

Financial Statements and Independent Auditors' Report



Foundation Securities (Private) Limited

For the year ended June 30, 2021



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, 2021.

Economic Overview

Pakistan economy rebounded strongly in FY21 with growth of 3.94% against negative growth of 0.47% for the fiscal year 2020. The economic recovery is broad based with agriculture, industries and services expanding by 2.8%, 3.6% and 4.4% respectively. Timely and appropriate fiscal and monetary stimulus enabled a V-Shaped economic recovery. Moreover, GDP at current price stood at Rs47,709bn, showing an impressive growth of 14.8% during FY21 against Rs41,556bn in FY20. While in dollar terms, it increased to US\$299bn in FY21 against US\$263bn in FY20.

The beginning of FY21 was better in terms of control over pandemic and economic recovery, however the second wave during the month of October 2020 and third wave in March 2021 made the economic recovery more challenging. However, sufficient availability of credit due to monetary measures along with supportive fiscal policies helped the economy to continue its recovery.

This robust economic recovery can be attributed to (1) better management of pandemic, in terms of smart lockdown, by the government which helped business activity to continue, (2) fiscal stimulus of Rs1.24tn, (3) monetary stimulus of Rs2.1tn by SBP and (4) aggressive vaccination drive which supported economic recovery earlier than expected.

Market Overview

On the back of proactive response of both government and central bank amid declining cases of COVID-19, KSE-100 was ~37.6% (46% in US\$ terms) up in FY21 against muted return of last year. Notably, during the fiscal year Rupee appreciated by 6.6%. The current fiscal year started by decline in policy rate to 7% and ended with the growth prone budget for FY22 which has significantly improved market depth.

Average Daily Turnover (ADTO) has notably improved by ~164% YoY to ~Rs19.0bn, at a high of 13 years along with improvement in volumes by ~168% YoY to ~524mn daily traded shares in FY21.

Individuals (including HNWI) remained the lead liquidity provider with a market participation of 65.4% in total ADTO during FY21. Brokers' contribution to ADTO remained at second number with participation of 15%, while foreigners remained at third spot with participation of 6% in volumes.

Besides, companies have raised highest ever amount of Rs17.1bn during FY21 through IPO with total number of new listings of 7 at PSX, which is high of 11 years.

Company Performance

Despite economic uncertainty due to COVID induced pandemic your Company performed well and managed to increase brokerage revenue by 2.1x. Operating revenue during FY21 recorded at Rs476mn against Rs221mn in FY20. Other Income of your Company declined by just 9.8% in FY21 despite reduction in discount rate. Gain due to change in fair value of marketable securities of Rs16.5mn in FY21 has provided further support to Company's profitability. Finance cost of Your Company remained manageable during the year despite 2.1x increase in value handling.

Subsequently, your Company has posted significant growth in profitability as after tax profit clocked in at Rs161.3 mn in FY21, against profitability of Rs40.3mn in FY20. The equity of the Company as at the balance sheet date is Rs397 mn against Rs 259 mn at Jun'20, which translates into book value per share of Rs 13.04 at Jun'21 against Rs 8.50 per share at Jun'20.

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.

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Foundation Edge
ONLINE STOCK TRADING

A Product of Foundation Securities (Pvt) Ltd.
T: 0800 87233 (TRADE) www.fsedge.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) 32462696

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, 2021 the Company reported the following results:

	Year Ended June 30, 2021	Year Ended June 30, 2020
Rupees.....	
Profit before tax	216,422,308	62,734,933
Profit after tax	161,342,898	40,330,156
Earning Per Share	5.30	1.32

Appropriation of Profit/ (loss)

	Year Ended June 30, 2021	Year Ended June 30, 2020
Rupees.....	
Total reserves brought forward	(45,562,764)	(82,550,268)
Profit / (Loss) after tax	161,342,898	40,330,156
Other Comprehensive income	1,722,952	(3,342,652)
Dividend Paid	(24,977,250)	-
Un-appropriated Profit / (Loss) and Capital reserve carried forward	92,525,836	(45,562,764)
<u>Proposed Dividend</u>		
Dividend @ Rs.1.50 (2020 @ RS.0.82 per share)	45,690,090	24,977,250

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, 2022.



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, 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: September 7, 2021

**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 half-yearly 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
8. The Board / CEO has appointed appropriate and suitably qualified management team for its operations.

Foundation Securities (Private) Limited

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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 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 company are prepared within stipulated time shall be submitted to related authorities. The Annual Report contains:
 - i. Annual audited financial statements
 - ii. Directors ' report
14. There are no transactions entered into by the broker during year, which are fraudulent, illegal or in violation of any securities market laws.
15. 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 auditor's report
For the year ended June 30, 2021



Grant Thornton

An instinct for growth™

INDEPENDENT AUDITOR'S REPORT

To the members of Foundation Securities (Private) Limited

Report on the Audit of the Financial Statements

GRANT THORNTON ANJUM RAHMAN

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Karachi 75530

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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, 2021, 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, 2021 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.

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) 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**.



Chartered Accountants
Karachi

Dated: September 07, 2021

Foundation Securities (Private) Limited
Financial statements
For the year ended June 30, 2021

FOUNDATION SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 -----Rupees-----	2020
ASSETS			
Non-current assets			
Property and equipment	5	5,684,676	3,233,679
Intangible assets	6	5,198,038	14,325,570
Deferred tax asset	7	1,945,454	5,535,689
Long-term loans - secured	8	542,416	1,080,505
Long-term deposits	9	2,949,000	2,949,000
Total non-current assets		16,319,584	27,124,443
Current assets			
Trade debts	10	161,625,146	291,198,495
Current portion of long-term loans	8	2,043,890	1,796,269
Trade deposits and short-term prepayments	11	272,250,891	54,810,497
Other receivables	12	1,679,777	7,353,814
Interest accrued	13	16,238	2,147,984
Short-term investments	14	29,912,888	41,559,241
Taxation - net		68,397,112	106,601,269
Cash and bank balances	15	812,281,107	638,582,860
Total current assets		1,348,207,049	1,144,050,429
TOTAL ASSETS		1,364,526,633	1,171,174,872
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Authorized share capital 50,000,000 (2020: 35,000,000) ordinary shares of Rs.10 each		500,000,000	350,000,000
Issued, subscribed and paid-up share capital	16	304,600,600	304,600,600
Surplus on revaluation of investments classified at fair value through OCI		-	-
Capital reserve		16,615,145	16,615,145
Unappropriated profit/(Accumulated losses)		75,910,691	(62,177,909)
Total shareholders' equity		397,126,436	259,037,836
LIABILITIES			
Non-current liabilities			
Long-term loan	17	-	43,923,237
Deferred liability	18	312,219	1,513,152
Total non-current liabilities		312,219	45,436,389
Current liabilities			
Trade and other payables	19	915,315,505	854,184,302
Current portion of long term loan	17	49,461,619	-
Accrued mark-up	20	2,310,854	12,516,345
Total current liabilities		967,087,978	866,700,647
Contingencies and commitments	21	-	-
TOTAL EQUITY AND LIABILITIES		1,364,526,633	1,171,174,872

The annexed notes 1 to 40 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER

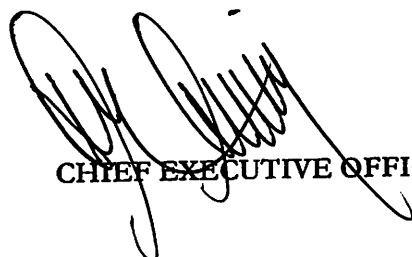

DIRECTOR

FOUNDATION SECURITIES (PRIVATE) LIMITED
 STATEMENT OF PROFIT OR LOSS
 FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 -----Rupees-----	2020
Operating revenue - net	22	476,450,994	221,426,988
Operating and administrative expenses	23	(305,951,549)	(195,763,913)
Impairment losses of trade debtors	10	(1,935,942)	(2,681,500)
		<u>168,563,503</u>	<u>22,981,575</u>
Finance cost	24	(19,017,985)	(15,885,840)
Other income	25	50,302,773	55,821,543
		<u>199,848,291</u>	<u>62,917,278</u>
Unrealized gain / (loss) on re-measurement of investments fair value through profit or loss'	14	16,574,017	(182,345)
Profit before taxation		<u>216,422,308</u>	<u>62,734,933</u>
Taxation	26	(55,079,410)	(22,404,777)
Profit for the year		<u><u>161,342,898</u></u>	<u><u>40,330,156</u></u>

The annexed notes 1 to 40 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, 2021

	Note	2021 -----Rupees-----	2020
Profit for the year		161,342,898	40,330,156
Other comprehensive income / (loss) :			
<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 - net of deferred tax	18	1,722,952	(299,543)
Remeasurement of investment classified at fair value through OCI - net of deferred tax		-	(3,043,109)
		<u>1,722,952</u>	<u>(3,342,652)</u>
Total comprehensive income for the year		<u><u>163,065,850</u></u>	<u><u>36,987,504</u></u>

The annexed notes 1 to 40 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

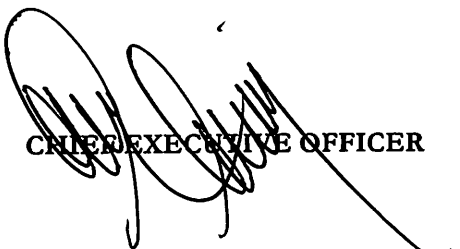
DIRECTOR

FOUNDATION SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 -----Rupees-----	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	211,447,908	470,037,000
Gratuity paid		(1,513,152)	-
Income tax paid		(13,988,759)	(11,815,675)
Finance cost paid		(23,685,094)	(10,347,458)
Net cash generated from operating activities		172,260,903	447,873,867
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(4,305,643)	(252,200)
Proceeds from the disposal of property and equipment		62,357	2,357,000
Purchase of intangible assets		(241,500)	-
Proceeds from the sale of long-term investments		-	14,200,781
Interest accrued		2,131,746	(312,568)
Long-term loans - net		290,468	797,826
Long-term deposits		-	350,000
Sale of short-term investments - net		28,477,166	(41,505,811)
Net cash generated from / (used in) investing activities		26,414,594	(24,364,972)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(24,977,250)	-
Net cash used in financing activities		(24,977,250)	-
Net increase in cash and cash equivalents		173,698,247	423,508,895
Cash and cash equivalents at the beginning of the year		638,582,860	215,073,965
Cash and cash equivalents at the end of the year	15	812,281,107	638,582,860

The annexed notes 1 to 40 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, 2021

	Issued, subscribed and paid-up share capital	Surplus on Revaluation of investments classified at fair value through OCI	Capital reserve	Unappropriated profit / Accumulated losses	Total shareholders' equity
	----- Rupees -----				
Balance as at July 01, 2019	304,600,600	5,577,317	16,615,145	(104,742,730)	222,050,332
Profit for the year	-	-	-	40,330,156	40,330,156
<i>Other comprehensive loss</i>					
Remeasurement of defined benefit obligations - net of deferred tax	-	-	-	(299,543)	(299,543)
Realised gain on the sale of investments	-	-	-	-	-
Remeasurement of investment classified at fair value through OCI - net of deferred tax	-	(3,043,109)	-	-	(3,043,109)
Total comprehensive loss 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	-
Balance as at June 30, 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
Dividend for the year ended June 30, 2020 @ Rs. 0.82 per share	-	-	-	(24,977,250)	(24,977,250)
Remeasurement of investment classified at fair value through OCI - net of deferred tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	138,088,600	138,088,600
Reclassification due to sale of investments - Fair value through OCI	-	-	-	-	-
Balance as at June 30, 2021	304,600,600	-	16,615,145	75,910,691	397,126,436

The annexed notes 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR