KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 37131900, Fax +92 (21) 35685095

INDEPENDENT AUDITOR'S REPORT

To the members of Faysal Islami Currency Exchange Company (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Faysal Islami Currency Exchange Company (Private) Limited** (the Company), which comprise the statement of financial position as at 30 June 2024, and the statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period from 16 January 2024 to 30 June 2024, and notes to the financial statements, including a 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 account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow 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 June 30, 2024 and of the profit, the comprehensive income, the changes in equity and its cash flow for the period from 16 January 2024 to 30 June 2024.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the information included in the Director's Report for the period from 16 January 2024 to 30 June 2024, but does not include the financial statements and our auditor's reports 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.

Responsibilities of Management and the 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, the requirements of the 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 misstatements, 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.

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, statement of profit or loss account, the statement of 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 period 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).

KPMG Taseer Hadi & Co.

The engagement partner on the audit resulting in this independent auditor's report is Zeeshan Rashid.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 31 October 2024

Karachi

UDIN: AR2024101880LgjRnl7Q

Faysal Islami Currency Exchange Company (Private) Limited
Statement of Financial Position
As at June 30, 2024

	Note	(Rupees)
ASSETS		
NON-CURRENT ASSETS		
Property and equipment	4	38,877,630
Intangible asset	5	4,102,000
Long term investments	6	150,015,000
		192,994,630
CURRENT ASSETS		
Prepayments	8	1,407,196
Accrued profit	9	31,437,414
Short term investments	10	588,393,000
Taxation - net	11	6,033,483
Cash and bank balances	12	245,489,524
		872,760,617
TOTAL ASSETS		1,065,755,247
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Issued, subscribed and paid-up share capital	13	1,000,000,000
Unappropriated profit		8,643,312
		1,008,643,312
NON-CURRENT LIABILITIES		
Deferred tax liability - net	7	1,460,841
		1,460,841
CURRENT LIABILITIES		
Creditors, accrued and other liabilities	14	55,651,094
		55,651,094
TOTAL LIABILITIES		57,111,935
TOTAL EQUITY AND LIABILITIES		1,065,755,247
CONTINGENCIES AND COMMITMENTS	15	

The annexed notes from 1 to 29 and annexures I and II form an integral part of these financial statements.

Chief Executive Officer **Director**

Faysal Islami Currency Exchange Company (Private) Limited
Statement of Profit or Loss Account
For the period from January 16, 2024 to June 30, 2024

	Note	(Rupees)
Income from exchange operation (including gain on revaluation - net)	16	**431,632**
Administrative expenses	17	**(60,990,378)**
Operating loss		**(60,558,746)**
Other income - net	18	**72,732,424**
Profit before income tax and minimum tax differential		**12,173,678**
Minimum tax differential	19	**(431,500)**
Profit before income tax		**11,742,178**
Taxation	20	**3,098,866**
Profit for the period		**8,643,312**
Earnings per share - basic and diluted	21	**0.86**

The annexed notes from 1 to 29 and annexures I and II form an integral part of these financial statements.

Chief Executive Officer **Director**

Faysal Islami Currency Exchange Company (Private) Limited
Statement of Comprehensive Income
For the period from January 16, 2024 to June 30, 2024

	(Rupees)
Profit for the period	**8,643,312**
Other comprehensive income	-
Total comprehensive income for the period	**8,643,312**

The annexed notes from 1 to 29 and annexures I and II form an integral part of these financial statements.

Chief Executive Officer

Director

Faysal Islami Currency Exchange Company (Private) Limited

Statement of Changes in Equity

For the period from January 16, 2024 to June 30, 2024

	Issued, subscribed and paid-up share capital	Unappropriated profit	Total
	------------------------	(Rupees)	------------------------
Shares issued during the period	1,000,000,000	-	1,000,000,000
Profit for the period	-	8,643,312	8,643,312
Other comprehensive income for the period - net of tax	-	-	-
Total comprehensive income for the period	-	8,643,312	8,643,312
Balance as at June 30, 2024	1,000,000,000	8,643,312	1,008,643,312

The annexed notes from 1 to 29 and annexures I and II form an integral part of these financial statements.

Chief Executive Officer

Director

Faysal Islami Currency Exchange Company (Private) Limited
Statement of Cash Flows
For the period from January 16, 2024 to June 30, 2024

	Note	(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before income tax and minimum tax differential			**12,173,678**
Adjustments for:			
Depreciation on property and equipment	17	**1,893,175**	
Amortisation of intangible asset	17	**98,000**	
Income on long term investments	18	**(15,605,848)**	
Income on deposit account	18	**(57,126,576)**	
			(70,741,249)
Decrease in assets			
Prepayments	8		**(1,407,196)**
Decrease in liabilities			
Creditors, accrued and other liabilities	14		**55,651,094**
			(4,323,673)
Income taxes paid			**(8,103,008)**
Net cash flow generated from operating activities			**(12,426,681)**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment during the period	4	**(40,770,805)**	
Acquisition of intangible asset	5	**(4,200,000)**	
Profit received		**54,020,065**	
Acquisition of investments		**(751,133,055)**	
Net cash used in investing activities			**(742,083,795)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	13	**1,000,000,000**	
Net cash generated from financing activities			**1,000,000,000**
Net increase in cash and cash equivalents			**245,489,524**
Cash and cash equivalents at the beginning of the period			**-**
Cash and cash equivalents at the end of the period			**245,489,524**

The annexed notes from 1 to 29 and annexures I and II form an integral part of these financial statements.

Chief Executive Officer **Director**

1 LEGAL STATUS AND NATURE OF BUSINESS

Faysal Islami Currency Exchange Company (Private) Limited (the Company) was incorporated in Pakistan on January 16, 2024 as a private limited Company under the Companies Act, 2017. The Company is required to operate in accordance with the rules and regulations laid down by the State Bank of Pakistan (SBP) through F.E. Circular No. 9 dated 30 July 2002. The Company is a wholly owned subsidiary of Faysal Bank limited (the Holding Company). Ithmaar bank B.S.C (closed), a wholly owned subsidiary of Ithmaar Holdings B.S.C. is the parent Company of the Holding Company, holding directly and indirectly 66.78% of the holdings of the Holding Company. Dar Al-Maal Al-Islami Trust (DMIT) [ultimate parent of the Holding Company and the Company] is the holding Company of Ithmaar Holdings B.S.C.

The Company obtained license for commencement of operations from the State Bank of Pakistan (SBP) on March 26, 2024 and started its operation on May 17, 2024. The Company operates as an exchange Company and is engaged in the business of dealing in foreign exchange. The Company operates with 10 booths. The address of all Faysal Bank Limited branches where the booths are situated are annexed as "Annexure I", which is an integral part of these financial statements. The Company's registered office is situated at ST-02, Faysal House, Sharah-e-Faisal, Karachi.

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. These accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Standards, interpretations of, and amendments to accounting and reporting standards as applicable in Pakistan that are effective during the year

The Company has adopted certain amendments and improvements to the approved accounting and reporting standards as applicable in Pakistan which became effective for the current period. Except for the adoption of the amendments as mentioned below, the said amendments did not have any material impact on these financial statements.

The Company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). These amendments did not result in any changes to the accounting policies itself and did not impact the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality for the disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

2.3 Standards, amendments and improvements to accounting and reporting standards that are not yet effective

The following International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 July 2024. However, these are not expected to have any significant impact on the Company's financial reporting, based on the current balances:

- Classification of liabilities as current or non-current (Amendments to IAS 1) apply retrospectively for the annual periods beginning on or after 1 January 2024. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a Company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the Company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not in businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) introduce two new disclosure objectives for a Company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the Company's liabilities and cash flows, and the Company's exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a Company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

- Lack of Exchangeability (amendments to IAS 21) clarify:

  - when a currency is exchangeable into another currency; and
  - how a Company estimates a spot rate when a currency lacks exchangeability.

  Further, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

  - the nature and financial impacts of the currency not being exchangeable;
  - the spot exchange rate used;
  - the estimation process; and
  - risks to the Company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures:

  - Financial Assets with ESG-Linked features.

  Under IFRS 9, it was unclear whether the contractual cash flows of some financial assets with ESG-linked features represented SPPI. This could have resulted in financial assets with ESG-linked features being measured at fair value through profit or loss.

  Although the new amendments are more permissive, they apply to all contingent features, not just ESG-linked features. While the amendments may allow certain financial assets with contingent features to meet the SPPI criterion, companies may need to perform additional work to prove this. Judgement will be required in determining whether the new test is met.

  The amendments introduce an additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs - e.g., where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract.

  The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features that are:

  - not related directly to a change in basic lending risks or costs and;
  - are not measured at fair value through profit or loss.

  The amendments apply for reporting periods beginning on or after 1 January 2026. Companies can choose to early-adopt these amendments (including the associated disclosure requirements), separately from the amendments for the recognition and derecognition of financial assets and financial liabilities.

  - Recognition / Derecognition requirements of Financial Assets / liabilities by Electronic Payments:

  The amendments to IFRS 9 clarify when a financial asset or a financial liability is recognised and derecognised and provide an exception for certain financial liabilities settled using an electronic payment system. Companies generally derecognize their trade payables on the settlement date (i.e., when the payment is completed). However, the amendments provide an exception for the derecognition of financial liabilities. The exception allows the Company to derecognize its trade payable before the settlement date, when it uses an electronic payment system that meets all of the following criteria:

  - no practical ability to withdraw, stop or cancel the payment instruction;
  - no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
  - the settlement risk associated with the electronic payment system is insignificant.

  The amendments apply for reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

The above amendments and improvements have no impact on the financial statements of the Company.

2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention exept for certain investments which are stated at fair value.

2.5 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency. All amounts have been recorded to the nearest rupees unless otherwise indicated.

2.6 Use of significant estimates and judgments

The preparation of the financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of the Company's accounting policies and the reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Significant accounting estimates and areas where judgments were made by the management are as follows:

i) Property and equipment, intangible asset, depreciation and amortization (note 3.1 and 3.2)
ii) Financial Instrument (initial measurement, subsequent measurement and impairment) (note 3.3)
iii) Income taxes (note 3.9)

3 MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of these financial statements are set out below. Further, accounting policies related to material class of accounts does not necessarily mean it is material. These policies have been consistently applied to the period presented.

3.1 Property and equipment

Recognition and measurement

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

Depreciation

Depreciation is charged to statement of profit or loss account applying the straight line method, whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month the assets are available for use, while in case of assets disposed of, it is charged upto the date of disposal. Annual rates of depreciation for each class of assets are stated in note 5 below.

Useful lives are determined by the management based on expected usage of the assets, expected physical wear and tear, technical and commercial obsolescence and other similar factors. The residual value, useful life and depreciation method are reviewed at each reporting date, and adjusted if expectations differ significantly from previous estimates.

Subsequent expenditure

Subsequent costs shall be included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to the statement of profit or loss account as and when incurred.

Gains and losses

Gains and losses on disposal of property and equipment, if any, is recognised in the statement of profit or loss account.

3.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization impairment, if any. The cost of intangible asset is amortised from the month when the assets are available for intended use, using straight line method, whereby the cost of intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each reporting date.

3.3 Financial Instrument

3.3.1 Financial assets - recognition, classification and measurement

Classification

The Company classifies its financial assets in the following measurement categories:

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at FVOCI. However, the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income.

On initial recognition, the Company may, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Initial measurement

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. However, at initial recognition, the Company measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component.

Subsequent measurement

Debt Investments at FVOCI	These assets are subsequently measured at fair value. Profit income calculated using the effective yield method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss account. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss account.

Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss account.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit or dividend income, are recognised in statement of profit or loss account. These financial instruments include derivative financial contacts. Initially the derivative financial contracts are measured at nil values and subsequently at their respective fair values determined with reference to the remaining period to maturity.
Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost using the effective yield method. The amortised cost is reduced by impairment losses. Profit income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss account.

3.3.2 Financial liabilities - Classification and measurement

Financial liabilities are classified as measured at amortised cost or at 'Fair Value Through Profit or Loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss account. Other financial liabilities are subsequently measured at amortised cost using the effective yield method. Interest expense and foreign exchange gains and losses is recognised in statement of profit or loss account. Any gain or loss on derecognition is also recognised in statement of profit or loss account.

3.3.3 Derecognition

Financial assets

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 either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - 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.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises 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 recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of profit or loss account.

Non-derivative Financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Company derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Prepayments

These are classified at amortised cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Further, these assets are adjusted for loss allowances that are measured at amount equal to lifetime expected credit loss that result from all possible default events over expected life of the financial asset.

Cash and cash equivalents

For the purpose of presentation in statement of cash flows, cash and cash equivalents includes cash in hand, balances with banks and short term borrowings availed by the Company, which are repayable on demand and form an integral part of the Company's cash management.

Financial Liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Company derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective yield rate method.

Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective yield method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset.

3.3.4 Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from the date of initial recognition of the receivables. For all other financial assets, a 12-months or life time ECL is recorded based on whether there has been a significant increase in credit risk since the date of initial recognition. The Company recognises in the statement of profit or loss account, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

3.3.5 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has currently legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counter parties.

3.4 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised cost.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and balances held with banks.

3.6 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

3.7 Revenue recognition

Income from exchange operations

- Exchange differences on translation of monetary assets and liabilities in foreign currencies are recognised as gain / (loss) on revaluation at the end of each day.

Profit Income

- Income on investments are recognised using the effective yield method over the term of investment.
- Income on bank deposits are recognised at the interest rate implicit in the arrangement.
- Gains/(losses) arising on sale of investment are included in the statement of profit or loss account in the period in which they arise.
- Unrealized gains/ (losses) arising on revaluation of securities classified as at fair value through profit or loss are included in the statement of profit or loss account in the period in which they arise.

Commission income

Commission income is recognised when the performance obligation is satisfied to transfer foreign currency to the counter party.

3.8 Foreign currency transactions and translation

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the financial position date. Gains and losses on translation are taken to the statement of profit and loss.

3.9 Taxation

Income tax expense comprises of charge for current and prior years and deferred tax. Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity.

The Institute of Chartered Accountants of Pakistan (ICAP), through Circular No. 07/2024 dated 15 May 2024, issued guidance on the accounting treatment of minimum taxes and final taxes in compliance with the requirements of IFRS. According to this guidance, Income taxes are defined as whose calculation use taxable profits and Levies are defined as whose calculation use data such as the gross amount of revenue, assets or liabilities that do not meet the definition of income taxes provided in IAS 12. Accordingly, final taxes paid are to be classified as a 'levy' rather than as income tax in the statement of profit or loss account. Further, the circular also provides two approaches for the bifurcation of minimum taxes, offering the Company the option to select and consistently apply one approach. Each approach has distinct implications for deferred taxes.

The Company has opted to designate the amount calculated on taxable income using the notified tax rates as income tax within the scope of IAS 12 'Income Taxes' and to recognise this amount as a current income tax expense. Any excess amount beyond the deisgnated income tax is recognised as a levy, in accordance with IFRIC 21/IAS 37. As a result, deferred tax on the excess amount treated as a levy will be recorded at the enacted income tax rate.

3.9.1 Current

The charge for current taxation is calculated on taxable income earned during the period using tax rates enacted as at the date of the statement of financial position.

3.9.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deductible temporary differences (deferred tax assets) are temporary differences that are deductible from the taxable income of future periods when the carrying amount of the asset or liability is recovered or settled.

Taxable temporary differences (deferred tax liabilities) are temporary differences that will result in a tax liability in future periods when the carrying amount of the asset or liability is recovered or settled.

Deferred tax is calculated at the tax rates that are expected to be applicable to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted as at the date of the statement of financial position.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

3.10 Earnings per share

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing profit after tax for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is not calculated separately, as the Company does not have any convertible instruments in issue.

4 PROPERTY AND EQUIPMENT

	Note	(Rupees)
Property and equipment	*4.1*	38,877,630

4.1 Property and equipment

	Leasehold improvements	Electrical, Office & Computer	Furniture and fixtures	Total
	(Rupees)			
Cost				
Additions	11,574,931	26,709,910	2,485,964	40,770,805
As at June 30, 2024	11,574,931	26,709,910	2,485,964	40,770,805
Accumulated depreciation				
Charge for the period	376,315	1,427,300	89,560	1,893,175
As at June 30, 2024	376,315	1,427,300	89,560	1,893,175
Net Book value	11,198,616	25,282,610	2,396,404	38,877,630
Rate of depreciation (%)	10	15	10	

5 INTANGIBLE ASSET

	Note	(Rupees)
Intangible asset	*5.1*	**4,102,000**

5.1 Intangible asset

	Cost		Accumulated amortization			
	Addition	As at June 30, 2024	Charge for the period	As at June 30, 2024	Net book value as at June 30, 2024	Amortization rate (per annum)
	---------- (Rupees) ----------					%
Software	**4,200,000**	**4,200,000**	**98,000**	**98,000**	**4,102,000**	**14**

6 LONG TERM INVESTMENTS

	Note	(Rupees)
At amortized cost		
Government of Pakistan (GoP) Ijarah Sukuks - Floating rate	*6.1*	**150,015,000**
		150,015,000

6.1 These have been deposited with the State Bank of Pakistan to meet the Statutory Liquidity Reserve (SLR) requirement of 15% of paid-up capital in accordance with EPD Circular Letter no. 5 of 2021.

6.2 This represents Investment in 5 year GoP Ijarah Sukuks purchased on 14 May 2024 with a face value of 150 million. These carry coupon rate of 21.30% per annum receivable on semi annual basis and will be matured on 26 October 2027. The yield to maturity rate is 21.30%. The market value of these investments as at June 30, 2024 amounted to Rs.150,870,000.

7 DEFERRED TAX LIABILITY / (ASSET) - NET

	(Rupees)
Taxable temporary differences arising on:	
Accelerated accounting depreciation	3,574,081
Short-Term Investments	135,720
Accrued profit on Investment	5,290,864
Deductible temporary differences arising on:	
Amortisation of Intangibles	(6,968)
Alternate Corrporate tax	(431,500)
Unammortised pre-commencement expenditure	(7,101,356)
Deferred tax liability / (asset) - net	1,460,841

7.1 Movement in deferred taxation

	Recognised in the statement of profit or loss account	Balance at June 30, 2024
	(Rupees)	
Taxable temporary differences arising on:		
Accelerated accounting depreciation	3,574,081	3,574,081
Short-Term Investments	135,720	135,720
Accrued profit on Investment	5,290,864	5,290,864
Deductible temporary differences arising on:		
Ammortisation of Intangibles	(6,968)	(6,968)
Alternate Corrporate tax	(431,500)	(431,500)
Pre-commencement expenditure	(7,101,356)	(7,101,356)
Deferred tax liability / (asset) - net	1,460,841	1,460,841

8 PREPAYMENTS

	Note	(Rupees)
Short term prepayments	8.1	1,407,196
		1,407,196

8.1 This includes prepayments made in respect of insurance and other prepayments.

9 ACCRUED PROFIT

	Note	(Rupees)
Profit accrued on bank deposits		3,106,511
Profit accrued on investment (GoP Ijarah Sukuks)		28,330,903
		31,437,414

10 SHORT TERM INVESTMENTS

	Note	(Rupees)
At fair value through profit and loss		
Government of Pakistan (GoP) Ijarah Sukuks - Floating rate	10.1	588,393,000

10.1 This represents investment in 5 year GoP Ijarah Sukuks purchased on May 30, 2024 with a face value of Rs. 585 million. These carry coupon rate of 21.32% per annum receivable on semi annual basis and will be matured on 26 October 2027. The yield to maturity rate is 21.06%.

11 TAXATION - NET

	Note	(Rupees)
Provision for taxation		2,069,525
Tax paid / deducted during the period		(8,103,008)
		(6,033,483)

12 CASH AND BANK BALANCES

	Note	(Rupees)
Cash in hand		
Local currency		12,583,965
Foreign currencies	12.1	42,065,503
		54,649,468
Balances with banks - saving accounts		
local currency	12.2	180,340,750
foreign currencies		10,499,306
		190,840,056
		245,489,524

12.1 This represents various foreign currencies held for trading.

12.2 This amount is placed with the Holding Company and carries profit rates ranging from 18% to 19% per annum.

13 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

(Number of Shares)		(Rupees)
Authorized share capital		
20,000,000	Ordinary shares of Rs.100 each.	2,000,000,000
Issued, subscribed and paid-up share capital		
10,000,000	Ordinary shares of Rs.100 each issued as fully paid in cash	1,000,000,000

At June 30, 2024, the holding Company held 100,000,000 ordinary shares (directly and through its nominees) of the Company, which comprises of 100% of the ordinary share capital.

14 CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	(Rupees)
Creditors		35,531,366
Accrued liabilities	*14.1*	19,336,045
Other payables		783,683
		55,651,094

14.1 Accrued liabilities consists of:

Stamp duty on issuance of shares	1,500,000
Consultancy Charges	15,352,045
Auditors' remuneration	2,484,000
	19,336,045

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

The Company currently does not have any contingencies and commitments as at June 30, 2024

16 INCOME FROM EXCHANGE OPERATION

	Note	(Rupees)
Exchange income	*16.1*	431,632

16.1 Income from exchange operation includes income from sale and purchase of foreign currencies and revaluation gain or loss on foreign currencies.

17 ADMINISTRATIVE EXPENSES

	Note	(Rupees)
Legal and professional charges		21,820,711
Seconded staff expense		15,029,292
Incorporation expense		14,010,630
Salaries and allowances		4,804,818
Auditors' remuneration	*17.1*	2,484,000
Depreciation on property and equipment	*4.1*	1,893,175
Information technology expenses		475,696
Staff training		141,721
Insurance charges		141,257
Amortisation of intangible asset	*5.1*	98,000
Staff training expenses		53,726
Other expenses		37,352
		60,990,378

17.1 Auditors' remuneration

Annual audit fee	2,000,000
Out of pocket expenses	300,000
	2,300,000
Sales tax on audit fee and out of pocket expenses	184,000
	2,484,000

18	**OTHER INCOME**	*Note*	**(Rupees)**
	Income from:		
	- Bank deposits		**57,126,576**
	- Investment in GoP Ijarah Sukuks	*6 & 10*	**15,137,848**
	- Unrealized gain on remeasurement of investments		**468,000**
			72,732,424

19 MINIMUM TAX DIFFERENTIAL

This represents portion of minimum tax paid under section 113C of Income Tax Ordinance (ITO, 2001), representing levy in terms of requirements of IFRIC 21/IAS 37.

20	**TAXATION**	*Note*	**(Rupees)**
	Current tax expense		**1,638,025**
	Deferred tax expense		**1,460,841**
		20.2	**3,098,866**

20.1 Reconciliation of current tax charge charged as per tax laws for the year, with current tax recognised in Profit or loss account, is as follows:

	(Rupees)
Profit before income tax and minimum tax differential	**12,173,678**
Current tax liability for the year as per applicable tax laws (i.e. 29%)	**3,530,366**
Portion of current tax liability as per tax laws, representing income tax under IAS 12	**(3,098,866)**
Portion of current tax computed as per tax laws, representing levy in terms of requirements of IFRIC 21/IAS 37	**(431,500)**
Difference	**-**

20.2	**Reconciliation of income tax expense and accounting profit**	**(Rupees)**
	Profit before income tax and minimum tax differential	**12,173,678**
	Tax at the applicable rate of 29%	**3,530,366**
	Tax effect of:	
	Unutilized alternate corporate tax	**(431,500)**
		3,098,866

21 EARNINGS PER SHARE - basic and diluted

21.1	**Basic**	**(Rupees)**
	Profit after taxation attributable to ordinary shareholders.	**8,643,312**
		(Number of shares)
	Weighted average number of ordinary shares outstanding during the period.	**10,000,000**
		(Rupees)
	Earnings per share	**0.86**

21.2 The earning per share represents the earnings of 143 days since the capital was injected by the holding Company on February 9, 2024.

21.3 A diluted earnings per share has not been presented as the Company do not have any convertible instruments in issue as at reporting date which would have any effect on the earnings per share if the option to convert is exercised.

22 REMUNERATION TO THE CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVES

The aggregate amounts charged in these financial statements in respect of remuneration, including all benefits, to the executives were as follows:

	Note	**Chief Executive**	**Executives**
		----------- (Rupees) -----------	
Basic		**-**	**1,331,170**
Other Allowances		**-**	**1,515,611**
Secondee staff salaries and benefits	*22.1*	**4,055,233**	**4,537,585**
		4,055,233	**7,384,366**
Number of persons		**1**	**4**

22.1 Secondees represent the 3 executives deputed by the holding Company for the period of 1 year, starting from January 22, 2024 till January 21, 2025.

23 NUMBER OF EMPLOYEES

The total and average number of employees during the period are as follows:	(Number of employees)
Number of employees as at the end of the period	9
Average number of employees during the period	4

24 RELATED PARTIES TRANSACTIONS AND BALANCES

The Company has related party relationships with Faysal Bank Limited (the Holding Company), related group companies, its directors, the key management personnel of the Company and of the Holding Company.

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the entity (directly or indirectly). The Company considers its Directors, Chief Executive Officer and departmental heads to be its key management personnel. Transactions with key management personnel are in accordance with their terms of employment / entitlement. Other transactions with related parties are as per agreed terms with the related parties.

24.1 Details of balances and transactions with related parties other than those disclosed in the respective notes are as follows:

Balances at the period-end	**(Rupees)**
Payable to Holding Company	**15,804,282**
Transactions during the period	
Faysal Bank Limited - holding Company	
Administrative expenses paid by the Holding Company on behalf of the Company (to be subsequently reimbursed to the Holding Company)	**14,010,630**
Bank charges	**3,762**
Key management personnel and their close family members	
Directors and Executives of the Company:	
- Sale of foreign currencies	**27,900**
- Purchase of foreign currencies	**27,725**

Details of the remuneration of key management personnel are given in note 24.

24.2 The list of related parties with whom the Company had entered into transactions during the year are given in "Annexure II", which is an integral part of these financial statements.

25 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business and to comply with the regulatory requirement.

The Company manages its capital structure by monitoring return on net assets and assessing its requirement for various transactions to be undertaken. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

The Company currently meets the paid-up capital requirement of Rs. 500 million prescribed in Exchange Companies Manual issued by the SBP. The paid-up capital is Rs. 1,000,000,000 which is in excess of minimum capital requirement by Rs. 500,000,000.

The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. The gearing ratio as at June 30, 2024 is as follows:

	Note	**(Rupees)**
Total Liabilities		**57,111,935**
Less: cash and bank balances	*12*	**(245,489,524)**
Excess cash and bank balances		**(188,377,589)**
Less: Total Shareholders' equity		**1,008,643,312**
Adjusted equity		**820,265,723**
Gearing ratio		**-**

26 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the oversight of the financial risk management for the Company. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The main financial risks that the Company is exposed to and how they are managed are set out below:

The Company is exposed to the following risks in respect of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures.

26.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company's policy is to enter into financial contracts in accordance with the risk management framework. The carrying amount of the financial assets mentioned below represents the maximum credit exposure at the reporting date.

Exposure to credit risk

Credit risk of the Company arises principally from bank balances and accrued profit. The maximum exposure to credit risk at the reporting date are as follows:

	(Rupees)
Balances with Bank	**190,840,056**
Accrued profit on deposits	**3,106,511**
	193,946,567

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, management focuses on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Management does not consider that it has any significant concentration of credit risk at the reporting date. Following are the details:

Details of the concentration of credit risk are as follows:	**(Rupees)**
Commercial bank	**193,946,567**
	193,946,567

Credit ratings

Balances with banks represents balance held with the holding Company having sound credit ratings. The credit quality of Company's bank balances can be assessed with reference of external credit ratings as follows:

Banks	**Rating Agency**	**Long term rating**	**Short term rating**	**(Rupees)**	**Percent**
Faysal Bank Limited	PACRA	AA	A1+	**193,946,567**	**100.00%**

26.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity risk 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.

The following are the contractual maturities of financial liabilities:

	Carrying amount	**Contractual cash flows**	**Maturity up to one year**	**Maturity more than one year and less than five years**	**Maturity over five years**
	----------	----------	**(Rupees)**	----------	----------
Creditors, accrued and other liabilities	**55,651,094**	**55,651,094**	**55,651,094**	**-**	**-**
	55,651,094	**55,651,094**	**55,651,094**	**-**	**-**

26.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, profit rate risk, and price risk. The Company is exposed to currency risk and profit rate risk only.

26.4 Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield. At the reporting date, the profit rate profile of the Company's significant profit bearing financial instruments were as follows (based on the earlier of repricing and maturity):

	Profit rate	Profit bearing			Non - Profit bearing	Total
		Up to three months	Between four to twelve months	Over one year		
	%	(Rupees)				
On balance sheet financial instruments						
Financial assets						
Long Term Investment	21.30	-	-	150,015,000	-	150,015,000
Short Term Investment	21.30	588,393,000	-	-	-	588,393,000
Profit accrued on Deposits		-	-	-	3,106,511	3,106,511
Profit accrued on Investments		-	-	-	28,330,903	28,330,903
Cash and bank balances (LCY)	18.00 - 19.00	180,340,750	-	-	12,583,965	192,924,715
Cash and bank balances (FCY)	0.12	10,499,306	-	-	42,065,503	52,564,809
		779,233,056	-	150,015,000	86,086,882	1,015,334,938
Financial liabilities						
Creditors, accrued and other liabilities		-	-	-	55,651,094	55,651,094
On balance sheet gap		779,233,056	-	150,015,000	30,435,788	959,683,844

a) Cash flow profit rate risk

26.4.1 As at June 30, 2024, the Company hold balances in bank accounts, certificates of GoP Ijarah sukuks that could expose the Company to cashflow profit rate risk which are classified as amortised cost. In case of 100 basis points increase / decrease in profit rates on June 30, 2024, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

	2024 (Rupees)
Exposure	
Bank balances	190,840,056

	Effect on total comprehensive income and net assets 2024 (Rupees)
100	1,908,401
(100)	1,908,401

26.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In order to avoid losses arising from adverse movements in the exchange rates, the management monitors compliance with all external and internal limits (including currency, dealer and counterparty limits), review of foreign exchange exposure and regular revaluation of the entire portfolio.

The Company's exposure to foreign exchange risk are as follows:

	USD	GBP	EUR	Others	Total
On balance sheet financial instruments	(Equivalent Rupees)				
Financial assets					
Cash balances	18,546,885	257,788	4,449,342	18,811,488	42,065,503
Bank balances	10,116,250	383,056	-	-	10,499,306
	28,663,135	640,844	4,449,342	18,811,488	52,564,809
Financial liabilities	-	-	-	-	-
Net currency exposure	28,663,135	640,844	4,449,342	18,811,488	52,564,809
Off balance sheet financial instruments					
Commitments	-	-	-	-	-
Currency exchange rates at the period-end	278.74	348.36	294.76	Various	

Sensitivity analysis

Every 1% increase or decrease in exchange rates, with all other variables held constant, will increase or decrease profit before tax for the period by Rs. 515,987.

26.6 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for the appropriate segregation of duties between various functions, roles and responsibilities;
- requirement for the reconciliation and monitoring of transactions;
- compliance with regulatory and other requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Senior Management ensures that the Company's staff have adequate training and experience and fosters effective communication related to operational risk management.

27 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company classifies fair value measurements of its investments using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for the asset or liability that are not based on observable market date (i.e. unobservable inputs).

27.1 The following table analyses financial assets and liabilities at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2024							
	Carrying Amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortized Cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees)							
Financial assets measured at fair value								
- GoP Ijarah Sukuks	588,393,000	-		588,393,000		588,393,000	-	588,393,000
- Cash and bank balances - Foreign currencies	52,564,809	-	-	52,564,809	52,564,809	-	-	52,564,809
Financial assets not measured at fair value								
- GoP Ijarah Sukuks	-	-	150,015,000	150,015,000	-	150,870,000	-	150,870,000
- Cash and bank balances - Local currency	-	-	192,924,715	192,924,715				
- Accrued profit	-	-	31,437,414	31,437,414				
Financial liabilities not measured at fair value								
Creditors, accrued and other liabilities	-	-	55,651,094	55,651,094				

28 CORRESPONDING FIGURES

Corresponding figures are not presented as it is the first reported period after incorporation.

29 DATE OF AUTHORISATION

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on _______________ .

____
Chief Executive Officer

____
Director

Faysal Islami Currency Exchange Company (Private) Limited

List of Branches/booths **Annexure I**

As on June 30, 2024

S.No	Branch Name	Status	City	Address
1	Fakhr-e-Alam Road Branch	Booth	Peshawar	FBL Fakhr-e-Alam Road Branch (3570), 1 Fakhr-e- Alam Road, Peshawar Cantt.
2	Liaquat Road Branch	Booth	Faisalabad	FBL Liaquat Road Branch (3021), 3-Liaquat Road, Faisalabad
3	Haider Road Branch	Booth	Rawalpindi	FBL Haider Road Branch (3716), 32, Haider Road, Rawalpindi Cantt.
4	Quality Height Clifton Branch	Booth	Karachi	FBL Quality Height Clifton Branch (3553), 32-A, Ground Floor, Quality Heights, K.D.A Scheme No. 5, Clifton Block-8, Karachi
5	Multan Cantt. Branch	Booth	Multan	FBL Multan Cantt. Branch (3452), 44/D Aziz Shaheed Road, Multan Cantt
6	Main Boulevard Branch	Booth	Lahore	FBL Main Boulevard Branch (3547), 59-A, Main Boulevard, Gulberg, Lahore
7	Blue Area Branch	Booth	Islamabad	FBL Blue Area Branch (3462), 78-W, Roshan Center, Jinnah Avenue, Blue Area, Islamabad
8	Paris Road Branch	Booth	Sialkot	FBL Paris Road Branch (3706), B1-16S-98/RH, Paris Road, Nishat Park, Sialkot
9	Mirpur branch	Booth	Mirpur	FBL Mirpur Branch (3467), Ch. Sharif Plaza, Mian Muhammad Road, Opp. Quaid-e-Azam Stadium, Mirpur-AJK
10	GT Road Branch	Booth	Gujranwala	FBL GT Road Branch (3577), Zia Plaza, G.T. Road, Gujranwala

Faysal Islami Currency Exchange Company (Private) Limited

LIST OF RELATED PARTIES

Annexure II

Name of Related Party	**Relationship**	**Address**
Mr. Ali Waqar	Director	Faysal house, Sharah e Faisal, Karachi
Mr. Aneeq Malik	Director	Faysal house, Sharah e Faisal, Karachi
Syed Muhammad Fraz Zaidi	Director	Faysal house, Sharah e Faisal, Karachi
Mr. Jaudat Hussain	Director	Faysal house, Sharah e Faisal, Karachi
Syed Shuja Haider	Director	Faysal house, Sharah e Faisal, Karachi
Mr. Mohammad Yousuf	Director	Faysal house, Sharah e Faisal, Karachi
Mr. Faisal Azim Lehri	CEO	Faysal house, Sharah e Faisal, Karachi
Faysal Bank Limited	Shareholder	Faysal house, Sharah e Faisal, Karachi
Faysal Asset Management Limited	Associated Company	Faysal house, Sharah e Faisal, Karachi