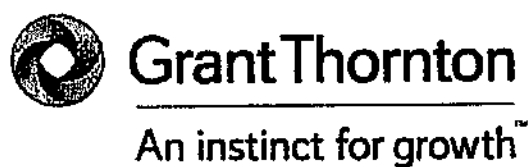


Financial Statements and Independent Auditors' Report

Foundation Securities (Private) Limited

For the year ended June 30, 2022



Grant Thornton Anjum Rahman
Chartered Accountants

DIRECTOR'S REPORT

The Directors are pleased to present the audited financial statements of Foundation Securities (Private) Limited for the year ended June 30, 2022.

Economic Overview

Pakistan economy continued on V-shaped recovery in FY22 with 6% GDP growth as strong domestic demand has sustained on account of broad-based expansion in LSM and improved crop production. Moreover, GDP at current price stood at Rs66,590bn, showing an impressive growth of 20.0% during FY22 against Rs 55,796bn in FY21. However, the economy also started to show signs of excess demand and overheating through an increase in the import volume of capital and consumer goods, energy, and non-energy imports. Resultantly, Gov't has taken corrective measures including tightening of monetary stance and stricter macro-prudential regulations. Pakistan's economy faces several challenges like shrinking fiscal space, mounting current account deficit, exchange rate pressure, inflation, energy sector bottlenecks, and the absence of a supportive environment for the private sector. These coupled with political uncertainty amid tough IMF program conditionality would considerably slow down economic growth next year.

Market Overview

Political uncertainty since the start of FY22 with change of political setup in April 22 along with external financing issues due to freezing of IMF program amid elevated commodity prices has resulted in KSE-100 posting 12% negative return in FY22 against 37.6% last year. Notably, during the fiscal year Rupee depreciated by 23%. Substantial increase in interest rate has reduced the market depth average daily traded value (ADTV) shrunk by ~50% to ~Rs9.6bn, vs FY21 Rs. 19.2bn. Moreover, foreigners were net seller in FY22 by US\$ 294m.

Company Performance

As reasons explained above, your company brokerage revenue declined by 52%. Brokcrage revenue during FY22 recorded at Rs226mn against Rs475mn in FY21. Other Income of your Company increased by 10% in FY22. Loss due to change in fair value of marketable securities of Rs16.2mn in FY22 has further eroded the Company's profitability. Finance cost of your Company reduced by 53% during the year despite 675 basis points increase in policy rate which reflects disciplined fund utilization.

Consequently, your company's profitability declined by 90% as after tax profit clocked in at Rs15.9 mn in FY22, against profitability of Rs161.3mn in FY21. After payment of dividend Rs. 45.7m, the equity of the Company as at the balance sheet date is Rs365mn against Rs397mn at Jun'21, which translates into book value per share of Rs11.97 at Jun'22 against Rs13.04 per share at Jun'21.

Anticipated resumption of the IMF program during August 2022 with combined 7th and 8th review of EFF would likely provide much needed certainty to the capital markets and rein in currency depreciation. However, investor's interest in equity market expected to remain dull amid high interest rates and skewed trajectory of inflation.

Foundation Securities (Private) Limited
(A Fauji Foundation Group Company)

Registered Office: Ground Floor, Bahria Complex II, M.T. Khan Road, Karachi
Phone: 021 5612290-94. Fax: 021 5612262. UAN: www.fs.com.pk; Email: info@fs.com.pk

Foundation Securities (Private) Limited

Head Office: Ground Floor, Bahria Complex II, M.T. Khan Road, Karachi-74000.
PABX: (92 21) 3561 2290-94 Fax: (92 21) 3561 2262 Email: info@fs.com.pk URL: www.fs.com.pk

Foundation Edge
ONLINE STOCK TRADING

A Product of Foundation Securities (Pvt) Ltd.
T: 6800 87233 (TRADE) www.fse.com

Stock Exchange Karachi Branch:
Room No. 127, 3rd Floor, Pakistan Stock Exchange Building,
Stock Exchange Road. Tel: (92 21) 32462835-8 Fax: (92 21) 32462898

Lahore Office:
11-F/1, Main Gulberg, Jail Road, Lahore.
Tel: (92 42) 35776821-29 Fax: (92 42) 35776830

Islamabad Office:
Office No. 1212, 12th Floor, ISE Towers, Jinnah Avenue, Islamabad.
Tel: (92 51) 2895221-28 Fax: (92 51) 2895229



During the period ended June 30, 2022 the Company reported the following results:

	Year Ended June 30, 2022	Year Ended June 30, 2021
Rupees.....	
Profit before tax	30,408,786	216,422,308
Profit after tax	15,945,133	161,342,898
Earning Per Share	0.52	5.30

Appropriation of Profit

	Year Ended June 30, 2022	Year Ended June 30, 2021
Rupees.....	
Total reserves brought forward	92,525,836	(45,562,764)
Profit after tax	15,945,133	161,342,898
Other Comprehensive (loss) / income	(2,727,634)	1,722,952
Dividend Paid	(45,690,090)	(24,977,250)
Un-appropriated Profit and Capital reserve carried forward	60,053,245	92,525,836
<u>Proposed Dividend</u>		
Dividend @ Rs. nil (2021 @ RS.1.5 per share)	-	45,690,090

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 on recommendation of the audit committee, would recommend the appointment of M/s Grant Thornton Anjum Rahman, Chartered Accountants, for the year ended June 30, 2023.



The Board and their Percentage of Share Holding

Name of Board Members	Position	No of shares held	Percentage of share holding
Brig. Aamir Hussain Mirza (Retd.)	Director	1	
Aziz Ikram	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, shareholders and other stakeholders for their continued support and confidence reposed in the Company.

For and on behalf of the
Board of Directors

Chairman

Chief Executive officer

Dated:

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 Aamir Hussain Mirza (Retd.) Non-Executive Director
 - ii. Mr. Muhammad Iqbal Mir Non-Executive Director
 - iii. Mr. Aziz Ikram Non-Executive Director
 - iv. Syed Ahmed Abbas Zaidi Chief Executive Officer
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 half-yearly basis and ensures the minutes of the meetings are appropriately recorded.
7. The Board has formed the following committees comprising of members given below:-
 - a. Audit Committee
 - Mr. Aziz Ikram - Chairman
 - Mr. Muhammad Iqbal Mir – Member
 - b. Human Resource Committee
 - Mr. Muhammad Iqbal Mir - Chairman
 - Mr. Aziz Ikram - Member
 - Syed Ahmad Abbas Zaidi – Member

Foundation Securities (Private) Limited

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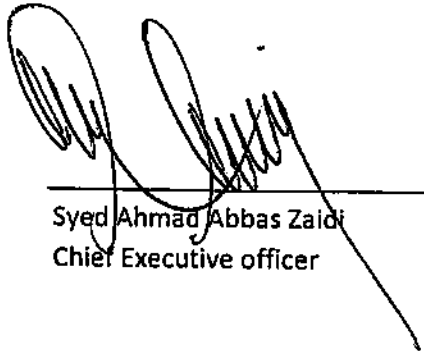
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Tel: (92 51) 2895221-28 Fax: (92 51) 2895229



8. The Board has appointed appropriate and suitably qualified management team for its operations.
9. One director has obtained training certificate as per Directors' Training Program.
10. The Board has outsourced the internal audit function to Suriya Noman Rehan & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and conversant with the policies and procedures of the company.
11. Auditors conducting statutory audit are selected from category "A" of the State Bank of Pakistan's Panel of Auditors.
12. The detail of all related party transactions are placed before the Board for review and approval.
13. Financial statements of the Company are prepared within the stipulated time which shall be submitted to related authorities. The Annual Report contains:
 - i. Annual audited financial statements
 - ii. Directors' report
 - iii. There are no transactions entered into by the Company during year, which are fraudulent, illegal or in violation of any securities market laws.
14. The half yearly and annual financial statements are approved by the board and the CEO.



Syed Ahmad Abbas Zaidi
Chief Executive officer

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

**Grant Thornton Anjum
Rahman**
1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.**T +92 21 35672951-56****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, 2022, 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, 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 1.1 to the financial statements which describe the detail of merger of Askari Securities Limited (ASL) with and into the Company. Our opinion is not qualified on this matter.

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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.

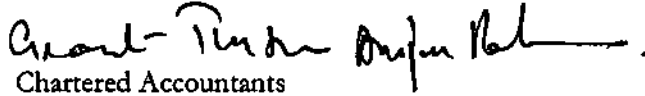
Report on Other Legal and Regulatory Requirements

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) are in agreement with the books of account and returns;
- c) the Company was in compliance with the requirements of section 78 of the Securities Act, 2015 and section 62 of the Futures Market Act, 2016 and the relevant requirements of the Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared;
- d) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

- e) 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**.


Chartered Accountants
Karachi

Dated: August 23, 2022

UDIN: AR202210154vIG62Ru8f

FOUNDATION SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022	2021
		-----Rupees-----	
ASSETS			
Non-current assets			
Property and equipment	5	5,380,371	5,684,676
Intangible assets	6	5,501,620	5,198,038
Deferred tax asset	7	1,945,454	1,945,454
Long-term loans - secured	8	981,909	542,416
Long-term deposits	9	2,949,000	2,949,000
Total non-current assets		16,758,354	16,319,584
Current assets			
Trade debts	10	123,778,216	161,625,146
Current portion of long-term loans	8	2,188,017	2,043,890
Trade deposits and short-term prepayments	11	230,416,666	272,250,891
Other receivables	12	886,550	1,679,777
Interest accrued	13	6,118,382	16,238
Short-term investments	14	13,799,781	29,912,888
Taxation - net		64,791,421	68,397,112
Cash and bank balances	15	518,879,396	812,281,107
Total current assets		960,858,429	1,348,207,049
TOTAL ASSETS		977,616,783	1,364,526,633
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Authorized share capital		500,000,000	500,000,000
50,000,000 (2021: 50,000,000) ordinary shares of Rs.10 each			
Issued, subscribed and paid-up share capital	16	304,600,600	304,600,600
Capital reserve	17	11,076,764	16,615,145
Unappropriated profit		48,976,481	75,910,691
Total shareholders' equity		364,653,845	397,126,436
LIABILITIES			
Non-current liabilities			
Long-term loan	18	-	-
Deferred liability	19	-	312,219
Total non-current liabilities		-	312,219
Current liabilities			
Trade and other payables	20	549,384,406	915,315,505
Current portion of long term loan	18	55,000,000	49,461,619
Accrued mark-up	21	8,578,532	2,310,854
Total current liabilities		612,962,938	967,087,978
Contingencies and commitments	22		
TOTAL EQUITY AND LIABILITIES		977,616,783	1,364,526,633

The annexed notes 1 to 38 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER



DIRECTOR

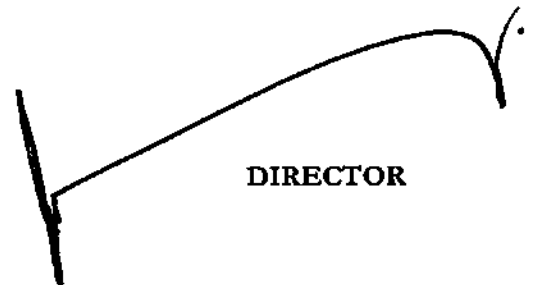
FOUNDATION SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 -----Rupees-----	2021
Operating revenue - net	23	226,318,267	476,450,994
Operating and administrative expenses	24	(225,781,153)	(305,951,549)
Impairment losses of trade debtors	10.1	-	(1,935,942)
		<u>537,114</u>	<u>168,563,503</u>
Finance cost	25	(8,930,548)	(19,017,985)
Other income	26	55,008,592	50,302,773
		<u>46,615,158</u>	<u>199,848,291</u>
Unrealized (loss)/gain on re-measurement of investments 'at 'fair value through profit or loss'	14.1	(16,206,372)	16,574,017
Profit before taxation		<u>30,408,786</u>	<u>216,422,308</u>
Taxation - net	27	(14,463,653)	(55,079,410)
Profit for the year		<u><u>15,945,133</u></u>	<u><u>161,342,898</u></u>

The annexed notes 1 to 38 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

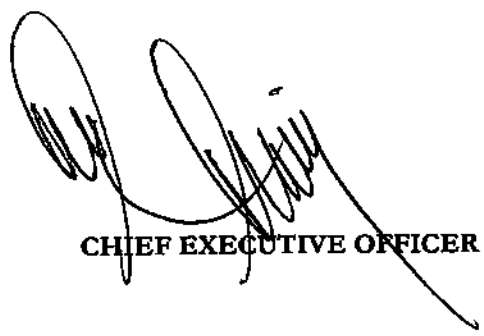

DIRECTOR

**FOUNDATION SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022**

	2022	2021
Note	-----Rupees-----	
Profit for the year	15,945,133	161,342,898
Other comprehensive income :		
<i>Items that may be reclassified subsequently to statement of profit or loss</i>		
<i>Items that will not be reclassified subsequently to statement of profit or loss</i>		
Remeasurement of defined benefit obligations - net of deferred tax	2,810,747	1,722,952
	<u>2,810,747</u>	<u>1,722,952</u>
Total comprehensive income for the year	<u><u>18,755,880</u></u>	<u><u>163,065,850</u></u>

The annexed notes 1 to 38 form an integral part of these financial statements.

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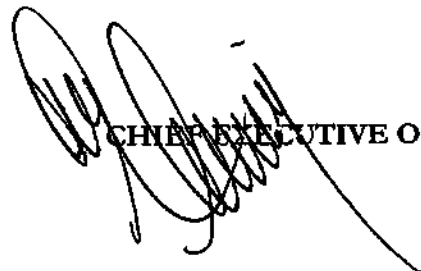

CHIEF EXECUTIVE OFFICER


DIRECTOR

FOUNDATION SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

	Issued, subscribed and paid-up share capital	Capital reserve	Unappropriated profit/ (Accumulated losses)	Total shareholders' equity
	----- Rupees -----			
Balance as at July 01, 2020	304,600,600	16,615,145	(62,177,909)	259,037,836
Profit for the year	-	-	161,342,898	161,342,898
<i>Other comprehensive income</i>				
Remeasurement of defined benefit obligations - net of deferred tax	-	-	1,722,952	1,722,952
Total comprehensive income for the year	-	-	163,065,850	163,065,850
Dividend for the year ended June 30, 2020 @ Rs. 0.82 per share	-	-	(24,977,250)	(24,977,250)
Balance as at June 30, 2021	304,600,600	16,615,145	75,910,691	397,126,436
Profit for the year	-	-	15,945,133	15,945,133
<i>Other comprehensive income</i>				
Remeasurement of defined benefit obligations	-	-	2,810,747	2,810,747
Reversal of contribution from the Holding Company	-	(5,538,381)	-	(5,538,381)
Total comprehensive income for the year	-	(5,538,381)	18,755,880	13,217,499
Dividend for the year ended June 30, 2021 @ Rs. 1.5 per share	-	-	(45,690,090)	(45,690,090)
Balance as at June 30, 2022	304,600,600	11,076,764	48,976,481	364,653,845

The annexed notes 1 to 38 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER

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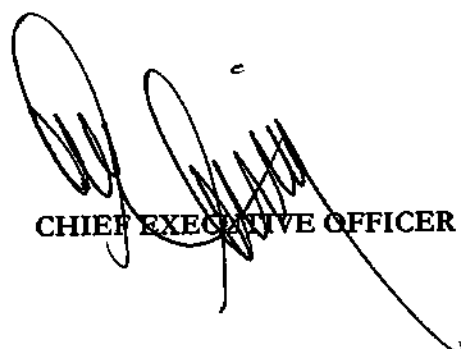
DIRECTOR

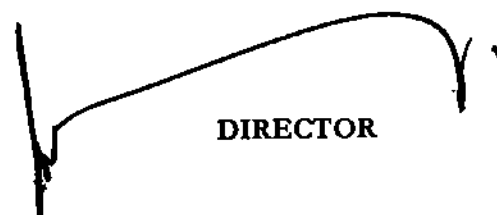
FOUNDATION SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021
Note	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in)/generated from operations	28 (223,861,956)	211,447,908
Gratuity paid	(312,219)	(1,513,152)
Income tax paid	(10,857,962)	(13,988,759)
Finance cost paid	(2,662,869)	(23,685,094)
Net cash (used in)/generated from operating activities	(237,695,006)	172,260,903
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	5 (2,487,915)	(4,305,643)
Proceeds from the disposal of property and equipment	85,000	62,357
Purchase of intangible assets	6 (507,500)	(241,500)
Interest accrued	(6,102,144)	2,131,746
Long-term loans - net	(583,620)	290,468
Short-term investments - net	(420,436)	28,477,166
Net cash (used in)/generated from investing activities	(10,016,615)	26,414,594
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(45,690,090)	(24,977,250)
Net cash used in financing activities	(45,690,090)	(24,977,250)
Net (decrease)/increase in cash and cash equivalents	(293,401,711)	173,698,247
Cash and cash equivalents at the beginning of the year	812,281,107	638,582,860
Cash and cash equivalents at the end of the year	15 518,879,396	812,281,107

The annexed notes 1 to 38 form an integral part of these financial statements.

CITAD


CHIEF EXECUTIVE OFFICER


DIRECTOR