

**ADAM SECURITIES LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

Now, for tomorrow







Adam Securities Ltd.

TREC Holder  
Pakistan Stock Exchange Limited  
Corporate Member of  
Pakistan Mercantile Exchange Limited

# Adam Securities Limited

(Formerly Adam Securities (Pvt) Ltd.)

TREC Holder Pakistan Stock Exchange Limited  
Corporate Member of Pakistan Mercantile Exchange Limited  
Registered as Consultant to the issue  
Registered as an underwriter by SECP

TREC Registration Number BRK-91  
PMEX Registration Number BRC-017  
Registration Number CTI/02/2020  
Registration Number UR/52/2020

## DIRECTORS' REPORT

Dear Fellow Members of Adam Securities Limited,

On behalf of the Board of Directors, I am pleased to present the Financial Statements of Adam Securities Limited (ASL) for the year ended June 30, 2021.

### Economic Review:

Despite myriad of challenges, Pakistan's economy is moving progressively on higher inclusive and sustainable growth path on the back of various measures and achievements during the year.

The impact of the government's timely and appropriate measures is visible in the form economic recovery on the back of broad-based growth across all sectors. The provisional GDP growth rate for FY2021 is estimated at 3.94 percent, higher than the targeted growth of 2.1 percent, for the outgoing fiscal year.

The government is monitoring the country's situation actively and is taking necessary measures to facilitate agriculture and industry sectors to avoid the downside risk and to further accelerate the economic recovery.

It is expected that macroeconomic stabilization measures and structural reforms supported by international development partners will help the economy to move on a higher and sustainable growth trajectory.

### Capital Market Review:

During FY2021, Global equity markets, which plummeted in March 2020, rebounded when governments around the globe injected big stimulus money into their economies. Pakistan Stock Exchange (PSX) also successfully powered through the initial COVID-19 induced economic downturn and earned the title of being the 'best Asian stock market and fourth best-performing market across the world in 2020.

During July-June FY2021, the benchmark KSE-100 index improved from 34,889 points to 47,356 points, gaining 12,466 points in the said period. The average daily shares volume has been higher this year compared to previous year, suggesting that more buyers and sellers are there in the market which makes it is easier and faster to execute a trade. On 27th May 2021, PSX witnessed an all-time high daily trading volume with 2.21 billion shares traded in a single session.





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## Way forward

After a volatile ride in FY2020, the stock and debt markets bounced back in FY2021 and the KSE-100 appears set on rising into FY2022. There have been significant listings in the capital market and overall IPOs received an encouraging response from investors. More IPOs are waiting in the queue. Though the third wave of COVID-19 dragged the KSE-100 index down in March and April of FY2021, reforms introduced by the SECP and government's robust policies will not only help the capital market to withstand the pressure but also remain bullish.

## Your Company's Performance

The Company has posted after tax profit of PKR 336.4 million (FY2020: Profit of PKR 98.4 million) which translates into basic EPS PKR 12.70 per share. (FY2020: Profit of PKR 3.72 per share).

The financial year 2021 witnessed a significant growth of 322% in operating revenues compared to last financial year 2020. Further, the investment in shares segment also posted a remarkable performance with a gain of PKR 372.9 million witnessed an increase of 184% compared to last financial year 2020. (FY2020: PKR 131.1 million).

The equity of the Company as at the balance sheet date is PKR 927.8 million (June 2020 PKR 591.4 million), which translates into book value per share of PKR 35.01 (June 30, 2020: PKR 22.31).

## Future Prospects

The future prospects of the Company are encouraging on account of sound capitalization structure and adequate liquidity. The Company is striving to yield better volumes by providing improved quality of services through extensive research and corporate access. We are continuously working on expanding our online and retail client base in order to increase the market participation of investors and avail benefits from the lucrative market opportunities.





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## Acknowledgement

We record our sincere appreciation to all stakeholders for their unwavering support and guidance. We acknowledge and appreciate the hard work put in by the employees of the Company during the period. We also acknowledge the valuable contribution and active role of the members of the Board Committees in supporting and guiding the management on matters of great importance.

For and on behalf of the Board of Directors,

Chief Executive Officer

Director



Baker Tilly Mehmood Idrees Qamar  
Chartered Accountants  
4th Floor, Central Hotel Building,  
Civil Lines, Mereweather Road,  
Karachi - Pakistan

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ADAM SECURITIES LIMITED**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the annexed financial statements of **ADAM SECURITIES LIMITED** (the Company), which comprise the statement of financial position as at **June 30, 2021**, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement 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 profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement 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, the total 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.



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

Management is responsible for the other information. The other information comprises the Director's report, but does not include the financial statements of the company 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**

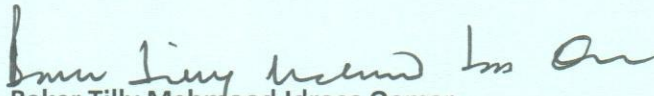
Based on our audit, we further report that in our opinion:

- 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 profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement 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 **Mehmood A. Razzak**.



Baker Tilly Mehmood Idrees Qamar  
Chartered Accountants

Karachi

Date: 04 OCT 2021

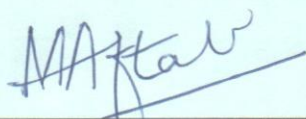


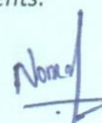
ADAM SECURITIES LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	4	23,910,494	26,905,776
Intangible assets	5	2,750,000	2,750,000
Long term investment	6	8,439,750	8,439,750
Investment property	7	1,586,487	1,762,763
Long term advances and deposits	8	9,251,000	8,851,000
		45,937,731	48,709,289
<b>CURRENT ASSETS</b>			
Trade receivables	9	29,555,689	7,201,919
Receivable against margin financing	10	19,649,182	15,218,125
Advances, deposits, prepayments and other receivables	11	313,151,404	247,915,725
Short term investments	12	785,993,271	311,879,050
Cash and bank balances	13	110,263,282	415,770,777
		1,258,612,828	997,985,596
<b>TOTAL ASSETS</b>		<b>1,304,550,559</b>	<b>1,046,694,885</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Authorized Share Capital</b>			
26,500,000 Ordinary shares of Rs. 10/- each		265,000,000	265,000,000
<b>Issued, Subscribed and Paid-up Share Capital</b>			
26,500,000 (2020: 26,500,000) Ordinary shares of Rs. 10/- each	14	265,000,000	265,000,000
Unappropriated profit		658,456,708	321,480,483
Revaluation surplus		4,433,099	4,925,666
		927,889,807	591,406,149
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables	15	174,237,512	447,234,226
Short term running finance - secured	16	179,252,250	-
Accrued expenses and other liabilities	17	23,170,990	8,054,510
		376,660,752	455,288,736
<b>CONTINGENCIES AND COMMITMENTS</b>	18	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,304,550,559</b>	<b>1,046,694,885</b>

The annexed notes from 1 to 36 form an integral part of these financial statements.

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Chief Executive Officer



Director



ADAM SECURITIES LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>Revenue</b>			
Operating revenue	19	148,578,827	35,189,436
Capital gain on sale of securities - net		372,996,629	131,176,045
Unrealised (loss) on remeasurement of investments - net		(14,917,547)	(10,864,855)
		506,657,909	155,500,626
 Administrative expenses	20	(192,699,568)	(82,755,736)
Finance cost	21	(16,162,603)	(6,265,133)
		(208,862,171)	(89,020,869)
 <b>Operating profit</b>		<b>297,795,738</b>	<b>66,479,757</b>
 Other income	22	48,596,258	39,668,093
 <b>Profit before taxation</b>		<b>346,391,996</b>	<b>106,147,850</b>
 Taxation	23	(9,908,338)	(7,695,031)
 <b>Profit after taxation</b>		<b>336,483,658</b>	<b>98,452,819</b>
 Earnings per share - basic & diluted	24	12.70	3.72

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Chief Executive Officer



Director

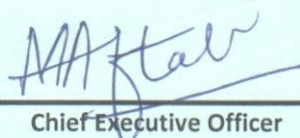


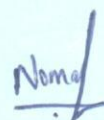
ADAM SECURITIES LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2021

	2021 Rupees	2020 Rupees
Profit after taxation	336,483,658	98,452,819
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Loss on revaluation of investments-net	-	-
Total comprehensive income for the year	<u>336,483,658</u>	<u>98,452,819</u>

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Chief Executive Officer

  
Director




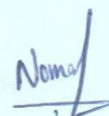
ADAM SECURITIES LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2021

	Issued, subscribed and paid-up share capital	Revaluation surplus on office	Unrealised gain on revaluation of investments	Unappropriated profit	Total
	----- Rupees -----				
Balance as at July 01, 2019	265,000,000	5,472,962	3,243,378	222,480,368	496,196,708
<b>Total comprehensive income for the year</b>					
Profit after taxation	-	-	-	98,452,819	98,452,819
Reclassification of unrealized loss to profit and loss account	-	-	(3,243,378)	-	(3,243,378)
Other comprehensive loss	-	-	(3,243,378)	98,452,819	95,209,441
Incremental depreciation	-	(547,296)	-	547,296	-
Balance as at June 30, 2020	265,000,000	4,925,666	-	321,480,483	591,406,149
<b>Total comprehensive income for the year</b>					
Profit after taxation	-	-	-	336,483,658	336,483,658
Other comprehensive loss	-	-	-	-	-
	-	-	-	336,483,658	336,483,658
Incremental depreciation	-	(492,567)	-	492,567	-
Balance as at June 30, 2021	265,000,000	4,433,099	-	658,456,708	927,889,807

The annexed notes from 1 to 36 form an integral part of these financial statements.

Bi

  
Chief Executive Officer

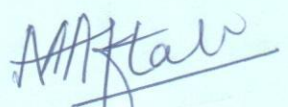
  
Director

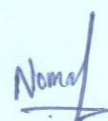
ADAM SECURITIES LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		346,391,996	106,147,850
<b>Add : Items not involved in movement of fund:</b>			
Depreciation		4,006,199	4,605,207
Capital gain on sale of securities		(372,996,629)	(131,176,045)
Loss / (gain) on disposal of fixed assets		11,100	(1,003,246)
Gain on remeasurement of investments		(14,917,547)	(10,864,855)
Financial charges		16,162,603	6,265,133
		(367,734,274)	(132,173,806)
Operating loss before working capital changes		(21,342,278)	(26,025,956)
<b>(Increase) / decrease in current assets</b>			
Trade receivables		(22,353,770)	32,379,272
Receivable against margin financing		(4,431,057)	150,124,543
Advances, deposits, prepayments and other receivables		(214,419,492)	75,699,508
		(241,204,319)	258,203,323
<b>(Decrease) / increase in current liabilities</b>			
Trade payables		(272,996,714)	360,288,986
Accrued expenses and other liabilities		11,106,464	(91,878,862)
		(261,890,250)	268,410,124
Taxes paid		139,275,475	(4,776,281)
Financial charges paid		(12,152,587)	(6,482,816)
<b>Net cash (used in) / inflow from operating activities</b>		<b>(397,313,959)</b>	<b>489,328,393</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of fixed assets		15,000	1,600,000
Purchase of property and equipment		(860,741)	(3,510,319)
Long term deposits		(400,000)	(2,900,000)
Investments - net		(86,200,045)	(66,009,305)
<b>Net cash used in operating activities</b>		<b>(87,445,786)</b>	<b>(70,819,624)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan - net		-	(130,000,000)
<b>Net cash used in operating activities</b>		<b>-</b>	<b>(130,000,000)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(484,759,745)</b>	<b>288,508,769</b>
Cash and cash equivalent at beginning of the year		415,770,777	127,262,008
<b>Cash and cash equivalent at end of the year</b>	<b>26</b>	<b>(68,988,968)</b>	<b>415,770,777</b>

The annexed notes from 1 to 36 form an integral part of these financial statements.

by

  
Chief Executive Officer

  
Director