

ADAM SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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, 2023.

Economic Review:

The real GDP posted a growth of 0.29% in FY2023. Economy faced tremendous challenges of macroeconomic imbalances, supply shocks, and international economic slowdown which has dampened the economic growth. The increase in international prices and currency depreciation which led to increase in domestic commodity prices has reduced the aggregate demand in FY2023. The investment to GDP ratio stood at 13.6% in FY2023 compared to 15.6% in FY 2022 mainly due to slowdown in global and domestic economic activity and contractionary macroeconomic policies. At the start of FY2023, the economy was confronting both domestic and external challenges. Policy rate increased by 725 bps cumulative during Jul-Apr FY2023 to 21%, on account of persistent inflationary pressures.

Capital Market Review:

The performance of major World stock markets remained volatile during the outgoing fiscal year mainly due to global financial conditions amid conflict between Russia and Ukraine and global inflation. In Pakistan, market capitalization of the Pakistan Stock Exchange (PSX) recorded at Rs. 6,956 billion on 30th June 2022, and closed at Rs 6,369 billion on 30th June 2023, reflecting a decline of 8.4% during the period. The KSE-100 index of Pakistan opened at 41,540.8 points on 1st July 2022 and closed at 41,452.6 points on 30th June 2023, declined by 0.2% during FY2023. SECP has taken initiatives to strength the capital markets & corporate sector and to protect the investor's interest including integration of IPOs, operationalization of Secured transaction registry, launch of WeChat application to facilitate the foreign investors etc.



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Your Company's Performance

The Company has posted after tax profit of PKR 171.5 million (FY2022: Profit of PKR 108.2 million) which translates into basic EPS PKR 1.72 per share (FY2022: PKR 1.08 per share). The financial year 2023 witnessed a significant growth of 58.5% in net revenues compared to last financial year 2022. The equity of the Company as at the balance sheet date is PKR 1.207 billion (June 2022 PKR 1,036 million), which translates into book value per share of PKR 12.08.

Future Prospects

The future prospects of the Company are encouraging on account of sound capitalization structure and adequate liquidity of the Company. 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

- a) 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;
- b) Proper books of accounts of the Company have been maintained;
- c) 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;
- 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;



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- 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, 2023;
- h) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2023 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 One Director 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 2022-23 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
Zafar Iqbal Hussain	Independent Director	2

Composition of Board

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

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



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The composition of board is as follows:

Categories	Names
Independent Director	Muhammad Umair Zafar Iqbal Hussain
Non-Executive Director	Samina Majeed
Executive Directors	Noman Muhammad Aftab Haji Ghani

Committees of Board

The board has formed committees comprising of members given below:

a) Audit Committee

Muhammad Umair	Chairman, Independent Director
Zafar Iqbal Hussain	Member
Muhammad Aftab Haji Ghani	Member

b) Human Resource & Remuneration Committee

Muhammad Umair	Chairman, Independent Director
Noman	Member
Muhammad Aftab Haji Ghani	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.

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, Mereweather Road,
Karachi - Pakistan

T: +92 (021) 35644872-7
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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, 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, 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 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.

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.

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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:

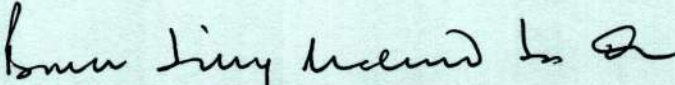
- a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows together with 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;

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- 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 Mehmoos Idrees Qamar
Chartered Accountants

Karachi

Date: October 07, 2023

UDIN: AR2023101510sIVpq8JB

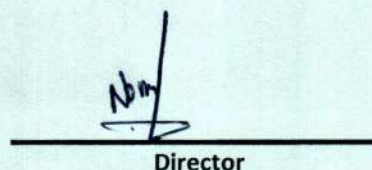
ADAM SECURITIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	42,645,218	26,044,933
Intangible assets	5	2,750,000	2,750,000
Long term investment	6	-	11,815,650
Investment property	7	1,285,054	1,427,838
Long term advances and deposits	8	9,328,900	9,328,900
		56,009,172	51,367,321
CURRENT ASSETS			
Trade receivables	9	4,213,547	8,339,683
Advances, deposits, prepayments and other receivables	10	34,337,021	63,047,017
Short term investments	11	1,149,500,292	1,514,076,674
Cash and bank balances	12	17,371,212	250,057,112
		1,205,422,072	1,835,520,486
TOTAL ASSETS		1,261,431,244	1,886,887,807
EQUITY AND LIABILITIES			
Authorized Share Capital			
100,000,000 (2022: 26,500,000) Ordinary shares of Rs. 10/- each		1,000,000,000	265,000,000
Issued, Subscribed and Paid-up Share Capital			
99,999,870 (2022: 26,500,000) Ordinary shares of Rs. 10/- each	13	999,998,700	265,000,000
Unappropriated profit		204,070,117	767,114,561
Revaluation surplus		3,590,810	3,989,789
		1,207,659,627	1,036,104,350
LIABILITIES			
CURRENT LIABILITIES			
Trade payables	14	18,090,870	57,575,140
Short term running finance - secured	15	11,485,330	778,263,064
Accrued expenses and other liabilities	16	24,195,417	14,945,253
		53,771,617	850,783,457
CONTINGENCIES AND COMMITMENTS	17	-	-
TOTAL EQUITY AND LIABILITIES		1,261,431,244	1,886,887,807

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

by


Chief Executive Officer

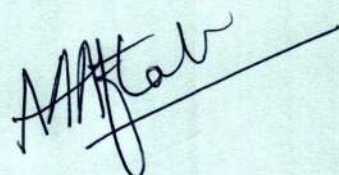

Director

ADAM SECURITIES LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2023

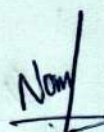
	Note	2023 Rupees	2022 Rupees
Revenue			
Operating revenue	18	48,371,179	79,566,525
Administrative expenses	19	(113,157,541)	(146,504,397)
Finance cost	20	(10,506,189)	(18,321,705)
		(123,663,730)	(164,826,102)
Operating loss		(75,292,551)	(85,259,577)
Other income - net	23	252,696,719	200,292,640
Profit before taxation		177,404,168	115,033,063
Taxation	24	(5,848,891)	(6,818,520)
Profit after taxation		171,555,277	108,214,543
Earnings per share - basic & diluted	25	1.72	Restated 1.08

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
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	2023 Rupees	2022 Rupees
Profit after taxation	171,555,277	108,214,543
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>171,555,277</u>	<u>108,214,543</u>

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
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

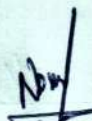
	Issued, subscribed and paid-up share capital	Revaluation surplus on office	Unappropriated profit	Total
	Rupees			
Balance as at July 01, 2021	265,000,000	4,433,099	658,456,708	927,889,807
Profit for the year June 30, 2022	-	-	108,214,543	108,214,543
Other comprehensive income	-	-	-	-
	-	-	108,214,543	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
Issue of bonus shares	734,998,700	-	(734,998,700)	-
Profit for the year June 30, 2023	-	-	171,555,277	171,555,277
Other comprehensive income	-	-	-	-
	-	-	171,555,277	171,555,277
Incremental depreciation	-	(398,979)	398,979	-
Balance as at June 30, 2023	999,998,700	3,590,810	204,070,117	1,207,659,627

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

by



Chief Executive Officer



Director

ADAM SECURITIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

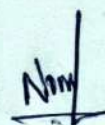
	Note	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		177,404,168	115,033,063
Adjustment for non-cash items:			
Depreciation		6,000,551	5,159,353
Capital gain on sale of securities		(4,121,200)	(155,937,434)
Gain on disposal of fixed assets		-	(1,557,885)
Gain on remeasurement of investments		(9,457,104)	(6,659,386)
Financial charges		10,506,189	18,321,705
		<u>2,928,436</u>	<u>(140,673,647)</u>
Operating profit / (loss) before working capital changes		180,332,604	(25,640,583)
Decrease in current assets			
Trade receivables		4,126,136	21,216,006
Advances, deposits, prepayments and other receivables		4,800,559	251,933,637
		<u>8,926,695</u>	<u>273,149,643</u>
(Decrease) / increase in current liabilities			
Trade payables		(39,484,271)	(116,662,372)
Accrued expenses and other liabilities		19,498,098	(15,188,319)
		<u>(19,986,173)</u>	<u>(131,850,691)</u>
Taxes refunded / (paid)		18,060,547	(8,650,672)
Financial charges paid		<u>(20,754,123)</u>	<u>(11,359,122)</u>
Net cash inflow from operating activities		166,579,550	95,648,575
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		-	3,170,000
Purchase of property and equipment		(22,458,052)	(8,747,258)
Long term deposits		-	(75,000)
Investments - net		389,970,336	(549,213,301)
Net cash inflow from / (used in) operating activities		367,512,284	(554,865,559)
Net increase / (decrease) in cash and cash equivalents		534,091,834	(459,216,984)
Cash and cash equivalent at beginning of the year		(528,205,952)	(68,988,968)
Cash and cash equivalent at end of the year	27	<u>5,885,882</u>	<u>(528,205,952)</u>

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

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Chief Executive Officer



Director