

ADAM SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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 CT1/02/2020
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, 2022.

Economic Review:

Though economy recovered from the pandemic and maintained V-Shaped recovery by posting real GDP growth of 5.97 percent in the fiscal year 2022. This high growth, however, is unsustainable and has resulted in financial and macroeconomic imbalances.

Historically, Pakistan's economy had shown periodic 'boom-bust' growth cycles. The reasons for such volatile growth cycles include the wide-ranging economic challenges like shrinking fiscal space, exchange rate pressure, mounting current account deficit, inflation, energy sector bottlenecks, and the absence of a supportive environment for the private sector.

Political instability in the country also led to a huge increase in economic uncertainty. Uncertainty at individual, firm, and government levels is negatively affecting the economy. Political stability can reduce uncertainty by making clear policy statements to build the trust of domestic as well as foreign investors and the business community.

To counter inflationary pressure and for sustainable economic recovery, SBP moved to monetary policy normalization in September 2021. Policy Rate increased by cumulative 675 bps between September-April, FY2022.

Capital Market Review:

Pakistan's stock market's performance has posted a boom-and-bust situation during FY2022 due to geo-political tension especially Russian Ukraine conflict and domestic political uncertainty. In July-June FY2022, the benchmark KSE-100 index declined from 47,356 points to 41,540 points. During the period, the index closed at its highest level of 48,112 points on August 23, 2021. As of June 30, 2022, the total number of listed companies on the Pakistan Stock Exchange (PSX) stood at 530, with a total market capitalization of Rs 6,956 billion.



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The performance of stock markets remained volatile during the current fiscal year. The KSE-100 index showed an encouraging trend from the start of July 2021, which is also evident from the listing of significant number of IPOs. However, the index witnessed a declining trend from 24th February 2022 till end June 2022 due to the geo-political tensions, i.e., war between Russia and Ukraine and domestic political uncertainty. The reforms and development activities introduced by the SECP will not only help the capital markets to regain its momentum but also neutralize the associated risks. However, the performance of Pakistan's capital market will depend on the domestic as well as international economic conditions in the future.

Your Company's Performance

The Company has posted after tax profit of PKR 108.2 million (FY2021: Profit of PKR 336.4 million) which translates into basic EPS PKR 4.08 per share. (FY2021: Profit of PKR 12.70 per share). The reduction of profit in current financial year is due to the plummeted in volumes in compare to last year.

The equity of the Company as at the balance sheet date is PKR 1.036 billion (June 2021 PKR 927.8 million), which translates into book value per share of PKR 39.10 (June 30, 2021: PKR 35.01).

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.

Compliance Statement

- The financial statements prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and change in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment, with which we concur;



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- d) International Financial Reporting Standards, as applicable in Pakistan and the Companies Act, 2017, have been followed in preparation of financial statements;
- e) The system of internal control is sound in design and has been effectively implemented and monitored by Audit Committee;
- f) The Company is financially sound and there are no significant doubts upon the Company's ability of continue as going concern;
- g) No dividend is announced for the year ended June 30, 2022;
- h) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2022 except for those disclosed in the financial statements;
- i) All the material changes and commitments affecting the financial position of the Company occurred between the balance sheet date and the date of directors' report have been disclosed in the report;
- j) The Chief Executive Officer and two directors have obtained certifications from Institute of Financial Markets of Pakistan;
- k) Pattern of shareholdings is disclosed in the financial statements.

Meeting of the Board of Directors

Four Board meetings were held during the financial year 2021-22 and were attended by the Directors as follows:

Name	Designation	Attendance
Muhammad Aftab Haji Ghani	Chief Executive Officer	4
Noman	Director	4
Samina Abdul Majeed	Director	3
Muhammad Umair	Independent Director	4
Syed Hassan Ahmed	Director	3



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Composition of Board

The total number of directors are four as per the following:

- a. Male: Three
- b. Female: One

The composition of board is as follows:

Categories	Names
Independent Director	Muhammad Umair
Non-Executive Director	Samina Majeed
Executive Directors	Noman Syed Hassan Ahmed

Committees of Board

The board has formed committees comprising of members given below:

a) Audit Committee

Muhammad Umair	Chairman, Independent Director
Muhammad Aftab Haji Ghani	Member
Samina Abdul Majeed	Member

b) Human Resource & Remuneration Committee

Noman	Chairman
Muhammad Aftab Haji Ghani	Member
Samina Abdul Majeed	Member

Credit Rating

The Company has been assign entity ratings of "A-/A-2" (Single A Minus/A-Two) by VIS Credit Rating Company Limited. The outlook on the assign ratings is "Stable". The long term rating of "A-" reflects good credit quality; Protection factors are adequate. The short term rating of "A-2" signifies good certainty timely payment. Liquidity factors and company fundamentals are sound.



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Management Rating

The company has been assigned Broker Fiduciary Rating of BFR3++ (Good Fiduciary Standards). The rating signifies sound internal controls and management and client services and business and financial sustainability while ownership and governance are considered adequate.

Corporate Social Responsibility

Company being a responsible corporate entity is always conscious of its obligations towards the people who work for it, people around its workplace and the society as a whole.

External Auditors

The retiring auditors, M/s Baker Tilly Mehmood Idrees Qamar, Chartered Accountants being eligible, have offered themselves for reappointment.

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, Merewether 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, 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, 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, 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.

bn

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:

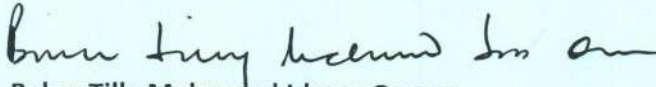
- a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows together with 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).
- e) The Company was in compliance with the requirements of section 78 of the Securities Act, 2015 and section 62 of the Future Market Act, 2016 and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statements of financial position was prepared.

The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**.

by


Baker Tilly Mehmoed Idrees Qamar
Chartered Accountants

Karachi

Date: October 07, 2022

UDIN: AR202210151qbVXyZ2pT

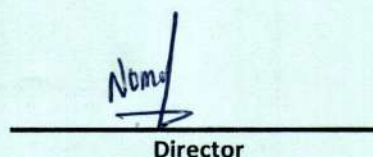
ADAM SECURITIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	26,044,933	23,910,494
Intangible assets	5	2,750,000	2,750,000
Long term investment	6	11,815,650	8,439,750
Investment property	7	1,427,838	1,586,487
Long term advances and deposits	8	9,328,900	9,253,900
		51,367,321	45,940,631
CURRENT ASSETS			
Trade receivables	9	8,339,683	29,555,689
Advances, deposits, prepayments and other receivable	10	63,047,017	313,148,504
Short term investments	11	1,514,076,674	805,642,453
Cash and bank balances	12	250,057,112	110,263,282
		1,835,520,486	1,258,609,928
TOTAL ASSETS		1,886,887,807	1,304,550,559
EQUITY AND LIABILITIES			
Authorized Share Capital			
26,500,000 Ordinary shares of Rs. 10/- each		265,000,000	265,000,000
Issued, Subscribed and Paid-up Share Capital			
26,500,000 (2021: 26,500,000) Ordinary shares of Rs. 10/- each	13	265,000,000	265,000,000
Unappropriated profit		767,114,561	658,456,708
Revaluation surplus		3,989,789	4,433,099
		1,036,104,350	927,889,807
LIABILITIES			
CURRENT LIABILITIES			
Trade payables	14	57,575,140	174,237,512
Short term running finance - secured	15	778,263,064	179,252,250
Accrued expenses and other liabilities	16	14,945,253	23,170,990
		850,783,457	376,660,752
CONTINGENCIES AND COMMITMENTS	17	-	-
TOTAL EQUITY AND LIABILITIES		1,886,887,807	1,304,550,559

The annexed notes from 1 to 37 form an integral part of

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Chief Executive Officer


Director

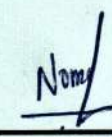
ADAM SECURITIES LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
Revenue			
Operating revenue	18	79,566,525	177,072,330
Administrative expenses	19	(146,504,397)	(192,699,568)
Finance cost	20	(18,321,705)	(16,162,603)
		(164,826,102)	(208,862,171)
Operating loss		(85,259,577)	(31,789,841)
Other income	23	200,292,640	378,181,837
Profit before taxation		115,033,063	346,391,996
Taxation	24	(6,818,520)	(9,908,338)
Profit after taxation		108,214,543	336,483,658
Earnings per share - basic & diluted	25	4.08	12.70

The annexed notes from 1 to 37 form an integral part of these financial statements.

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 Chief Executive Officer


 Director

ADAM SECURITIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

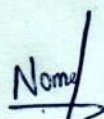
	2022 Rupees	2021 Rupees
Profit after taxation	108,214,543	336,483,658
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Loss on revaluation of investments-net	-	-
Total other comprehensive income for the year	<u>108,214,543</u>	<u>336,483,658</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

by



Chief Executive Officer



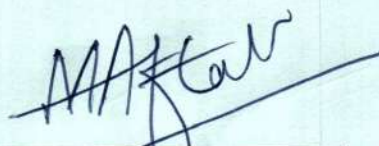
Director

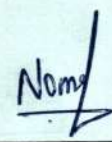
ADAM SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

	Issued, subscribed and paid-up share capital	Revaluation surplus on office	Unappropriate d profit	Total
	----- Rupees -----			
Balance as at July 01, 2020	265,000,000	4,925,666	321,480,483	591,406,149
Profit for the year June 30, 2021	-	-	336,483,658	336,483,658
Other comprehensive income	-	-	-	-
	-	-	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
Profit for the year June 30, 2022	-	-	108,214,543	108,214,543
Other comprehensive income	-	-	-	-
	-	-	108,214,543	108,214,543
Incremental depreciation	-	(443,310)	443,310	-
Balance as at June 30, 2022	265,000,000	3,989,789	767,114,561	1,036,104,350

The annexed notes from 1 to 37 form an integral part of these financial statements.

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Chief Executive Officer


Director

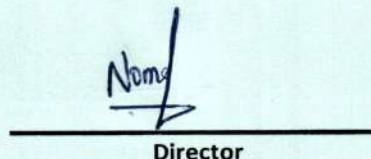
ADAM SECURITIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		115,033,063	346,391,996
Add : Items not involved in movement of fund:			
Depreciation		5,159,353	4,006,199
Capital gain on sale of securities		(155,937,434)	(372,996,629)
(Gain) / loss on disposal of fixed assets		(1,557,885)	11,100
Gain on remeasurement of investments		(6,659,386)	(14,917,547)
Financial charges		18,321,705	16,162,603
		(140,673,647)	(367,734,274)
Operating loss before working capital changes		(25,640,583)	(21,342,278)
Decrease / (increase) in current assets			
Trade receivables		21,216,006	(22,353,770)
Advances, deposits, prepayments and other receivables		251,933,637	(214,419,492)
		273,149,643	(236,773,262)
(Decrease) / increase in current liabilities			
Trade payables		(116,662,372)	(272,996,714)
Accrued expenses and other liabilities		(15,188,319)	11,106,464
		(131,850,691)	(261,890,250)
Taxes (paid) / refunded		(8,650,672)	139,275,475
Financial charges paid		(11,359,122)	(12,152,587)
Net cash inflow from / (used in) operating activities		95,648,575	(392,882,902)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		3,170,000	15,000
Purchase of property and equipment		(8,747,258)	(860,741)
Long term deposits		(75,000)	(400,000)
Investments - net		(549,213,301)	(90,631,102)
Net cash used in operating activities		(554,865,559)	(91,876,843)
Net decrease in cash and cash equivalents		(459,216,984)	(484,759,745)
Cash and cash equivalent at beginning of the year		(68,988,968)	415,770,777
Cash and cash equivalent at end of the year	27	(528,205,952)	(68,988,968)

The annexed notes from 1 to 37 form an integral part of these financial statements.

by


 Chief Executive Officer


 Director