



**FOUNDATION SECURITIES (PRIVATE)
LIMITED**

Financial Statements

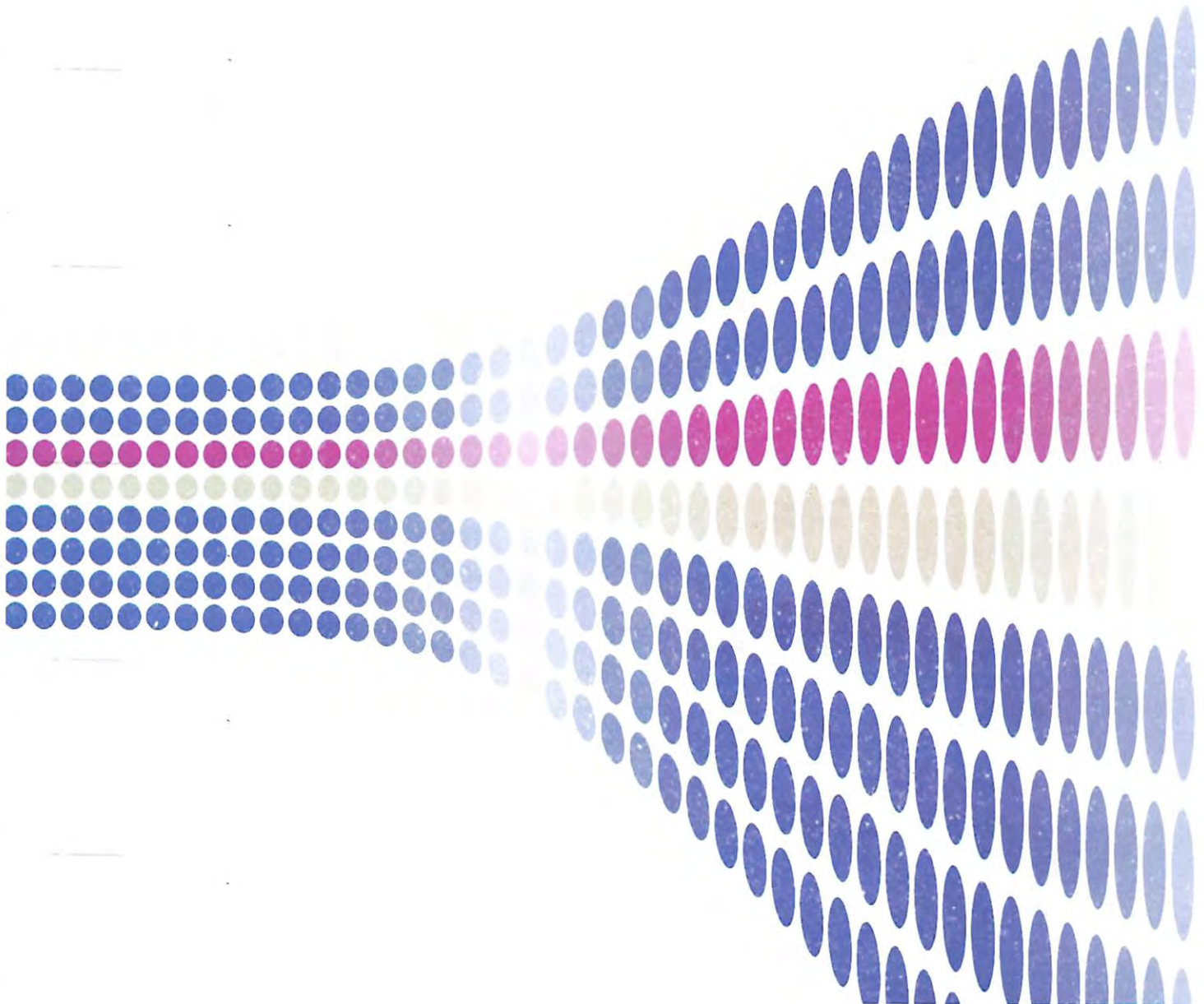
For the year ended June 30, 2023



Grant Thornton

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, 2023.

Economic Overview

FY23 GDPg stood at 0.3% as tightening of monetary and fiscal policy to improve the balance of payment position played a role in the contraction of industrial activity and economic slowdown. The severe macroeconomic imbalances, flood damages, domestic supply shocks, political unrest and international economic slowdown have dampened economic growth in FY23. Per capita income decreased by 11.2% from US\$1,765 in FY22 to US\$1,568 in FY23.

Market Overview

Continuation of political uncertainty that begins in FY22 followed by change of political setup in April 22 along with external financing issues due to delay in IMF program amid continuous rupee depreciation has resulted in KSE-100 posting 0.5% negative return in FY23 against negative 12% last year. Notably, during the fiscal year Rupee depreciated by 28.2%. Substantial increase in interest rate has reduced the market depth with average daily traded value (ADTV) fell by ~37% to ~Rs6.1bn, vs FY22 Rs. 9.7bn. However, foreigners were net buyer in FY23 by US\$ 1.6m.

Company Performance and future outlook

As reasons explained above, your company brokerage revenue declined by 36%. Brokerage revenue during FY23 recorded at Rs145mn against Rs226mn in FY22. Other Income of your Company increased by 58% in FY23 due to higher interest rates. Loss due to change in fair value of marketable securities of Rs3.7mn in FY23 has further eroded the Company's profitability. Finance cost of your Company increased by 29% during the year due to 825 basis points hike in policy rate. Consequently, your company's profitability turned red as after tax loss clocked in at Rs12.5 mn in FY23, against profitability of Rs15.9mn in FY22.

After merger with Askari Securities, the equity of the Company as at the balance sheet date is increased to Rs754 mn against Rs365mn at Jun'22, which translates into book value per share of Rs13.10 at Jun'23 against Rs11.97 per share at Jun'22.

IMF and Pakistan have reached Stand-By Arrangement (SBA) of SDR 2,250mn (US\$3bn). The new SBA would provide policy consistency and a framework for financial support from multilateral and bilateral partners going forward. Moreover, political stability post elections would help to restore investor's confidence and help equities to rally. We are hopeful that FY 24 performance would be much better and shareholders value would increase.

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

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During the period ended June 30, 2023 the Company reported the following results:

	Year Ended June 30, 2023	Year Ended June 30, 2022
Rupees.....	
(Loss) / Profit before tax	(11,640,309)	30,408,786
(Loss) / Profit after tax	(12,547,690)	15,945,133
(Loss) / Earning per Share	(0.36)	0.52

Appropriation of Profit

	Year Ended June 30, 2023	Year Ended June 30, 2022
Rupees.....	
Total reserves brought forward	60,053,245	92,525,836
Profit after tax	(12,547,690)	15,945,133
Other Comprehensive loss	(3,055,327)	(2,727,634)
Acquisition of reserves through merger	133,994,576	-
Dividend Paid	-	(45,690,090)
Un-appropriated Profit and Capital reserve carried forward	178,444,804	60,053,245

Proposed Dividend

Dividend @ Rs. nil (2022 @ Rs. nil) per share	-	-
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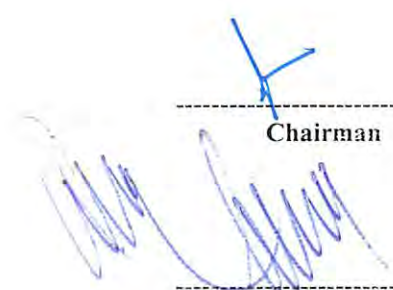
The Board and their Percentage of Share Holding

Name of Board Members	Position	No of shares held	Percentage of share holding
Mr. Aziz Ikram	Director	1	
Mr. Sheharyar Ifikhar Khan	Director	1	
Mr. Arif Raza	Director	1	

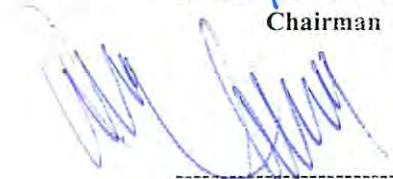
Acknowledgement

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

Date: 06 OCT 2023

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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. Mr. Aziz Ikram Non-Executive Director
 - ii. Mr. Arif Raza Non-Executive Director
 - iii. Mr. Sheharyar Iftikhar Khan 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 were two casual vacancies on the board during the year which were immediately filled and the same was also intimated to the securities 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. Sheharyar Iftikhar Khan - Chairman
 - Mr. Arif Raza – Member
 - b. Human Resource Committee
 - Mr. Arif Raza - Chairman
 - Syed Ahmad Abbas Zaidi – Member

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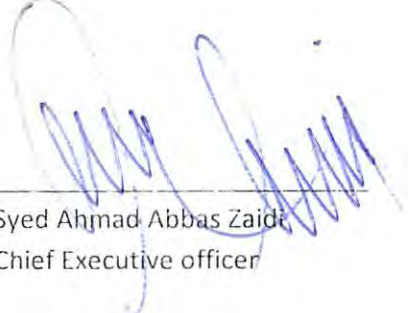
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8. The Board has appointed appropriate and suitably qualified management team for its operations.
9. The Board has outsourced the internal audit function to Suriya Noman Rehan & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and conversant with the policies and procedures of the company.
10. Auditors conducting statutory audit are selected from 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 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.
13. 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****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, 2023, 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, 2023, and of the loss 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.

Emphasis of Matter

We draw attention to note 2.2 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 directors' 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 on the other information obtained prior to the date of this auditor's report, 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) investments made, expenditures incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980); and
- e) 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.

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



Chartered Accountants
Karachi

Dated: October 17, 2023

UDIN: AR202310154G7sclhno0

FOUNDATION SECURITIES (PRIVATE) LIMITED

Financial Statements

For the year ended June 30, 2023



FOUNDATION SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023 -----Rupees-----	2022
ASSETS			
Non-current assets			
Property and equipment	5	69,368,925	5,380,371
Intangible assets	6	46,651,953	5,501,620
Long-term investments	7	135,548,014	-
Long-term loans - secured	8	1,952,624	981,909
Long-term deposits	9	2,600,000	2,949,000
Deferred tax asset	10	1,338,604	1,945,454
Total non-current assets		257,460,120	16,758,354
Current assets			
Trade debts	11	212,654,794	123,778,216
Short-term investments	12	10,055,105	13,799,781
Current portion of long-term loans	8	2,636,412	2,188,017
Advances, deposits and prepayments	13	200,595,046	230,416,666
Other receivables	14	3,115,517	886,550
Accrued profit	15	9,099,872	6,118,382
Taxation - net	16	79,023,195	64,791,421
Cash and bank balances	17	616,831,326	518,879,396
Total current assets		1,134,011,267	960,858,429
TOTAL ASSETS		1,391,471,387	977,616,783
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Authorized share capital			
70,000,000 (2022: 50,000,000) ordinary shares of Rs.10 each	18	700,000,000	500,000,000
Issued, subscribed and paid-up share capital	18	576,000,600	304,600,600
Capital reserve			
Surplus on revaluation of leasehold building	19	57,246,157	-
Other reserves	20	34,448,659	11,076,764
Revenue reserve			
Unappropriated profit		86,749,988	48,976,481
Total shareholders' equity		754,445,404	364,653,845
LIABILITIES			
Non-current liabilities			
Deferred liability	21	13,523,613	-
Total non-current liabilities		13,523,613	-
Current liabilities			
Trade and other payables	22	622,720,699	549,384,406
Short term loan	23	-	55,000,000
Accrued mark-up	24	781,671	8,578,532
Total current liabilities		623,502,370	612,962,938
Contingencies and commitments	25		
TOTAL EQUITY AND LIABILITIES		1,391,471,387	977,616,783

The annexed notes 1 to 45 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, 2023

	Note	2023 -----Rupees-----	2022
Operating revenue - net	26	144,849,545	226,318,267
Capital gain / (loss) on disposal of securities		250	(327,171)
Unrealized (loss) on remeasurement of investments ' at fair value through profit or loss'	12.1	(3,792,805)	(16,206,372)
		(3,792,555)	(16,533,543)
Operating and administrative expenses	27	(228,595,082)	(225,781,153)
		(87,538,092)	(15,996,429)
Finance cost	28	(11,518,757)	(8,930,548)
Other income	29	87,416,540	55,335,763
(Loss) / Profit before taxation		(11,640,309)	30,408,786
Taxation	30	(907,381)	(14,463,653)
(Loss) / Profit for the year		(12,547,690)	15,945,133
(Loss) / Earnings per share - Basic and diluted	31	(0.36)	0.52

The annexed notes 1 to 45 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, 2023

Note	2023 -----Rupees-----	2022
(Loss) / Profit for the year	(12,547,690)	15,945,133
Other comprehensive (loss) / 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>		
Unrealised gain on revaluation of investment at fair value through OCI during the year - net of tax	234,460	-
Remeasurement of defined benefit obligations - net of tax	(3,289,787)	2,810,747
	(3,055,327)	2,810,747
Total comprehensive (loss) / income for the year	(15,603,017)	18,755,880

The annexed notes 1 to 45 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, 2023

	Issued, subscribed and paid-up share capital	Capital Reserve			Revenue Reserve	Total shareholders' equity
		Contribution from Fauji Foundation	Surplus on revaluation of leasehold building	Fair value reserve on FVTOCI investment	Unappropriated profit/ (Accumulated losses)	
	----- Ruppes -----					
Balance as at July 01, 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>						
Reversal of contribution from Fauji Foundation	-	(5,538,381)	-	-	-	(5,538,381)
Remeasurement of defined benefit obligations - net of tax deferred tax	-	-	-	-	2,810,747	2,810,747
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
Issuance of shares	271,400,000	-	-	-	-	271,400,000
Acquisition of reserves through merger	-	-	57,257,335	23,137,435	53,599,806	133,994,576
Loss for the year	-	-	-	-	(12,547,690)	(12,547,690)
<i>Other comprehensive loss</i>						
Remeasurement of defined benefit obligations - net of tax deferred tax	-	-	-	-	(3,289,787)	(3,289,787)
Transfer of fair value reserve of equity instrument designated as FVTOCI	-	-	-	234,460	-	234,460
Transfer on account of incremental depreciation	-	-	(11,178)	-	11,178	-
Total comprehensive loss for the year	-	-	(11,178)	234,460	(15,826,299)	(15,603,017)
Balance as at June 30, 2023	576,000,600	11,076,764	57,246,157	23,371,895	86,749,988	754,445,404

The annexed notes 1 to 45 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER




DIRECTOR

FOUNDATION SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
Note	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	32 (85,897,396)	(223,861,956)
Gratuity paid	-	(312,219)
Income tax paid	(16,208,678)	(10,857,962)
Finance cost paid	(19,315,618)	(2,662,869)
Net cash used in operating activities	(121,421,692)	(237,695,006)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	5 (391,500)	(2,487,915)
Proceeds from the disposal of property and equipment	350,000	85,000
Purchase of intangible assets	6 -	(507,500)
Accrued profit	(2,981,490)	(6,102,144)
Long-term loans - net	(1,402,345)	(583,620)
Short-term investments - net	(47,879)	(420,436)
Net cash used in investing activities	(4,473,214)	(10,016,615)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash and bank balance received from ASL after merger	223,846,836	-
Dividend paid	-	(45,690,090)
Net cash generated from / (used in) financing activities	223,846,836	(45,690,090)
Net increase / (decrease) in cash and cash equivalents	97,951,930	(293,401,711)
Cash and cash equivalents at the beginning of the year	518,879,396	812,281,107
Cash and cash equivalents at the end of the year	616,831,326	518,879,396

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CHIEF EXECUTIVE OFFICER


DIRECTOR