

# Financial Statements and Independent Auditors' Report



Foundation Securities (Private) Limited

For the year ended June 30, 2020

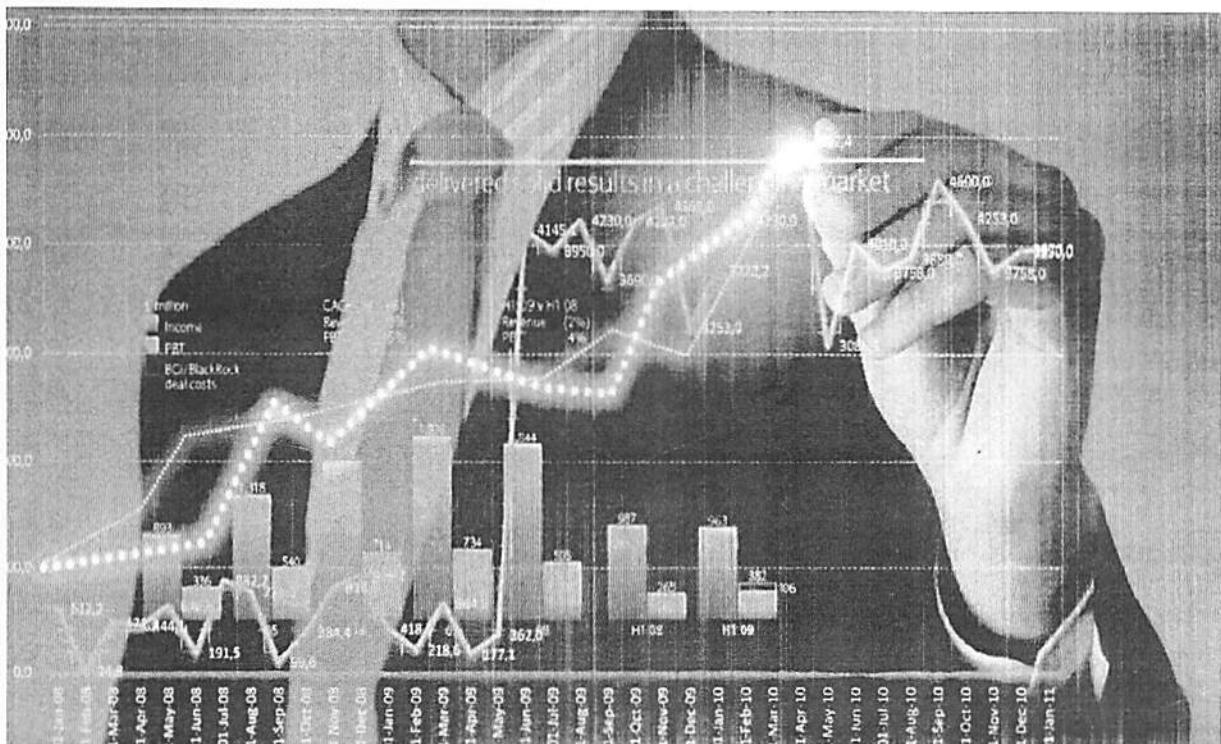


Grant Thornton

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Grant Thornton Anjum Rahman

Chartered Accountants



# Foundation Securities

A Fauji Foundation Group Company

## DIRECTOR'S REPORT

The Directors are pleased to present the audited financial statements of Foundation Securities (Private) Limited for the year ended June 30, 2020. Summarized results are set out below:

	Year Ended June 30, 2020	Year Ended June 30, 2019
	.....Rupees.....	
Profit / (Loss) before tax	62,734,931	(22,883,017)
Profit / (Loss) after tax	40,058,794	(18,244,911)
Profit / (Loss) per share	1.32	(0.60)

## Appropriation of Profit/ (loss)

Profit for the year has been appropriated as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019
	.....Rupees.....	
Un-appropriated loss brought forward	(82,550,268)	(74,442,536)
Profit / (Loss) after tax	40,330,156	(18,244,911)
Other Comprehensive loss	(3,342,652)	(6,477,966)
Capital Reserve	-	16,615,145
Un-appropriated Loss carried forward	(45,562,764)	(82,550,268)

## Proposed Dividend

Dividend @ Rs.0.82 per share	<u>25,000,000</u>	-
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## Auditors

The auditors, M/s Grant Thornton Anjum Rahman, Chartered Accountants, the auditors of the company retire and are eligible for reappointment. The Board of Directors, based the recommendation of the audit committee, would recommend the appointment of M/s Grant Thornton Anjum Rahman, Chartered Accountants, for the year ended June 30, 2021.

## Foundation Securities ( Private ) Limited


Head Office: Ground Floor, Bahria Complex II, M.T. Khan Road, Karachi-74000.

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Stock Exchange Karachi Branch:  
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FOUNDATION  
EDGE   
GILFIE STOCKS & COMMODITIES TRADING  
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**The Board and their Percentage of Share Holding**

Name of Board Members	Position	No of shares held	Percentage of share holding
Brig. Sabir Ali (Retd)	Director	1	
Syed Ahmad Abbas Zaidi	Director	1	
Muhammad Iqbal Mir	Director	1	

**Acknowledgement**

We express our sincerest appreciation to our employees for their dedication and hard work and to our clients, business partners and shareholders for their support and confidence.

For and on behalf of the  
Board of Directors

  
Chairman

Dated: September 9, 2020

**Foundation Securities ( Private ) Limited**

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## Statement of Compliance with Corporate Governance Code for Securities Broker Regulations 2016

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

1. The total number of directors are as per following:-
  - i. Brig Sabir Ali (Retd.) Non Executive Director
  - ii. Mr. Muhammad Iqbal Mir Non Executive Director
  - iii. Syed Ahmad Abbas Zaidi Executive Director
2. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
3. The Board has devised the policy which intended to encourage all stakeholders including employees and others to report suspected or actual occurrence of illegal, unethical or inappropriate events without retribution.
4. The board has appointed Chief Executive Officer to lead the management team, and exercise executive authority over operations of the company.
5. There is no any casual vacancy occurred on the board to intimate Security Exchange.
6. The Board meets on quarterly basis and ensures the minutes of the meetings are appropriately recorded.
7. The Board has formed committees comprising of members given below:-
  - a. Audit Committee
    - Brig Sabir Ali (Retd ) - Chairman
    - Mr. Muhammad Iqbal Mir – Member
  - b. Human Resource Committee
    - Mr. Iqbal Mir - Chairman
    - Syed Ahmad Abbas Zaidi – Member



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8. The Board / CEO has appointed appropriate and suitably qualified management team for its operations.
9. No Director has obtained Directors' training program during the year; reason being that directors on previous board have already attended directors training program and new directors have recently joined.
10. Auditor conducting statutory audit is enlisted in category "A" of the State Bank of Pakistan's Panel of Auditors.
11. The detail of all related party transactions are placed before the Board for review and approval.
12. Financial Statements of company are prepared within stipulated time shall be submitted to related authorities. The Annual Report contains:
  - i. Annual audited financial statements
  - ii. Directors ' report
13. There are no transactions entered into by the broker during year, which are fraudulent, illegal or in violation of any securities market laws.
14. The quarterly and annual financial statements are approved by the board and the CEO

  
  
Syed Ahmad Abbas Zaidi  
Chief Executive officer

**Foundation Securities (Private) Limited**  
**Independent Auditors' report**  
**For the year ended June 30, 2020**



# Grant Thornton

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**INDEPENDENT AUDITOR'S REPORT**  
**To the members of Foundation Securities (Private) Limited**  
**Report on the Audit of the Financial Statements**

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## Opinion

We have audited the annexed financial statements of **Foundation Securities (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of 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 June 30, 2020 and of the profit and other comprehensive loss, 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.

## 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.

### **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, 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 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 Khalid Aziz.

*Grant Thornton Anjum Rahman*

**Grant Thornton Anjum Rahman**  
Chartered Accountants  
Karachi

Dated: September 21, 2020

**Foundation Securities (Private) Limited**  
**Financial Statements**  
For the year ended June 30, 2020

**FOUNDATION SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

	Note	2020	2019
		-----Rupees-----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	3,233,679	5,348,385
Intangible assets	6	14,325,570	14,513,085
Deferred tax asset	7	5,535,689	5,527,839
Long-term investment	8	-	17,243,890
Long-term loans - secured	9	1,080,505	1,115,937
Long-term deposits	10	2,949,000	3,299,000
<b>Total non-current assets</b>		<b>27,124,443</b>	<b>47,048,136</b>
<b>Current assets</b>			
Trade debts	11	291,198,495	113,056,357
Current portion of long-term loans	9	1,796,269	2,558,663
Trade deposits and short-term prepayments	12	54,810,497	152,397,840
Other receivables	13	7,353,814	7,476,470
Interest accrued	14	2,147,984	1,835,416
Short-term investments	15	41,559,241	265,220
Taxation - net		106,601,269	117,085,871
Cash and bank balances	16	638,582,860	333,073,965
<b>Total current assets</b>		<b>1,144,050,429</b>	<b>727,749,802</b>
<b>TOTAL ASSETS</b>		<b>1,171,174,872</b>	<b>774,797,938</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
<b>Authorized share capital</b>			
35,000,000 (2019: 35,000,000) ordinary shares of Rs.10 each		350,000,000	350,000,000
Issued, subscribed and paid-up share capital	17	304,600,600	304,600,600
Surplus on revaluation of investments classified at fair value through OCI		-	5,577,317
Capital reserve		16,615,145	16,615,145
Accumulated loss		(62,177,909)	(104,742,730)
<b>Total shareholders' equity</b>		<b>259,037,836</b>	<b>222,050,332</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term loan	18	43,923,237	38,384,855
Deferred liability	19	1,513,152	-
<b>Total non-current liabilities</b>		<b>45,436,389</b>	<b>38,384,855</b>
<b>Current liabilities</b>			
Trade and other payables	20	854,184,302	383,846,406
Short-term running finance	21	-	118,000,000
Accrued mark-up	22	12,516,345	12,516,345
<b>Total current liabilities</b>		<b>866,700,647</b>	<b>514,362,751</b>
Contingencies and commitments	23		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,171,174,872</b>	<b>774,797,938</b>

The annexed notes 1 to 12 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

**FOUNDATION SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 -----Rupees-----	2019
Operating revenue	24	207,668,993	145,382,184
Operating and administrative expenses	25	(182,005,918)	(182,325,306)
Impairment losses of trade debtors	11	(2,681,500)	(2,859,646)
		<u>22,981,575</u>	<u>(39,802,768)</u>
Finance cost	26	(15,885,840)	(8,546,197)
Other income	27	55,821,543	25,822,280
		<u>62,917,278</u>	<u>(22,526,685)</u>
Unrealized loss on re-measurement of investments 'at fair value through profit or loss'	15	(182,345)	(356,332)
Profit/(loss) before taxation		<u>62,734,933</u>	<u>(22,883,017)</u>
Taxation	28	(22,404,777)	4,638,106
Profit/(loss) for the year		<u><u>40,330,156</u></u>	<u><u>(18,244,911)</u></u>

The annexed notes 1 to 42 form an integral part of these financial statements.

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**CHIEF EXECUTIVE OFFICER**

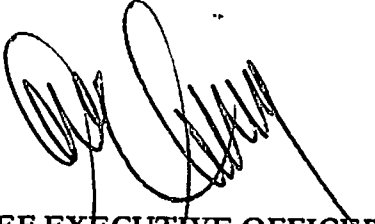
  
**DIRECTOR**

**FOUNDATION SECURITIES (PRIVATE) LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 -----Rupees-----	2019
<b>Profit/(loss) for the year</b>		40,330,156	(18,244,911)
<b>Other comprehensive loss :</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of defined benefit obligations	19	(299,543)	3,866,466
Remeasurement of investment classified at fair value through OCI - net of deferred tax	8	(3,043,109)	(10,637,209)
Realised gain on the sale of investments		-	292,777
		(3,342,652)	(6,477,966)
<b>Total comprehensive income/(loss) for the year</b>		<b>36,987,504</b>	<b>(24,722,877)</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

*OTATL*

  
CHIEF EXECUTIVE OFFICER

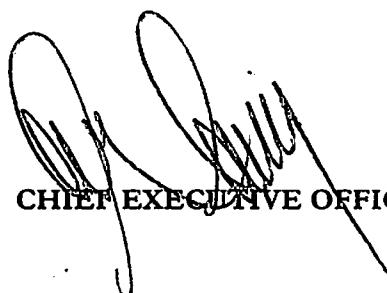
  
DIRECTOR

**FOUNDATION SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 -----Rupees-----	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated/(used in) from operations	29	470,037,000	(199,284,398)
Gratuity paid		-	(3,334,800)
Income tax paid		(11,815,675)	(21,112,979)
Finance cost paid		(10,347,458)	(9,248,635)
<b>Net cash generated from/(used in) operating activities</b>		<b>447,873,867</b>	<b>(232,980,812)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(252,200)	(556,685)
Proceeds from the disposal of property and equipment		2,357,000	50,100
Purchase of intangible assets		-	(69,600)
Proceeds from the sale of long-term investments		14,200,781	498,634
Interest accrued		(312,568)	(1,295,284)
Long-term loans - net		797,826	(998,272)
Long-term deposits		350,000	446,800
Purchase of short-term investments - net		(41,505,811)	(1,866,121)
Dividend received		-	2,400
<b>Net cash used in investing activities</b>		<b>(24,364,972)</b>	<b>(3,786,028)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>423,508,895</b>	<b>(236,768,840)</b>
Cash and cash equivalents at the beginning of the year		215,073,965	451,842,805
<b>Cash and cash equivalents at the end of the year</b>		<b>638,582,860</b>	<b>215,073,965</b>
<b>Cash and cash equivalent comprises:</b>			
Cash and bank balances	16	638,582,860	333,073,965
Short-term running finance	21	-	(118,000,000)
		<b>638,582,860</b>	<b>215,073,965</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

*CITR/L*

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

FOUNDATION SECURITIES (PRIVATE) LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2020

	Issued, subscribed and paid-up share capital	Surplus on Revaluation of investments classified at fair value through OCI	Capital reserve	Accumulated loss	Total shareholders' equity
----- Rupees -----					
Balance as at July 01, 2018	304,600,600	16,214,526	-	(90,657,062)	230,158,064
Loss for the year	-	-	-	(18,244,911)	(18,244,911)
<i>Other comprehensive loss</i>					
Remeasurement of defined benefit obligations	-	-	-	3,866,466	3,866,466
Realised gain on the sale of investments	-	292,777	-	-	292,777
Remeasurement of investment classified at fair value through OCI - net of deferred tax	-	(10,637,209)	-	-	(10,637,209)
Total comprehensive loss for the year	-	(10,344,432)	-	(14,378,445)	(24,722,877)
Reclassification due to sale of investments - Fair value through OCI	-	(292,777)	-	292,777	-
Parent's Contribution	-	-	16,615,145	-	16,615,145
<b>Balance as at June 30, 2019</b>	<b>304,600,600</b>	<b>5,577,317</b>	<b>16,615,145</b>	<b>(104,742,730)</b>	<b>222,050,332</b>
Profit for the year	-	-	-	40,330,156	40,330,156
<i>Other comprehensive loss</i>					
Remeasurement of defined benefit obligations	-	-	-	(299,543)	(299,543)
Remeasurement of investment classified at fair value through OCI - net of deferred tax	-	(3,043,109)	-	-	(3,043,109)
Total comprehensive income for the year	-	(3,043,109)	-	40,030,613	36,987,504
Reclassification due to sale of investments - Fair value through OCI	-	(2,534,208)	-	2,534,208	-
<b>Balance as at June 30, 2020</b>	<b>304,600,600</b>	<b>-</b>	<b>16,615,145</b>	<b>(62,177,909)</b>	<b>259,037,836</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR