition**

Revenue comprises of the following:

##### **Markup / income on financing**

Markup income / return on financing is recognized on a time proportion basis using the contractual rates except the markup income / return on stage 3 financing net of provision.

##### **Income from investment**

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

##### **Income on bank deposits**

Return on bank deposits are recognized on time proportionate basis.

##### **Profit on Diminishing Musharika Financing**

The Company enters into Musharika based on Shirkat-ul-Milk for financing and agreed share of the relevant asset with its customers and enters into profit payment agreement for the utilization of the Company's Musharika share by the customer.

##### **Management fee**

Management fee from Parent entity is recognized in accordance with Agency Agreement with Karandaaz Pakistan up to of 1% per annum of the total beginning outstanding disbursed amount of each borrower's loan as per the relevant financing contracts.

##### **Processing fee on financing**

Processing charges are recognized as income when the Company satisfies its performance obligation by rendering the related processing and advisory services to the customer, which is generally upon issuance of the offer letter and completion of the pre-disbursement processing activities. Such charges are recognized only to the extent that they relate to distinct services provided to customers.

## **(b) Finance cost**

Finance cost comprise of markup expense on subordinated loan, long term borrowings, short term borrowings, bank charges and financial charges on lease liability. Finance cost on subordinated loan, long term borrowings, short term borrowings and financial charges on lease liability are recognized in profit or loss using effective markup method.

### **4.7 Provisions**

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

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

### **4.8 Contingent liabilities**

Contingent liability is disclosed when:

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

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

### **4.9 Taxation**

#### **Levy**

In accordance with the application guidance issued by the Institute of Chartered Accountants of Pakistan (ICAP) relating to IAS-12 "Income taxes", any amount in excess of normal tax liability and not based on taxable income is to be treated as a levy. Accordingly, the Company classifies any amount over and above the normal tax as per the enacted tax laws as minimum tax differential and same is treated as levy in term of IAS 37 "Provisions, contingent liabilities and contingent assets" and IFRIC 21 "Levies" and not treated as part of income tax balances if any to be recognised under IAS-12. Similarly final taxes which are not based on normal business income of the Company are also designated as levy.

#### **Income tax**

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 for 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 the 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.

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Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## **Deferred**

Deferred tax is accounted for using the balance sheet 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. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. 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 taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

### **4.10 Financial instruments**

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

#### **4.10.1 Financial Assets**

##### **4.10.1.1 Initial Recognition**

All financial assets are initially measured at fair value. For financial assets classified at FVTPL, transaction costs are expensed immediately in profit or loss. For financial assets classified at amortised cost or FVOCI, transaction costs are included in the initial carrying amount.

##### **4.10.1.2 Classification & Measurement**

The Company classifies its financial assets, based on the business model for managing the financial assets and their contractual cash flow characteristics in the following measurement categories:

- at amortised cost,
- at fair value through profit or loss ("FVTPL") and;
- at fair value through other comprehensive income ("FVOCI")

### **Business model**

The business model reflects how the Company manages the assets in order to generate cash flows, that is, whether the objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

The factors considered by the Company in determining the business model for a group of assets include:

- Past patterns of holding or selling similar financial assets,
- Performance evaluation metrics used by key management,
- Internal risk management strategies and,
- How returns on these assets are reported and monitored internally.

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## **Solely Payments of Principal and Interest ("SPPI")**

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell the underlying asset, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). 'Principal' is defined as the fair value of the financial asset on initial recognition and 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as interest margin.

In assessing whether the contractual cash flows are SPPI, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature aligns with SPPI if it mainly represents unpaid principal and profit.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The classification requirements for debt and equity instruments are described below:

### **(i) Debt instruments**

#### **(a) Amortised cost**

Financial assets that meet the following conditions are 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.

#### **(b) Fair value through other comprehensive income**

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

- 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.

#### **(c) Fair value through profit or loss**

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of profit or loss and presented net within other operating income/expenses in the period in which it arises.

### **(ii) Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the statement of financial position at FVTPL, with gains and losses recognized in the profit or loss, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI.

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#### 4.10.1.3 Subsequent measurement and gains and losses

(i) Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest rate method. Interest income from these financial assets is included in markup income using the effective interest rate method. Any gain or loss arising on derecognition, foreign exchange gains and losses and impairment is recognized directly in profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.
(ii) Financial assets at FVOCI	Debt instruments are subsequently measured at fair value. Interest income is calculated using effective interest rate method. Movements in the carrying amount are taken through OCI except for recognition of impairment gains or losses, markup income and foreign exchange gains & losses on the instrument which are recognized in the statement of profit or loss.
	Equity investments are subsequently measured at fair value. Net gains and losses are recognized in other comprehensive income.
(iii) Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of profit or loss.

#### 4.10.1.4 Modification of financial asset

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs.

If the cashflows are not substantially different i.e., modification of a financial asset does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate (EIR) of the asset and recognises the resulting adjustment as a modification gain or loss in the statement of profit or loss. For floating rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the terms and conditions of the financial asset are not substantially different, the Company recalculates the new gross carrying amount of the financial asset by discounting the modified cash flows of the financial asset using the original EIR. The difference between the new gross carrying amount and the original gross carrying amount is recognized as a modification gain or loss in statement of profit or loss.

#### 4.10.1.5 Reclassifications

The Company reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the year.

#### 4.10.1.6 Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which:

- Substantially all of the risks and rewards of ownership of the financial asset are transferred.
- The Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

##### (a) Amortised cost

On derecognition, the cumulative gain or loss is recognized in the statement of profit or loss.

##### (b) Fair value through other comprehensive income

On derecognition, the cumulative gains or losses previously recognized in OCI are reclassified from equity to the statement of profit or loss and recognized in other income/expenses.

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**(c) Fair value through profit or loss**

On derecognition, the cumulative gain or loss is recognized in the statement of profit or loss.

**4.10.1.7 Write-offs**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Against each customer's outstanding exposure which stands as impaired, the Company makes an assessment with respect to the timing and amount of write-off based on the expectation of recovery. However, financial assets that are written off remain subject to legal enforcement activities for recovery of amounts due.

**4.10.1.8 Financing**

Financing comprises of long term and short term facilities extended to Small and Medium Enterprises (SMEs) and non-SMEs. Financing facilities are held within a business model whose objective is to collect contractual cash flows; accordingly, these assets are measured at amortised cost and the related income is recognised using the effective interest rate method. The Company classifies its outstanding exposure at stage 1, stage 2, and stage 3. Financing is stated net of provision for financing, if any, determined as per the policy of the Company.

The classification of financing under the ECL model adopted by the Company is as follows:

**Stage 1 – 12-month ECL**

Applies to financial assets with no significant increase in credit risk.

**Stage 2 – Lifetime ECL**

Applies to financial assets with a significant increase in credit risk since initial recognition.

**Stage 3 – Lifetime ECL**

Applies to financial assets that are credit-impaired.

For details on impairment of financial assets, refer to note 4.13.

**Calculating interest income under IFRS 9**

	No objective evidence of impairment exists (Stage 1)	Objective evidence of impairment (Stage 2)	Credit adjusted approach (Stage 3)
<b>Base on which interest income is calculated</b>	Carrying amount of the asset at the beginning of the period before allowance for ECLs	Carrying amount of the asset at the beginning of the period before allowance for ECLs	Carrying value of the asset at the beginning of the period after allowance for ECLs
<b>Interest rate to apply to base</b>	Effective interest rate	Effective interest rate	Credit adjusted effective interest rate

The effective interest rate is the rate that discounts the estimated future cash flows from the asset to the asset's amortised cost before any allowance for expected credit losses. The credit adjusted effective interest rate differs from the effective interest rate in that estimates of future cash flows includes an adjustment for expected credit losses.

**4.10.2 Financial liabilities**

**4.10.2.1 Initial Recognition**

Financial liabilities are recognized at the time the Company becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value less any directly attributable transaction cost.

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#### 4.10.2.2 Classification

The Company determines the classification of its financial liabilities at initial recognition. The classification of financial liabilities is as follows:

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

A financial liability is classified as FVTPL if it is classified as held for trading or it is designated as such on initial recognition. Other financial liabilities are measured at amortised cost using the effective interest rate method.

#### 4.10.2.3 Subsequent measurement and gains and losses

(i) Financial liabilities at amortised costs	After initial recognition, financial liabilities which are interest bearing are subsequently measured at amortised cost using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss.
(ii) Financial liabilities at FVTPL	Net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

#### 4.10.2.4 Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Any gain or loss on derecognition of financial liabilities is taken to the statement of profit or loss.

#### 4.11 Payable to parent entity

The Company undertakes lending facilitation and servicing activities on behalf of its parent entity, Karandaz Pakistan under an agency agreement. The Company does not obtain control over the underlying loan assets and does not assume credit risk or variability on returns associated with such lending activities. Accordingly, the Company acts as an agent in these arrangements. Amounts collected from borrowers on behalf of Karandaz as well as amounts received from Karandaz but not yet disbursed are recognized as amounts payable to the parent entity. The Company does not recognize interest income or expected credit losses in respect of these lending arrangements, as it does not bear the associated risks and rewards.

#### 4.12 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 component is presented net of related deferred tax as a separate component of equity.

#### 4.13 Impairment

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt and equity instrument assets carried at amortised cost and FVOCI. 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.

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## **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 12-month expected credit losses. 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).

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 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 the latest available data from the Moody's Annual Default Study. 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.

LGD is calculated as the difference between the contractual cash flows due, and those that the Company expects to receive, including amounts recoverable from collateral and other credit enhancements.

The management considers historical recovery patterns where available while estimating LGD. For portfolios where sufficient internal historical recovery data is not available, or is not considered robust for statistical estimation, the Company applies externally benchmarked loss assumptions. Such benchmarked assumptions are periodically reviewed and updated to ensure they remain appropriate in light of:

- evolving portfolio composition;
- observed recovery experience; and
- changes in macroeconomic conditions.

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.

The impact of ECL on financial assets except long term and short term financing is not material, and therefore not recognised in these financial statements.

#### **4.14 Employee loans**

Employee loans are subsidised loans disbursed to the employees of the Company and have been recorded at fair value resulting in recognition of fair value adjustment on initial recognition. The difference between the fair value of the loan and the amount disbursed is recorded in the statement of profit or loss at the time of initial recognition. The loan asset is amortised over the period of the subsidised employee loans.

#### **4.15 Earnings per share**

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue. Diluted earnings per share is calculated by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares for the effects of all dilutive potential ordinary shares. Where the effect of potential ordinary shares is anti-dilutive or the underlying conditions for issuance have not been met, they are excluded from the calculation of diluted earnings per share. As at year end, the effect of option in relation to subordinated loan by Parent Company has been excluded from the diluted average number of ordinary shares calculation since the effect is anti-dilutive. Accordingly, diluted earning per share is equal to basic earning per share.

#### **4.16 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.

#### **4.17 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.

#### **4.18 Share capital**

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

#### **4.19 Segment reporting**

Operating segments are reported in a manner consistent with the internal reports issued to the chief operating decision-maker. The Chief Executive Officer has been identified as the 'chief operating decision-maker', who is responsible for allocating resources and assessing performance of the operating segments. Currently, the Company is functioning as a single operating segment.

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5	Property and equipment	Note	2025	2024
			(Rupees)	(Rupees)
	Property and equipment	5.1	<u>33,481,791</u>	<u>45,510,646</u>

5.1 Property and equipment

2025					
	Computer Equipment	Office Equipment	Furniture and Fixtures	Motor Vehicle	Total
(Rupees)					
<b>Net carrying value basis</b>					
Year ended December 31, 2025					
Opening net book value (NBV) as at January 01, 2025	3,599,367	2,037,455	31,568,826	8,304,998	45,510,646
Additions (at cost) during the year	306,232	109,605	36,153	-	451,990
Depreciation charge for the year	(2,421,079)	(482,527)	(7,668,834)	(1,908,405)	(12,480,845)
Closing net book value (NBV) as at December 31, 2025	<u>1,484,520</u>	<u>1,664,533</u>	<u>23,936,145</u>	<u>6,396,593</u>	<u>33,481,791</u>
<b>Gross carrying value basis</b>					
As at December 31, 2025					
Cost	9,843,525	2,542,471	38,579,072	9,540,004	60,505,072
Accumulated depreciation	(8,359,005)	(877,938)	(14,642,927)	(3,143,411)	(27,023,281)
Net book value (NBV)	<u>1,484,520</u>	<u>1,664,533</u>	<u>23,936,145</u>	<u>6,396,593</u>	<u>33,481,791</u>
Depreciation rate per annum	<u>33%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	
<b>Net carrying value basis</b>					
2024					
Year ended December 31, 2024					
Opening net book value (NBV) as at January 01, 2024	5,663,760	254,954	264,678	147,779	6,331,171
Additions (at cost) during the year	919,085	2,105,351	19,617,306	9,390,505	32,032,247
Transfer from CWIP	-	-	18,575,113	-	18,575,113
Depreciation charge for the year	(2,983,478)	(322,850)	(6,888,271)	(1,233,286)	(11,427,885)
Closing net book value (NBV) as at December 31, 2024	<u>3,599,367</u>	<u>2,037,455</u>	<u>31,568,826</u>	<u>8,304,998</u>	<u>45,510,646</u>
<b>Gross carrying value basis</b>					
As at December 31, 2024					
Cost	9,537,293	2,432,866	38,542,919	9,540,004	60,053,082
Accumulated depreciation	(5,937,926)	(395,411)	(6,974,093)	(1,235,006)	(14,542,436)
Net book value (NBV)	<u>3,599,367</u>	<u>2,037,455</u>	<u>31,568,826</u>	<u>8,304,998</u>	<u>45,510,646</u>
Depreciation rate per annum	<u>33%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	

5.2 Depreciation expense for the year on entity's owned property & equipment has been charged to administrative expenses as referred in note 30.

5.3 The gross carrying value of fully depreciated assets that are still in use amounted to Rs. 2,735,081 (2024: Rs. 1,252,078).

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7	Intangible assets	Note	2025	2024
			(Rupees)	(Rupees)
	Computer softwares and licenses	7.2	28,872,478	42,063,507

7.1	Intangible assets		2025
			Computer softwares and licenses
		Note	(Rupees)

#### Net carrying value basis

Year ended December 31, 2025

Opening net book value as at January 01, 2025		42,063,507
Amortisation charge for the year	30	(13,191,029)
Closing net book value as at December 31, 2025		28,872,478

#### Gross carrying value basis

As at December 31, 2025

Cost		52,764,116
Accumulated amortisation		(23,891,638)
Closing net book value as at December 31, 2025		28,872,478

Amortisation rate per annum

25%

#### Net carrying value basis

Year ended December 31, 2024

		2024
		(Rupees )
Opening net book value as at January 01, 2024		30,286,352
Additions during the year		20,458,674
Amortisation charge for the year	30	(8,681,519)
Closing net book value as at December 31, 2024		42,063,507

#### Gross carrying value basis

As at December 31, 2024

Cost		52,764,116
Accumulated amortisation		(10,700,609)
Closing net book value as at December 31, 2024		42,063,507

Amortisation rate per annum

25%

7.2 This represents computer softwares and licenses of the Company. Amortisation expense for the year on the intangible assets has been charged to administrative expenses as referred in note 30.

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		<b>2025</b>	<b>2024</b>
	<b>Note</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>8 Capital work in progress</b>			
Opening Balance		-	18,575,113
(Transfers)/Additions	8.1	-	(18,575,113)
Closing balance		-	-
<b>8.1</b>	This included architectural designing, equipment installation cost and equipment cost.		
<b>9 Long term financing - net</b>			
Long term financing - gross	9.1	1,762,207,837	954,346,195
Accrued interest on long term financing		25,476,509	19,329,670
		<u>1,787,684,346</u>	<u>973,675,865</u>
<b>Less:</b>			
Current maturity		658,553,054	249,325,707
Accrued interest on long term financing disclosed separately	12	25,476,509	19,329,670
		684,029,563	268,655,377
<b>Provision for expected credit loss:</b>			
Stage 1 & 2 ECL	9.3	17,206,498	14,112,983
Stage 3 ECL		-	-
<b>Total Provision</b>		17,206,498	14,112,983
<b>Net long term financing</b>		<u>1,086,448,285</u>	<u>690,907,505</u>
<b>9.1</b>	This represents term finance facilities provided on a markup basis, with rates ranging from 12.63% to 18.18% per annum (2024: 14.18% to 25.99%). These loans are repayable over 3 to 7 years from the disbursement date and are secured through personal guarantees of directors, mortgages, or charges over plant and machinery.		

Additionally, it covers musharika finance facilities offered to customers at a profit rate of 12.63% to 15.18% per annum (2024: 15.14%). These facilities have a repayment terms of 3.5 to 5 years (2024: 5 years) and are secured by assets covered under the musharika agreement.

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## 9.2 Financing - Exposures

	2025			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	878,545,263	75,800,932	-	954,346,195
Additions	894,614,033	174,019,593	-	1,068,633,626
Financing derecognised or repaid	(194,055,298)	(66,716,686)	-	(260,771,984)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(216,095,510)	216,095,510	-	-
Transfer to Stage 3	-	-	-	-
	(216,095,510)	216,095,510	-	-
Closing balance	1,363,008,488	399,199,349	-	1,762,207,837

	2024			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	261,472,299	94,764,512	-	356,236,811
Additions	659,181,267	-	-	659,181,267
Financing derecognised or repaid	(34,642,576)	(26,429,307)	-	(61,071,883)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(7,465,727)	7,465,727	-	-
Transfer to Stage 3	-	-	-	-
	(7,465,727)	7,465,727	-	-
Closing balance	878,545,263	75,800,932	-	954,346,195

## 9.3 Particulars of provision against financing

	2025			2024		
	Stage 1 & 2	Stage 3	Total	Stage 1 & 2	Stage 3	Total
	(Rupees)			(Rupees)		
Balance at 01 January	14,112,984	-	14,112,984	5,254,798	-	5,254,798
Opening ECL adjustment	-	-	-	(247,693)	-	(247,693)
Balance at 01 January adjusted	14,112,983	-	14,112,983	5,007,105	-	5,007,105
Provision charge for the year	3,093,515	-	3,093,515	9,105,878	-	9,105,878
Balance at 31 December	17,206,498	-	17,206,498	14,112,983	-	14,112,983

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10 **Deferred tax asset / (liability) - net**

The deferred tax asset / (liability) comprises of the following:

**Deductible temporary differences:**

Provision for expected credit loss on financing  
Lease liability  
Accrued finance cost  
Advances to employees  
Property and equipment  
Pre-commencement expenses

**Less: Taxable temporary differences:**

Accrued interest on term deposit receipts (TDRs), T-bills  
and savings accounts  
Right of use asset  
Impact of tax on subordinated loan  
Property and equipment

Deferred tax asset / (liability) - net

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

	2025 (Rupees)	2024 (Rupees)
Provision for expected credit loss on financing	67,868,811	29,823,005
Lease liability	4,457,153	5,542,285
Accrued finance cost	-	97,594,067
Advances to employees	761,267	-
Property and equipment	1,159,836	-
Pre-commencement expenses	750,614	750,614
	<u>74,997,681</u>	<u>133,709,971</u>
Accrued interest on term deposit receipts (TDRs), T-bills and savings accounts	1,332,522	122,858,636
Right of use asset	5,090,190	6,835,395
Impact of tax on subordinated loan	27,524,162	27,524,162
Property and equipment	-	2,816
	<u>33,946,874</u>	<u>157,221,009</u>
	<u>41,050,807</u>	<u>(23,511,038)</u>

**Deferred taxation**

**Deductible / (taxable) temporary difference**

Provision for expected credit loss on financing  
Lease liability  
Advances to employees  
Property and equipment  
Pre-commencement expenses  
Accrued finance cost  
Accrued interest on term deposit receipts (TDRs), T-bills  
and savings accounts  
Right of use asset  
Impact of tax on subordinated loan

Opening	2025 Reversal from / (charge to)			OCI	Closing
	Profit or loss	Equity	(Rupees)		
29,823,005	38,045,806	-	-	-	67,868,811
5,542,285	(1,085,132)	-	-	-	4,457,153
-	761,267	-	-	-	761,267
(2,816)	1,162,652	-	-	-	1,159,836
750,614	-	-	-	-	750,614
97,594,067	(97,594,067)	-	-	-	-
(122,858,636)	121,526,114	-	-	-	(1,332,522)
(6,835,395)	1,745,205	-	-	-	(5,090,190)
(27,524,162)	-	-	-	-	(27,524,162)
<u>(23,511,038)</u>	<u>64,561,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,050,807</u>

**Deferred taxation**

**Deductible / (taxable) temporary difference**

Provision for expected credit loss on financing  
Lease liability  
Advances to employees  
Property and equipment  
Pre-commencement expenses  
Accrued finance cost  
Accrued interest on term deposit receipts (TDRs), T-bills  
and savings accounts  
Right of use asset  
Impact of tax on subordinated loan

Opening	2024 Reversal from / (charge to)			OCI	Closing
	Profit or loss	Equity	(Rupees)		
12,558,030	14,949,417	2,315,558	-	-	29,823,005
5,686,142	(143,857)	-	-	-	5,542,285
-	-	-	-	-	-
(540,152)	537,336	-	-	-	(2,816)
1,501,229	(750,615)	-	-	-	750,614
-	97,594,067	-	-	-	97,594,067
(9,191,547)	(113,667,089)	-	-	-	(122,858,636)
(7,883,010)	1,047,615	-	-	-	(6,835,395)
(27,524,162)	-	-	-	-	(27,524,162)
<u>(25,393,470)</u>	<u>(433,126)</u>	<u>2,315,558</u>	<u>-</u>	<u>-</u>	<u>(23,511,038)</u>

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	Note	2025 (Rupees)	2024 (Rupees)
<b>11 Long term advances and deposits</b>			
Employee loans	11.1 & 11.2	30,908,468	-
Less: current portion of employee loans		(12,609,171)	-
Non-current portion of employee loans		18,299,297	-
Security deposits	11.3	3,776,875	3,776,875
		<u>22,076,172</u>	<u>3,776,875</u>

**11.1** This amount represents below market loans provided to employees carrying markup rate of 4% (December 31, 2024: nil) and includes loans to key management personnel amounting to Rs. 30,318,283 (December 31, 2024: Rs. nil). These have been recorded at fair value on initial recognition and are being measured at amortised cost over the period of the loan.

	2025 (Rupees)	2024 (Rupees)
The movement in below market employee loans during the year is as follows:		
Employee loans disbursed during the year	43,716,500	-
Less: employee benefit expense	(4,244,437)	-
Fair value at initial recognition	39,472,063	-
Interest income on employee loans during the year	2,568,660	-
Less: repayments during the year	(9,315,762)	-
Less: carrying value of loans provided to leavers derecognised during the period	(1,816,493)	-
Closing balance of employee loans	<u>30,908,468</u>	<u>-</u>

**11.2** This includes personal loan to the Chief Executive Officer. The movement in the below market loan to the Chief Executive Officer is as follows:

	Note	2025 (Rupees)	2024 (Rupees)
Loan disbursed during the year		13,600,000	-
Less: employee benefit expense		(1,294,008)	-
Fair value at initial recognition		12,305,992	-
Interest income on loan during the year		815,342	-
Less: repayments during the year		(3,141,138)	-
Closing balance of loan to Chief Executive Officer		<u>9,980,196</u>	<u>-</u>

**11.3** These deposits include a security deposit for the Company's head office at 4th Floor, 34-S, Main Boulevard, Gulberg 2, paid to the landlord, and a deposit with PSO for managing employee fuel cards.

These represent long term deposits that are either not recorded at present value as per IFRS - 9 "Financial Instruments" because of immaterial impact on the financial statements or due to practical limitation to estimate the timing of cashflows.

	Note	2025 (Rupees)	2024 (Rupees)
<b>12 Advances, deposits, prepayments and other receivables</b>			
Accrued interest on financing		99,040,540	61,263,246
Provision for expected credit loss on accrued interest on financing	12.2	(16,554,206)	(9,669,308)
Accrued interest on financing - net		82,486,334	51,593,938
Current portion of employee loans		12,609,171	-
Accrued interest on savings accounts		4,594,905	9,566,367
Prepayments		4,577,911	2,920,467
Other receivables	12.1	5,863,987	8,054,628
		<u>110,132,308</u>	<u>72,135,400</u>

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**12.1** This includes an amount of Rs. 2,445,354 (2024: Rs. 1,274,284) receivable from parent entity against management fee for managing its portfolio under agency agreement and expenses incurred on behalf of parent entity.

The aggregate maximum amount due from related parties at the end of any month during the year was Rs. 2,671,448 (2024: Rs. 2,350,731). The amounts due from related parties are less than 180 days old.

	Note	2025 <u>(Rupees)</u>	2024 <u>(Rupees)</u>
<b>12.2</b>	<b>Particulars of provision against accrued</b>		
	<b>interest on financing</b>		
	Balance at January 1, 2025	9,669,308	3,848,372
	Opening ECL adjustment	-	543,603
	Charge for the year	6,884,898	5,277,333
	Balance at December 31, 2025	<u>16,554,206</u>	<u>9,669,308</u>
<b>13</b>	<b>Short term financing - net</b>		
	Short term financing - gross	2,334,875,256	1,700,472,600
	Accrued interest on short term financing	73,564,031	41,933,576
		<u>2,408,439,287</u>	<u>1,742,406,176</u>
	<b>Less:</b>		
	Accrued interest on short term financing disclosed separately	73,564,031	41,933,576
		<u>73,564,031</u>	<u>41,933,576</u>
	<b>Provision for expected credit loss:</b>		
	Stage 1 & 2 ECL	21,808,600	58,155,659
	Stage 3 ECL	178,461,079	20,900,000
	<b>Total Provision</b>	200,269,679	79,055,659
		<u>200,269,679</u>	<u>79,055,659</u>
	<b>Net short term financing</b>	<u>2,134,605,577</u>	<u>1,621,416,941</u>

**13.1** This represents short term finance facilities provided on markup basis. The markup on these loans ranges from 12.04% to 36% (2024: 13.14% to 32%) per annum. These are secured against personal guarantees of directors, mortgagors, charge over plant and machinery and/or post dated cheques.

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### 13.2 Financing - Exposures

	2025			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	1,528,472,600	150,000,000	22,000,000	1,700,472,600
Additions	982,982,560	124,656,331	16,033,881	1,123,672,772
Financing derecognised or repaid	(339,270,116)	(150,000,000)	-	(489,270,116)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(176,861,305)	176,861,305	-	-
Transfer to Stage 3	(359,026,095)	-	359,026,095	-
	(535,887,400)	176,861,305	359,026,095	-
Closing balance	1,636,297,644	301,517,636	397,059,976	2,334,875,256

	2024			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	1,054,000,000	10,000,000	22,000,000	1,086,000,000
Additions	854,490,601	48,500,000	-	902,990,601
Financing derecognised or repaid	(278,518,001)	(10,000,000)	-	(288,518,001)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(101,500,000)	101,500,000	-	-
Transfer to Stage 3	-	-	-	-
	(101,500,000)	101,500,000	-	-
Closing balance	1,528,472,600	150,000,000	22,000,000	1,700,472,600

### 13.3 Particulars of provision against financing

	2025			2024		
	Stage 1 & 2	Stage 3	Total	Stage 1 & 2	Stage 3	Total
	(Rupees)			(Rupees)		
Balance at 01 January	58,155,659	20,900,000	79,055,659	15,544,672	18,655,711	34,200,383
Opening ECL adjustment	-	-	-	5,444,484	2,244,289	7,688,773
Balance at 01 January - adjusted	58,155,659	20,900,000	79,055,659	20,989,156	20,900,000	41,889,156
Provision charge / (reversal) for the year	(36,347,059)	157,561,079	121,214,020	37,166,503	-	37,166,503
Balance at 31 December	21,808,600	178,461,079	200,269,679	58,155,659	20,900,000	79,055,659

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14	Short term investments	Note	2025	2024
			(Rupees)	(Rupees)
<b>Amortised cost</b>				
	Pakistan Investment Bonds	14.1	-	1,527,685,174
	Treasury Bills	14.2	53,168,752	19,275,763,343
			<u>53,168,752</u>	<u>20,803,448,517</u>

14.1 These have been redeemed at Rs. 1,541,920,180 in the month of January 2025 and carried markup of 13.25% per annum (2024: 13.25% per annum).

Rate of interest	2024			
	Principal	Accrued Interest	Amortised Cost	
	Rupees			
Allied Bank Limited - PIBs	13.25%	1,499,990,674	27,694,500	1,527,685,174

14.2 The redemption value of these Treasury Bills amounts to Rs. 54,500,000 (December 31, 2024: Rs. 19,443,089,000). These carry effective markup rate ranging from 10.90% to 19.19% per annum (2024: 11.89% to 21.95% per annum). These instruments have maturity falling in the months of February and May 2026.

Rate of interest	2025			
	Principal	Accrued Interest	Amortised Cost	
	Rupees			
T Bill - 6 months	10.85%	22,957,935	232,596	23,190,531
T Bill - 3 months	11.02%	29,541,864	436,357	29,978,221
		<u>52,499,799</u>	<u>668,953</u>	<u>53,168,752</u>

Rate of interest	2024			
	Principal	Accrued Interest	Amortised Cost	
	Rupees			
T Bill - 2.5 months	13.50%	18,480,521,000	368,135,623	18,848,656,623
T Bill - 6 months	19.19%	200,786,520	16,850,000	217,636,520
T Bill - 6 months	13.42%	14,715,202	259,726	14,974,928
T Bill - 12 months	12.19%	149,741,928	300,058	150,041,986
T Bill - 6 months	11.89%	25,016,822	48,896	25,065,718
T Bill - 6 months	15.75%	18,592,291	795,277	19,387,568
		<u>18,889,373,763</u>	<u>386,389,580</u>	<u>19,275,763,343</u>

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15	Taxation - net	Note	2025 (Rupees)	2024 (Rupees)
	Balance at January 1		22,840,585	12,232,410
	Income tax paid / withheld during the year		37,941,360	38,852,995
	Current tax charge	32	(38,228,241)	(27,101,119)
	Impact of ECL as per adoption of IFRS 9		-	(1,143,701)
	Balance at December 31		<u>22,553,704</u>	<u>22,840,585</u>

#### 16 Cash and bank balances

	Cash at bank			
	Savings accounts	16.1	281,430,610	253,537,968
	Cash in hand		20,959	21,565
			<u>281,451,569</u>	<u>253,559,533</u>

16.1 The balance in savings bank accounts bear mark up at rates ranging from 1% to 11.50% (2024: 8.69% to 20.57%) per annum.

#### 17 Share capital and reserves

##### 17.1 Authorised share capital

2025 (Number of shares)	2024 (Number of shares)	2025 (Rupees)	2024 (Rupees)
<u>300,000,000</u>	<u>300,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>

##### 17.2 Issued, subscribed and paid up share capital

2025 (Number of shares)	2024 (Number of shares)	2025 (Rupees)	2024 (Rupees)
<u>150,000,000</u>	<u>150,000,000</u>	<u>1,500,000,000</u>	<u>1,500,000,000</u>
			Ordinary shares of Rs. 10 each, fully paid in cash

##### 17.3 Movement in ordinary shares

There was no movement in ordinary shares during the year.

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

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

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		<u>2025</u>	<u>2024</u>
	Note	(Rupees)	(Rupees)
<b>18</b>	<b>Equity portion of subordinated loan - net of tax</b>		
	Equity portion of subordinated loan - net of tax	67,386,742	67,386,742
<b>18.1</b>	This represents equity portion of subordinated loan as referred to in note 19.		
<b>19</b>	<b>Subordinated loan</b>		
	Subordinated loan from parent entity	1,485,677,374	1,484,412,177
<b>19.1</b>	This represents the liability component of a subordinated loan classified as a compound financial instrument, obtained under an agreement between Karandaaz Pakistan (the parent entity) and the Company, dated November 28, 2022, following SECP approval. The loan has a tenure of five years and currently carries a markup of 3-month KIBOR minus 2% per annum, payable quarterly. The loan is subordinated to other indebtedness of the Company.		
<b>20</b>	<b>Long term borrowings</b>		
	Long term borrowings - Green bonds	1,011,941,333	-
<b>20.1</b>	During the period, the Company issued Rs. 1,000,000,000 Green Bonds (1,000 Term Finance Certificates at par value of Rs. 1,000,000 each) through a private placement to nine institutional investors. The green bonds were listed on the Pakistan Stock Exchange on September 12, 2025. These instruments rated AA- by PACRA, are to provide financing relating to renewable energy, clean agriculture, and transportation initiatives. This includes markup payable amounting to Rs. 15,555,330 (December 31, 2024: nil). The major terms are as follows:		
	- Maturity date: 3 years from the issue date		
	- Profit rate, payment and frequency: 3-month KIBOR plus 1% per annum, with quarterly interest payments payable in arrears and within 5 days of due date.		
	- Principal repayments: Amortisation of principal will occur in four quarterly instalments during the last year and payable along with profit within 5 days of due date.		
<b>20.2</b>	The Green Bonds are secured by a registered hypothecation charge over the Company's existing and future book debts, receivables, loans and advances, with a margin of 25%. In addition, Karandaaz Pakistan has provided a debt service reserve support arrangement in favour of Pak Oman Investment Company Limited, acting as the Investment Agent for the benefit of the TFC holders under the agreement "Letter of Lien and Right of Set-Off" dated March 19, 2025. Karandaaz Pakistan created a lien and right of set-off over amounts maintained in a Debt Service Reserve Account ("DSRA") held with Bank Alfalah Limited. This account is in the name of Karandaaz Pakistan.		
<b>20.3</b>	Proceeds from the green bonds amounting to Rs. 952,044,543 million are utilized against renewable energy and solar projects, whereas unutilized proceeds amount to Rs. 47,955,457 as at December 31, 2025. The unutilized proceeds are kept with Bank Alfalah Limited having a rating of A1+/AAA.		
<b>21</b>	<b>Lease liability</b>		
	Lease liability	15,369,492	19,111,329
	Less: Current portion of lease liability	6,698,022	8,400,000
	Non-current lease liability	8,671,470	10,711,329

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**21.1** The lease obligation relates to a 5 year rental agreement (expiring on November 30, 2028) for the Company's head office. Rentals are payable in advance on annual basis, with an increment of 25% after 3 years from the initial date (December 01, 2023). The Company has recognized a right of use asset at the present value of the lease payments at the incremental borrowing rate of 22.69% and prepaid rental instalment. The Company is reasonably certain that it will not exercise its option to terminate the agreement early. The Company is also reasonably certain that it will not exercise the extension option in the lease agreement.

	Note	2025 (Rupees)	2024 (Rupees)
<b>21.2</b> Opening balance		19,111,329	19,607,382
Additions during the year		-	2,446,262
Finance cost		4,658,163	5,457,685
Repayments		(8,400,000)	(8,400,000)
Closing balance		15,369,492	19,111,329

**21.3 Maturity analysis**

Undiscounted lease payments are as follows:

1 year		10,500,000	8,400,000
2 years		10,500,000	10,500,000
3 years			10,500,000
4 years		-	-
5 years		-	-
		21,000,000	29,400,000
Future finance cost		(5,630,508)	(10,288,671)
Lease liability as at December 31, 2025		15,369,492	19,111,329

**22 Accrued and other liabilities**

Provident fund payable	22.1	61,414,593	58,990,177
Accrued liabilities		3,738,939	27,272,544
Tax deducted at source		6,146,334	4,934,606
Other payables	22.2	31,908,571	39,003,861
		103,208,437	130,201,188

**22.1** As of the reporting date, the Company is in the process of establishing a recognized provident fund. Accordingly, provident fund contributions held by the Company and markup accrued thereon shall be transferred to the provident fund once the due process is complete.

**22.2** This represents amounts payable in respect of operational and administrative obligations outstanding at the reporting date. These include payables to vendors, employees, service providers and other routine business-related parties. Payable to employees against reimbursements amounts to Rs. 1,223,695 (2024: Rs. 90,155).

	Note	2025 (Rupees)	2024 (Rupees)
<b>23</b> Short term borrowings			
Short term borrowings	23.1	-	20,283,693,837

**23.1** This included short-term borrowings taken from Allied bank at 3-months KIBOR minus 2% to be reinvested in PIBs and T-bills. These borrowings were repaid in the month of January 2025.

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		<u>2025</u>	<u>2024</u>
	Note	(Rupees)	(Rupees)
<b>24</b>	<b>Payable to parent entity</b>		
	Payable to Karandaaz under Agency Agreement - net	131,491,344	68,576,320
<b>24.1</b>	This represents amount owed to Karandaaz Pakistan under the Agency Agreement, comprising funds held on behalf of Karandaaz.		
		<u>2025</u>	<u>2024</u>
		(Rupees)	(Rupees)
<b>24.2</b>	Breakup of closing balance of payable to parent entity is as follows		
	Gross amount payable to Karandaaz Pakistan		
	- Funds received and disbursed to parties	1,994,205,261	922,443,090
	- Undisbursed funds and recovered loan amounts not yet repaid to parent	91,147,384	56,433,718
		2,085,352,645	978,876,808
	Markup received and not yet repaid to parent	40,343,960	12,142,602
		2,125,696,605	991,019,410
	Financing made on behalf of Karandaaz Pakistan and receivable from identified borrowers	(1,994,205,261)	(922,443,090)
	Net amount payable to Karandaaz Pakistan under Agency Agreement	131,491,344	68,576,320

**25 Contingencies and commitments**

- 25.1** There are no known contingencies at the reporting date.
- 25.2** The Company has commitments in respect of contractual obligations amounting to Rs. 7,821,600 as at December 31, 2025 (2024: Rs. 17,702,100). These commitments relate to building maintenance services from Daftarkhwan, enterprise resource planning services from Unikrew Solutions, and tax advisory services from EY Ford Rhodes.

		<u>2025</u>	<u>2024</u>
	Note	(Rupees)	(Rupees)
<b>26</b>	<b>Markup on financing</b>		
	Markup on long term financing	164,755,134	120,592,631
	Markup on short term financing	266,405,538	265,083,275
	Profit from diminishing musharika	17,314,931	-
		448,475,603	385,675,906

- 26.1** This represents markup on financing on long term basis bearing markup as mentioned in note 9 to these financial statements.
- 26.2** This represents markup on financing on short term basis bearing markup as mentioned in note 13 to these financial statements.
- 26.3** This represents profit from diminishing musharakah on long term basis bearing markup as mentioned in note 9.1 to these financial statements.

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		<b>2025</b>	<b>2024</b>
	<b>Note</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>27</b>	<b>Income other than markup on financing</b>		
	Markup on treasury bills	227,473,368	605,499,383
	Markup on Pakistan investment bonds	-	27,694,500
	Markup on savings accounts	41,933,857	60,402,291
	Management fee from parent entity	10,635,680	6,398,100
	Processing fee on financing	10,135,933	6,328,616
	Income from cost-sharing arrangement with Palladium International Limited	11,431,920	-
	Other income	2,568,660	-
		<u>304,179,418</u>	<u>706,322,890</u>

**27.1** This represents markup earned on treasury bills as disclosed in note 14.2 of these financial statements.

**27.2** This represents markup earned on Pakistan investment bonds as disclosed in note 14.1 of these financial statements.

**27.3** This represents markup earned from saving accounts as disclosed in note 16.1 of these financial statements.

**27.4** This represents management fee from parent entity recognized in accordance with Agency Agreement with Karandaaz Pakistan with markup up to of 1% per annum of the total beginning outstanding disbursed amount of each borrower's loan as per the relevant financing contracts.

**27.5** This represents processing charges received from customers prior to loan disbursement. These charges are intended to cover legal, consultancy, and other administrative overheads incurred for each transaction.

**27.6** This represents income from Palladium International Limited that supports companies in green initiatives such as renewable energy, clean agriculture, and transportation, under its Mobilist Product Platform Programme. As per the agreement, Palladium reimburses 50% of the Parwaaz Green Action Bond's technical assistance costs through a cost-sharing arrangement.

		<b>2025</b>	<b>2024</b>
	<b>Note</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>28</b>	<b>Finance cost</b>		
	Markup on subordinated loan	164,857,253	284,626,576
	Markup on short-term borrowing	134,053,433	336,531,267
	Bank charges	135,291	86,753
	Financial charges on lease liability	4,658,163	5,457,685
	Markup on long term borrowings	81,572,044	-
		<u>385,276,184</u>	<u>626,702,281</u>

**28.1** This represents markup on subordinated loan from Karandaaz Pakistan as mentioned in note 19 to these financial statements.

**28.2** This represents markup on short-term borrowings taken from Allied bank at 3-months KIBOR minus 2% which had been invested in PIBs and T-bills as mentioned in note 23 to these financial statements.

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**28.3** This represents markup on long term borrowings bearing markup from 12.06% to 12.38% (2024: nil).

		<b>2025</b>	<b>2024</b>
	<b>Note</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>29</b>	<b>Net loss on derecognition of financial assets measured at amortised cost</b>		
	Net loss on derecognition of financial assets	1,493,763	-

**29.1** The amount represents a net loss on derecognition of treasury bills resulting from their early maturity.

		<b>2025</b>	<b>2024</b>
	<b>Note</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>30</b>	<b>Administrative expenses</b>		
	Salaries, wages and benefits	212,120,220	232,032,845
	Employee benefit expense	4,244,437	-
	Legal and professional fees	12,507,381	10,029,983
	Auditors remuneration	4,746,250	2,177,337
	Travel, lodging and per diems	21,232,063	23,489,562
	Short term lease expense	6,876,355	7,767,912
	Utilities	4,956,146	7,016,461
	Depreciation on property and equipment	12,480,845	11,427,885
	Depreciation on ROU Asset	6,017,953	6,058,723
	Amortisation on intangibles	13,191,029	8,681,519
	Printing and stationery	808,175	943,069
	Marketing/branding	1,605,501	1,920,705
	Fees and subscription	24,613,374	4,604,323
	Vehicle operations and maintenance	418,444	479,656
	Consultancy	1,698,992	4,662,439
	Insurance expense	427,943	484,345
	Office expenses	4,236,900	6,394,652
	Directors' fees	5,635,000	5,250,000
		<b>337,817,008</b>	<b>333,421,416</b>

**30.1** This includes expense related to employer's contribution to staff provident fund for the year amounting to Rs. 15,709,953 (2024: Rs. 14,620,202).

**30.2** This represents expense booked on the employee benefit portion of employee loans provided at below market rate as disclosed in note 11.1 of these financial statements.

		<b>2025</b>	<b>2024</b>
		<b>(Rupees)</b>	<b>(Rupees)</b>
<b>30.3</b>	<b>Auditor's remuneration</b>		
	Statutory audit	2,583,000	1,600,000
	Review of interim financial statements	567,000	400,000
	Certifications' charges	1,391,250	-
	Out of pocket expenses	205,000	177,337
		<b>4,746,250</b>	<b>2,177,337</b>

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**31 Net impairment loss on financial assets**

Note	2025			Total (Rupees)
	Long term financing (Rupees)	Short term financing (Rupees)	Accrued Markup (Rupees)	
Balance at the beginning of the year	14,112,984	79,055,659	9,669,307	102,837,950
Provision charge during the year	3,093,515	121,214,020	6,884,898	131,192,433
Balance at the end of year	17,206,499	200,269,679	16,554,205	234,030,383

	2024			Total (Rupees)
	Long term financing (Rupees)	Short term financing (Rupees)	Accrued Markup (Rupees)	
Balance at the beginning of the year	5,254,798	34,200,383	3,848,371	43,303,552
Opening adjustments due to ECL	(247,692)	7,688,773	543,603	7,984,684
Provision charge during the year	9,105,878	37,166,503	5,277,333	51,549,714
Balance at the end of year	14,112,984	79,055,659	9,669,307	102,837,950

**31.1 Particulars of Credit Loss Allowance**

**31.1.1 Financing - Exposures**

	2025			Total
	Stage 1	Stage 2	Stage 3	
Opening Balance	2,452,936,519	232,372,748	30,772,774	2,716,082,041
Additions	1,898,103,924	307,794,909	17,553,371	2,223,452,204
Financing derecognised or repaid	(520,229,490)	(223,181,122)	-	(743,410,612)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(403,992,914)	403,992,914	-	-
Transfer to Stage 3	(383,670,489)	-	383,670,489	-
	(787,663,403)	403,992,914	383,670,489	-
Closing Balance	3,043,147,550	720,979,449	431,996,634	4,196,123,633

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	2024			
	Stage 1	Stage 2	Stage 3	Total
Opening Balance	1,346,008,812	108,673,233	25,943,798	1,480,625,843
Additions	1,458,130,032	50,245,632	4,828,976	1,513,204,640
Financing derecognised or repaid	(241,025,063)	(36,723,379)	-	(277,748,442)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(110,177,262)	110,177,262	-	-
Transfer to Stage 3	-	-	-	-
	(110,177,262)	110,177,262	-	-
Closing Balance	2,452,936,519	232,372,748	30,772,774	2,716,082,041

31.1.2 Provision against Financing	Note	2025	2024
		(Rupees)	
Long-term financing	9	17,206,499	14,112,983
Short-term financing	13	200,269,678	79,055,659
Accrued markup on financing	12.2	16,554,206	9,669,308
		234,030,383	102,837,950

31.1.3 Particulars of provision/credit loss allowance against financing	2025			
	Stage 1	Stage 2	Stage 3	Total
Opening balance -	24,621,477	48,982,338	29,234,135	102,837,950
Charge for the year	188,256,173	7,594,311	3,771,169	199,621,653
Reversal for the year	(8,323,649)	(48,610,594)	(11,494,977)	(68,429,220)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(9,776,601)	9,776,601	-	-
Transfer to stage 3	(172,651,721)	-	172,651,721	-
Net charge/(reversal) against financing	(182,428,322)	9,776,601	172,651,721	-
Closing balance	22,125,679	17,742,656	194,162,048	234,030,383

	2024					
	Stage 1	Stage 2	Stage 3	Specific	General	Total
Opening balance	-	-	-	22,000,000	21,303,552	43,303,552
Impact of adoption of IFRS 9 - 01 January 2024	26,235,422	406,206	24,646,608	(22,000,000)	(21,303,552)	7,984,684
Opening balance - as restated	26,235,422	406,206	24,646,608	-	-	51,288,236
Charge for the year	38,651,558	18,111,269	4,587,527	-	-	61,350,354
Reversal for the year	(9,800,640)	-	-	-	-	(9,800,640)
Transfer to stage 1	-	-	-	-	-	-
Transfer to stage 2	(30,464,863)	30,464,863	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-
Net charge against financing	(30,464,863)	30,464,863	-	-	-	-
Closing balance	24,621,477	48,982,338	29,234,135	-	-	102,837,950

			<b>2025</b>	<b>2024</b>
		<b>Note</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>32</b>	<b>Taxation</b>			
	Income tax:			
	Current year		(38,228,241)	(27,101,119)
	Deferred taxation	10.1	64,561,845	(433,126)
			<u>26,333,604</u>	<u>(27,534,245)</u>
<b>32.1</b>	<b>Tax charge reconciliation</b>			
	Applicable tax rate		29.00%	29.00%
	Tax effect of:			
	Permanent differences		-3.46%	5.28%
	Effective tax rate		<u>25.54%</u>	<u>34.28%</u>
			<b>2025</b>	<b>2024</b>
		<b>Note</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>33</b>	<b>Earnings per share</b>			
<b>33.1</b>	<b>(Loss) / earnings per share - basic and diluted</b>			
	(Loss) / profit for the year		(76,790,763)	52,791,140
	Weighted average number of ordinary shares	17	150,000,000	150,000,000
	(Loss) / earnings per share - basic and diluted		<u>(0.51)</u>	<u>0.35</u>

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		<b>2025</b>	<b>2024</b>
	<b>Note</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>34</b>	<b>Cash and cash equivalents</b>		
	Cash and bank balances	281,451,569	253,559,533
	Short term investments	29,971,469	-
		<u>311,423,038</u>	<u>253,559,533</u>

**34.1** This represents a Treasury Bill carrying a markup rate of 11.02% per annum maturing on February 6, 2026.

### **35 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 36. Amounts due from and to related parties are shown under respective notes to the financial statements. Significant transactions with related parties and the balances with them are as follows:

<b>Relationship with the Company</b>	<b>Nature of transactions</b>	<b>Year ending December 31, 2025</b>	<b>Year ending December 31, 2024</b>
		<b>(Rupees)</b>	<b>(Rupees)</b>
1) Parent	Karandaaz Pakistan <i>(on the basis of 99.99% shareholding)</i>		
	Management fee charged by the Company	10,635,680	6,398,100
	Interest on financing on behalf of parent entity	98,229,305	58,779,301
	Principal on financing on behalf of parent entity	1,920,397,678	952,303,966
	Repayment on financing on behalf of parent entity	382,485,969	258,334,426
	Financing on behalf of parent entity	2,992,159,849	1,108,579,053
	Expenses incurred by company on behalf of parent entity	5,517,657	3,971,848
	Advance received under agency agreement	1,300,640,928	808,421,031
	Markup on subordinated loan	164,857,253	284,626,576
2) Directors	Meeting fee paid to the directors	5,635,000	5,250,000
3) Group Entities	Fee for Renewal of Exemption Certification of CCP on behalf of Infra Zamin Pakistan Limited <i>(an Associated Company on the basis of common directorship)</i>	-	100,000
	Fee for Renewal of Exemption Certification of CCP on behalf of Pakistan Microfinance Company Limited <i>(an Associated Company on the basis of common directorship)</i>	100,000	100,000

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

	<b>2025</b>	<b>2024</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>Year end balances</b>		
Payable to parent entity	131,491,344	68,576,320
Accrued markup on subordinated loan	34,292,055	57,358,323
Liability portion of subordinated loan	1,451,385,319	1,427,053,854
Equity portion of subordinated loan - net of tax	67,386,742	67,386,742
Receivable from parent entity	2,445,354	1,274,284
CCP exemption renewal fee receivable - Pakistan Microfinance Investment Company Limited <i>(an Associated Company)</i>	100,000	100,000
CCP exemption renewal fee receivable - Infra Zamin Pakistan Limited <i>(an Associated Company)</i>	-	100,000

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**36 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:

		<b>For the Year ended Dec 31, 2025</b>			
		----- Rupees -----			
Note	Directors	Chief Executive	Executives	Total	
	-	40,919,500	137,998,963	178,918,463	
	-	3,264,050	11,767,286	15,031,336	
	-	1,294,008	2,873,107	4,167,115	
36.1	-	1,969,085	12,665,888	14,634,973	
	<u>5,635,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	<u>5,635,000</u>	<u>47,446,643</u>	<u>165,305,244</u>	<u>212,751,887</u>	
		<u>1</u>	<u>34</u>	<u>35</u>	
		<b>For the Year ended Dec 31, 2024</b>			
		----- Rupees -----			
	-	43,036,000	138,141,476	181,177,476	
	-	2,838,600	11,035,472	13,874,072	
36.1	-	1,954,229	12,113,410	14,067,639	
	<u>5,250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	<u>5,250,000</u>	<u>47,828,829</u>	<u>161,290,358</u>	<u>209,119,187</u>	
	<u>10,500,000</u>	<u>1</u>	<u>26</u>	<u>27</u>	

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

**37 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. The Company's objective when managing is:

- (a) to ensure adequate capitalization to support sustainable growth in investment finance activities and to absorb potential losses arising from business risks; and
- (b) to optimize returns to shareholders while maintaining an appropriate level of financial flexibility.

The Company continuously evaluates its capital structure in light of changes in economic conditions and funding availability. Where necessary, adjustments to the capital structure may be made through modification of borrowing levels.

**38 Number of employees**

	Year ending December 31, 2025	Year ending December 31, 2024
Number of employees at reporting date	31	37
Average number of employees during the year	36	36

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### 39 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

#### A FAIR VALUES

##### 39.1 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.

		December 31, 2025							
On-balance sheet financial instruments		Carrying value			Fair value				
	Note	Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through Profit or Loss	Total	Level 1	Level 2	Level 3	Total
		(Rupees)							
<b>December 31, 2025</b>									
<b>Financial assets</b>									
Non-current and current portions of long term									
financing - net of provision	9	1,745,001,339	-	-	1,745,001,339	-	-	-	-
Short term financing - net of provision	13	2,134,605,577	-	-	2,134,605,577	-	-	-	-
Long term advances and deposits	11	22,076,172	-	-	22,076,172	-	-	-	-
Advances prepayments and other receivable	12	20,522,709	-	-	20,522,709	-	-	-	-
Accrued interest on financing - net of provision	12	82,486,334	-	-	82,486,334	-	-	-	-
Due from related parties	35	2,545,354	-	-	2,545,354	-	-	-	-
Short term investment - Treasury Bills	14	53,168,752	-	-	53,168,752	-	-	-	-
Cash and bank balances	16	281,451,569	-	-	281,451,569	-	-	-	-
		4,341,857,806	-	-	4,341,857,806	-	-	-	-
<b>Financial liabilities</b>									
Subordinated loan	19	1,485,677,374	-	-	1,485,677,374	-	-	-	-
Long term borrowings	20	1,011,941,333	-	-	1,011,941,333	-	-	-	-
Payable to parent entity	24	131,491,344	-	-	131,491,344	-	-	-	-
Accrued and other liabilities	22	35,647,510	-	-	35,647,510	-	-	-	-
Lease liability	21	15,369,492	-	-	15,369,492	-	-	-	-
		2,680,127,053	-	-	2,680,127,053	-	-	-	-

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**December 31, 2024**

**On-balance sheet financial instruments**

	Note	Carrying value			Fair value				
		Amortised Cost	Fair Value through Other Comprehensive Income	Fair Value through Profit or Loss	Total	Level 1	Level 2	Level 3	Total
		(Rupees)							
<b>December 31, 2024</b>									
<b>Financial assets</b>									
Non-current and current portions of long term									
financing - net of provision	9	940,233,212	-	-	940,233,212	-	-	-	-
Short term financing - net of provision	13	1,621,416,941	-	-	1,621,416,941	-	-	-	-
Long term advances and deposits	11	3,776,875	-	-	3,776,875	-	-	-	-
Advances prepayments and other receivable	12	16,246,711	-	-	16,246,711	-	-	-	-
Accrued interest on financing - net of provision	12	51,593,938	-	-	51,593,938	-	-	-	-
Due from related parties	35	1,374,284	-	-	1,374,284	-	-	-	-
Short term investment - Pakistan Investment Bonds	14	1,527,685,174	-	-	1,527,685,174	-	-	-	-
Short term investment - Treasury Bills	14	19,275,763,343	-	-	19,275,763,343	-	-	-	-
Cash and bank balances	16	253,559,533	-	-	253,559,533	-	-	-	-
		23,691,650,011	-	-	23,691,650,011	-	-	-	-
<b>Financial liabilities</b>									
Subordinated loan	19	1,484,412,177	-	-	1,484,412,177	-	-	-	-
Short term borrowings	23	20,283,693,837	-	-	20,283,693,837	-	-	-	-
Payable to parent entity	24	68,576,320	-	-	68,576,320	-	-	-	-
Accrued and other liabilities	22	66,276,405	-	-	66,276,405	-	-	-	-
Lease liability	21	19,111,329	-	-	19,111,329	-	-	-	-
		21,922,070,068	-	-	21,922,070,068	-	-	-	-

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## 39.2 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.

There were no financial assets or financial liabilities measured at fair value as at December 31, 2025.

## B FINANCIAL RISK MANAGEMENT

The Company has exposure to following risk from its use of financial instruments.

- Credit risk
- Market risk
- Liquidity risk

### **Risk management framework**

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.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

### 39.3 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. Concentration of 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:

	Note	2025 (Rupees)	2024 (Rupees)
Non-current and current portions of long term financing - net of provision	9	1,745,001,339	940,233,212
Short term financing - net of provision	13	2,134,605,577	1,621,416,941
Long term advances and deposits	11	22,076,172	3,776,875
Advances prepayments and other receivable	12	20,522,709	16,246,711
Accrued interest on financing - net of provision	12	82,486,334	51,593,938
Due from related parties	35	2,545,354	1,374,284
Short term investments- PIBs	14	-	1,527,685,174
Short term investments - T-bills	14	53,168,752	19,275,763,343
Cash and bank balances	16	281,451,569	253,559,533
		4,341,857,806	23,691,650,011

#### ii. Impairment losses

The Company uses the general approach for calculation of expected credit losses according to IFRS 9 which incorporates a risk-sensitive impairment methodology based on a three-stage ECL model, which classifies financial assets into the following categories:

Stage 1 – 12-month ECL: Applies to financial assets with no significant increase in credit risk.

Stage 2 – Lifetime ECL: Applies to financial assets with a significant increase in credit risk since initial recognition.

Stage 3 – Lifetime ECL (Credit-Impaired): Applies to financial assets that are credit-impaired.

The ECL model incorporates historical data, current conditions, and forward-looking macroeconomic factors to estimate credit losses.

The Company calculated ECL on the exposures of long term and short term financing.

	2025 (Rupees)	2024 (Rupees)
Opening balance	102,837,950	43,303,552
Impact of adoption of IFRS 9	-	7,984,684
Opening balance - as restated	102,837,950	51,288,236
Charge for the year:		
Stage 1 & 2	(33,735,480)	46,962,187
Stage 3	164,927,913	4,587,527
	131,192,433	51,549,714
Closing balance	234,030,383	102,837,950

The provision account in respect of financing are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrevocable is written off against the financial asset directly.

The management believes that except as already provided for in these financial statements, no further impairment is required to be recognized against any financial assets of the Company.

### iii. Credit quality of 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. Short term investments include government issued securities and therefore, carry no credit risk and are not detailed below. The table below shows the bank balances held with some major counterparties at the reporting date:

		2025	2024
		(Rupees)	(Rupees)
	<b>Ratings</b>		
<b>Bank balances</b>			
United Bank Limited	A1+/AAA	24,096,460	80,087,746
Allied Bank Limited	A1+/AAA	24,818,946	1,683,321
Bank Alfalah Limited	A1+/AAA	140,366,670	650,276
Habib Metropolitan Bank Limited	A1+/AA+	996,334	171,116,625
The Bank of Punjab	A1+/AA+	2,328	-
The Bank of Khyber	A1/A+	8,604	-
		<u>190,289,342</u>	<u>253,537,968</u>

The impact of ECL on financial assets except long term and short term financing is not material, and therefore not recognised in these financial statements.

#### 39.4 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.

##### 39.4.1 Foreign currency risk

The PKR is the functional currency of the Company and as a result currency exposures arise from transactions and balances in currencies other than PKR. The Company's potential foreign currency exposure comprise:

- Transactional exposure in respect of non functional currency monetary items; and
- Transactional exposure in respect of non functional currency expenditure and revenues.

##### **Transactional exposure in respect of non functional currency monetary items**

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

##### **Transactional exposure in respect of non functional currency expenditure and revenues**

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as part of overall risk management strategy. The Company does not enter into forward exchange contracts.

There is no foreign currency risk on year end monetary balances.

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### 39.4.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company has financing and subordinated loan in Pakistani Rupees at variable rates. The financing and subordinated loan has variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR).

#### i. Exposure to markup rate risk

At the reporting date the markup rate profile of the Company's markup bearing financial instruments was as follows:

	2025 Effective rate %	2024 Effective rate %	2025 (Rupees)	2024 (Rupees)
<b>Financial Assets</b>				
<b>- Fixed rate instruments</b>				
Saving accounts	1% to 11.50%	8.69% to 20.57%	281,430,610	253,537,968
Treasury Bills	10.9% to 19.9%	11.89% to 21.95%	53,168,752	19,275,763,343
Pakistan Investment Bonds	13.25%	13.25%	-	1,527,685,174
			<u>334,599,362</u>	<u>21,056,986,485</u>
<b>Variable rate instruments</b>				
Short term financing	12.04% to 36%	13.14% to 32.00%	2,134,605,577	1,621,416,941
Long term financing	12.63% to 18.18%	14.18% to 25.99%	1,745,001,339	940,233,212
			<u>3,879,606,916</u>	<u>2,561,650,153</u>
<b>Financial Liabilities</b>				
<b>- Fixed rate instruments</b>				
Lease liability	22.69%	22.69%	15,369,492	19,111,329
<b>- Variable rate instruments</b>				
Subordinated loan	9.07% to 10.18%	14.13% to 19.99%	1,485,677,374	1,484,412,177
Short term borrowings	11.25% to 11.50%	11.25% to 11.50%	-	20,283,693,837
Long term borrowings	12.06% to 12.38%	nil	1,011,941,333	-
			<u>2,497,618,707</u>	<u>21,768,106,014</u>

#### ii. Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not effect the statement of profit or loss.

#### iii. Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate instruments, at the period end date, fluctuate by 1 % higher / lower with all other variables held constant, profit before taxation for the period would have been Rs. 14,037,968 higher / lower, mainly as a result of higher / lower interest income and finance cost on floating rate instruments.

### 39.4.3 Other market price risk

The primary goal of the Company's investment strategy is to maximize investment returns on surplus funds. The Company adopts a policy of ensuring to minimize its price risk by investing in securities having sound market performance.

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### 39-5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, prudent fund management practices and the ability to close out market positions due to dynamic nature of the business. 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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

#### Exposure to liquidity risk

There were no defaults on loans payable during the year.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years	Maturity after five years
	(Rupees)				
December 31, 2025					
Accrued and other liabilities	35,647,510	35,647,510	35,647,510	-	-
Long term borrowings	1,011,941,333	1,011,941,333	11,941,333	1,000,000,000	-
Payable to parent entity	131,491,344	131,491,344	131,491,344	-	-
Subordinated loan	1,485,677,374	1,485,677,374	-	1,485,677,374	-
Lease liability	15,369,492	21,000,000	10,500,000	10,500,000	-
	<u>2,680,127,053</u>	<u>2,685,757,561</u>	<u>189,580,187</u>	<u>2,496,177,374</u>	<u>-</u>
December 31, 2024					
Accrued and other liabilities	130,201,188	130,201,188	130,201,188	-	-
Short term borrowings	20,283,693,837	20,283,693,837	20,283,693,837	-	-
Payable to parent entity	68,576,320	68,576,320	68,576,320	-	-
Subordinated loan	1,484,412,177	1,484,412,177	-	1,484,412,177	-
Lease liability	19,111,329	29,400,000	8,400,000	21,000,000	-
	<u>21,985,994,851</u>	<u>21,996,283,522</u>	<u>20,490,871,345</u>	<u>1,505,412,177</u>	<u>-</u>

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**40 Statutory minimum capital requirement and management of capital**

Capital requirements applicable to the Company are set and regulated by the Securities and Exchange Commission of Pakistan ("SECP"). These requirements are put in place to ensure sufficient solvency margins. The Company manages its capital requirements by assessing its capital structure against the required level on a regular basis at the reporting date, the minimum equity requirement as per the NBFC Regulations for the non deposit taking NBFC is Rs. 100 million (2024: 100 million). As at December 31, 2025, the Company's total equity is Rs. 1,742 million (2024: Rs. 1,819 million).

The Company manages its capital structure and makes adjustments to it in light of the changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the return on capital to shareholders or issue new shares.

**41 Reconciliation of movements of liabilities to cash flows arising from financing activities**

	2025				Total
	Liabilities				
	Subordinated loan	Long term borrowings	Lease liability	Short term borrowings	
	----- Rupees -----				
Balance as at January 1, 2025	1,484,412,177	-	19,111,329	20,283,693,837	21,787,217,343
<b>Cash flows</b>					
Payment of short-term borrowings	-	-	-	(20,417,747,270)	(20,417,747,270)
Lease rentals paid	-	-	(8,400,000)	-	(8,400,000)
Payment of markup on subordinated loan	(163,592,056)	-	-	-	(163,592,056)
Payment of markup on green bond	-	(66,016,711)	-	-	(66,016,711)
Receipt of long term borrowings	-	996,386,000	-	-	996,386,000
<b>Total changes from financing cash flows</b>	(163,592,056)	930,369,289	(8,400,000)	(20,417,747,270)	(19,659,370,037)
<b>Other changes including non-cash</b>					
Markup on subordinated loan	164,857,253	-	-	-	164,857,253
Markup on long term borrowings	-	81,572,044	-	-	81,572,044
Financial charges on lease liability	-	-	4,658,163	-	4,658,163
Markup on short-term borrowing	-	-	-	134,053,433	134,053,433
<b>Total liability related other changes</b>	164,857,253	81,572,044	4,658,163	134,053,433	385,140,893
<b>Closing as at December 31, 2025</b>	<u>1,485,677,374</u>	<u>1,011,941,333</u>	<u>15,369,492</u>	<u>-</u>	<u>2,512,988,199</u>
	-----				
	2024				Total
	Liabilities				
	Subordinated loan	Long term borrowings	Lease liability	Short term borrowings	
	----- Rupees -----				
Balance as at January 1, 2024	1,494,391,763	-	19,607,382	-	1,513,999,145
<b>Cash flows</b>					
Receipt of short-term borrowings	-	-	-	19,947,162,570	19,947,162,570
Lease rentals paid	-	-	(8,400,000)	-	(8,400,000)
Payment of markup on subordinated loan	(294,606,163)	-	-	-	(294,606,163)
<b>Total changes from financing cash flows</b>	(294,606,163)	-	(8,400,000)	19,947,162,570	19,644,156,407
<b>Other changes including non-cash</b>					
Markup on subordinated loan	284,626,577	-	-	-	284,626,577
Financial charges on lease liability	-	-	5,457,685	-	5,457,685
Adjustments / additions in lease liability during the year	-	-	2,446,262	-	2,446,262
Markup on short-term borrowing	-	-	-	336,531,267	336,531,267
<b>Total liability related other changes</b>	284,626,577	-	7,903,947	336,531,267	629,061,791
<b>Closing as at December 31, 2024</b>	<u>1,484,412,177</u>	<u>-</u>	<u>19,111,329</u>	<u>20,283,693,837</u>	<u>21,787,217,343</u>

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42 **Events after the reporting date**

There are no significant subsequent events requiring disclosure in the financial statements other than those already disclosed.

43 **General**

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

44 **Authorization of financial statements**

These financial statements were authorized for issue on 09 April 2026, 2026 by the Board of Directors of the Company.

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Chief Executive Officer



Director



Chief Financial Officer