



# Grant Thornton

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## INDEPENDENT AUDITORS REPORT ON STATEMENT OF NET CAPITAL BALANCE

To the Chief Executive Officer of  
**Foundation Securities (Private) Limited** (the Securities Broker)

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### Opinion

We have audited the Statement of Net Capital Balance of **Foundation Securities (Private) Limited** (the Securities Broker) and notes to the Statement of Net Capital Balance as at December 31, 2018 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at December 31, 2018 is prepared, in all material respects, in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations 2016 (the Regulations) read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP).

### 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 statement section of our report. We are independent of the Securities Broker in accordance with the ethical requirements that are relevant to our audit of the statement in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note 2 to the statement, which describes the basis of accounting. The statement is prepared to assist the **Foundation Securities (Private) Limited** (the Securities Broker) to meet the requirements of the SECP, Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL). As a result, the statement may not be suitable for another purpose. Our report is intended solely for **Foundation Securities (Private) Limited** (the Securities Broker), SECP, PSX and NCCPL and should not be distributed to parties other than **Foundation Securities (Private) Limited** (the Securities Broker) or the SECP, PSX or NCCPL. Our opinion is not modified in respect of this matter.

## **Responsibilities of Management and Those Charged with Governance for the statement**

Management is responsible for the preparation of the statement in accordance with the Regulations and the SEC Rules 1971, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Those charged with governance is responsible for overseeing the Securities Broker's financial reporting process.

## **Auditor's Responsibilities for the Audit of the statement**

Our objectives are to obtain reasonable assurance about whether the statement is 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 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 this statement.

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

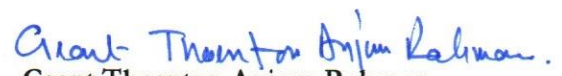
- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material 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 Securities Broker's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance 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.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Khalid Aziz**.

Karachi

Date: March 14, 2019

  
**Grant Thornton Anjum Rahman**  
Chartered Accountants


**FOUNDATION SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF NET CAPITAL BALANCE**  
**AS AT DECEMBER 31, 2018**

DESCRIPTION	VALUATION BASIS	Note	Sub Total	Total
<b><u>CURRENT ASSETS</u></b>				
Cash in hand and bank balances	As per book value	3		351,104,198
Cash deposited as margin with Pakistan Stock Exchange and National Clearing Company of Pakistan				128,439,905
Trade receivables	As per book value	4	161,701,150	
	Less: Overdue for more than 14 days		<u>(40,787,607)</u>	120,913,543
Investment in listed securities in the name of broker	At market value	5	365,207	
	Less: Securities in exposure list marked to market less 15% discount		<u>(54,781)</u>	310,426
Securities purchased for client	Value of shares appearing in clients respective sub account to the extent of overdue balance for more than 14 days or value of securities, whichever is less			12,718,582
<b>Total Current Assets</b>				<u>613,486,654</u>
<b><u>CURRENT LIABILITIES</u></b>				
Trade payables	As per book value	6	397,311,175	
	Less: Overdue for more than 30 days		<u>(199,765,196)</u>	197,545,979
Other liabilities	As per book value	7		332,882,196
<b>Total Current Liabilities</b>				530,428,175
<b>NET CAPITAL BALANCE</b>				<u><u>83,058,479</u></u>


The annexed notes 1 to 8 form an integral part of the statement.

**APPORTIONMENT:**

Allocation of National Clearing Company of Pakistan Limited		78,058,479
Allocation of Pakistan Mercantile Exchange Limited		5,000,000

  
 Chief Executive Officer



  
 Compliance Officer

**FOUNDATION SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE STATEMENT OF NET CAPITAL BALANCE**  
**FOR THE PERIOD ENDED DECEMBER 31, 2018**

**1. STATEMENT OF COMPLIANCE**

This statement has been prepared by management based on the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules, 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP).

**2. BASIS OF ACCOUNTING**

This statement has been prepared on Trade Date accounting basis and accordingly account for income, assets and liabilities.

**3. CASH IN HAND AND BANK BALANCES**

**December 31, 2018**  
**(Rupees)**

These are stated at book value.

Cash in hand	71,087
Bank balance pertaining to:	
- Brokerage house	7,240,451
- Clients	343,792,660
	<u>351,104,198</u>

**3.1 Overall trade payables balance for the purpose of Net Capital Balance in accordance with clause 1.5 of clarification / guidelines issued by SECP on July 03, 2013, as follows:**

**December 31, 2018**  
**(Rupees)**

**Reconciliation With Trade Payable Balance**

Trade payable as at December 31, 2018	397,311,175
Less: Accrual of Trade Payable for T+2 transaction	(53,518,515)
	<u>343,792,660</u>

**4. TRADE RECEIVABLES**

These are valued at cost less debts outstanding for more than 14 days.

**December 31, 2018**  
**(Rupees)**

Total trade receivable	161,701,150
Less: Outstanding for more than 14 days	(40,787,607)
Balance generated within 14 days	<u>120,913,543</u>

**5. INVESTMENT IN LISTED SECURITIES IN THE NAME OF BROKER**

Name of Securities	December 31, 2018	
	Available Quantity	Fair Value (Rupees)
Lucky Cement	300	130,401
International Industries Limited	1,000	154,050
Kohinoor Textile Mills Limited	2	90
Ghani Gases Limited	5,549	65,700
Pakistan Petroleum Limited	100	14,966
<b>Total</b>	<u>6,951</u>	<u>365,207</u>



**FOUNDATION SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE STATEMENT OF NET CAPITAL BALANCE**  
**FOR THE PERIOD ENDED DECEMBER 31, 2018**

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**6. TRADE PAYABLES**

This represents balance payable against trading of shares less trade payable balances overdue for more than 30 days which have been included in other liabilities.

**7. OTHER LIABILITIES**

These represents current liabilities and other than trade payable which are due with in 30 days. Other liabilities are stated at book value.

The break up is as follows:

	<b>December 31, 2018</b> <b>(Rupees)</b>
- Trade payables overdue more than 30 days	199,765,196
- Accrued expenses	8,492,000
- Payable to Fauji Foundation	12,516,000
- Payable to Pakistan Stock Exchange against services / taxes	1,796,000
- Others	10,313,000
- Short Term Loan	100,000,000
	<u><u>332,882,196</u></u>

**8. DATE OF ISSUANCE**

This statement was authorized for issue on MARCH 14, 2019

  
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Chief Executive Officer



  
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Compliance Officer