

Financial Statements and Draft Auditors' Report

Insight Securities (Private) Limited
For the year ended June 30, 2021



Grant Thornton Anjum Rahman
Chartered Accountants



Insight Securities (Private) Limited
Annual Financial Statements
For the year ended June 30, 2021

DIRECTORS REPORT

On behalf of the Board of Directors of the company, it gives me immense pleasure to present the Annual Report together with audited financial statements of the Company for the year ended June 30, 2021.

Economic Overview

On the economic side, Pakistan has seen a strong rebound in FY2021. Pakistan has once again managed to outperform all expectations that ranged between 1-3% by posting real GDP growth of 3.94%. This is extremely impressive considering 2019-20 closed-off with a GDP contraction of 0.47%. A special mention has to go to the ingenuity of the SBP in taking charge of the monetary policy at the right time and restoring confidence among the business community along with the introduction of the Temporary Economic Relief Facility (TERF) which mobilized human and financial capital to push forward expansion plans.

Pakistan managed to abate current account pressures by posting a deficit of USD 1.9 bn during the year under review. Pakistan is setting new records in terms of historic high FX reserves (USD 24.4 bn), record remittances (USD 29.4 bn), record exports (USD 25.6 bn), lowest CAD in 10yrs (USD 1.9 bn), record LSMI output growth (+14.6% YoY), record auto loans (PKR 308 bn), record cement sales (57.4 mn tons) as well as the highest ever electricity generation (130,223 GWh). On the fiscal side, FBR's performance seemed satisfactory as it managed to successfully collect PKR 4,691 bn showing a growth of 8% YoY.

Market Overview

The benchmark index showed a V-Shape recovery from its low of 27,228 by providing almost 74% return. Due to improving business conditions, investor confidence was restored which resulted in average traded volumes at the bourse to 528 mn shares in FY21 (2.6x YoY). Similarly, average traded value both in PKR and USD tripled from PKR 10.3 trillion in FY20 to PKR 27.8 trillion in FY21, and USD 65.5 million to USD 173.3 million in FY21.

In terms of performance, in line with global markets Tech led with gains of +312%, followed by Refinery +214%, Synthetic +163%, Engineering +109%, and Glass & Ceramics +99%. Conventional plays such as E&P (+9%) and Banks (+32%) remained muted in FY21. During FY21, the ascent of 12,952pts in the benchmark Index was largely contributed by 5 sectors includes, Technology (+2489pts), Cement (+2064pts), Banks (+2059pts), Fertilizer (+822pts) and Textile (+745pts).

Roshan Digital Account has proven to be a successful solution for attracting dollar inflows. So far 182,000 RDAs were set up (till June end) contributing \$1.6 billion in investment flows to Pakistan. The bulk of RDAs are focused on Naya Pakistan Certificates and 5,249 for equity investments. Foreign investors remained net sellers with an outflow of USD 387mn during the year, under review major sell off was witnessed in Banks and Oil & Gas with USD 114mn and USD 104mn.

Company's Financial Overview

The Company posted operating revenue of Rs. 105mn during the period under review as compared to last year's Rs. 50.9mn. Before and after-tax profit/(loss) stood at Rs. 228.30mn and Rs. 182.23mn respectively, as compared to last year of Rs. 114.04mn and 102.41mn respectively. The equity of the Company as at the balance sheet date is Rs. 463.58mn (June 2020: Rs. 281.35mn), which translates into book value per share of Rs. 38.63 (June 30, 2020: Rs. 23.44).

	2021	2020
	Rupees	Rupees
Operating Revenue – net	105,468,252	50,924,599
Profit before tax	228,307,353	113,847,852
Profit after tax	182,233,573	102,213,120
Earnings per shares	15.18	8.52

Broking operations have posted a total revenue of Rs. 105.46 mn in FY21, which is +107.1% when compared with FY20. Institutional and retail revenues increased by 47.81% and 206.50% respectively. On the other hand, operating and administrative have been increased by 63.19%.

Future Prospects

Interest rates are likely to rise gradually, we expect them to range between 9-10% at the end of FY22. Equities will be impacted by high interest rate environment, but we expect the number of investors to increase due to structural reforms by the regulators (SECP/SBP), one such initiative is the Roshan Pakistan Digital accounts. Insight Securities plans to consolidate its current market position and enhance client base by launching an online platform and gradually expanding reach by opening branches

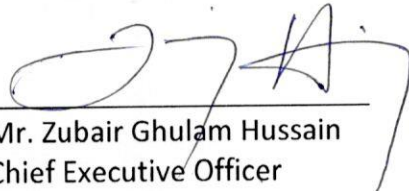
Recommendation

The directors have not recommended any payout due, as the capital would be used for future expansion purposes.

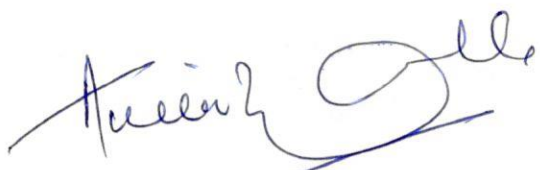
Auditors

The auditors M/s. Grant Thornton Anjum Rahman., Chartered Accountants have retired and being eligible offer themselves for reappointment.

Karachi the: **September 13, 2021**



Mr. Zubair Ghulam Hussain
Chief Executive Officer



Mr. Muhammad Amin
Director

**Grant Thornton Anjum
Rahman**

1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.

INDEPENDENT AUDITOR'S REPORT

To the members of Insight Securities (Private) Limited

Report on the Audit of the Financial Statements

T +92 21 35672951-56

Opinion

We have audited the annexed financial statements of **Insight Securities (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



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

A handwritten signature in blue ink, appearing to read "Muhammad Khalid Aziz", written over the printed name.

Chartered Accountants
Karachi

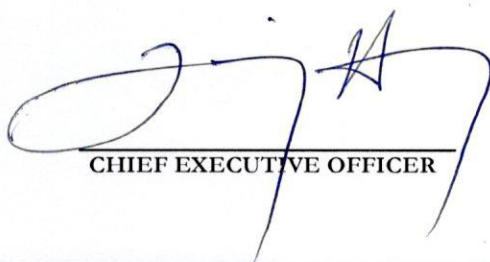
Dated: September 14, 2021

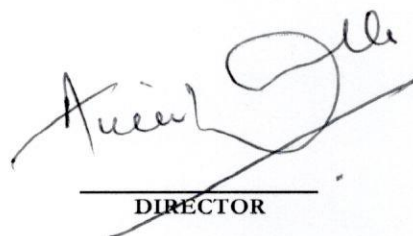
INSIGHT SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

		2021	2020 (Restated)	2019 (Restated)
	Note	Rupees		
ASSETS				
Non-current assets				
Property and equipment	5	4,511,484	3,690,737	4,144,303
Intangible assets	6	2,500,000	2,500,000	2,500,000
Long term investment		-	-	17,913,389
Long term deposits	7	1,656,500	1,656,500	1,656,500
Total non-current assets		8,667,984	7,847,237	26,214,192
Current assets				
Trade debts	8	36,392,940	44,548,058	35,572,842
Trade deposits and short term prepayments	9	65,179,682	26,277,023	67,230,111
Other receivables	10	4,562,339	1,737,401	1,752,745
Loans and advances	11	4,793,000	4,005,500	479,500
Short term investments	12	389,194,126	217,206,742	108,888,290
Taxation - net	17	-	1,148,309	2,633,475
Cash and bank balances	13	271,553,935	44,677,037	39,866,312
Total current assets		771,676,022	339,600,070	256,423,275
TOTAL ASSETS		780,344,006	347,447,307	282,637,467
SHAREHOLDER'S EQUITY				
Share capital and reserves				
Authorized Share Capital				
12,000,000 (2020: 12,000,000) ordinary shares of Rs.10 each		120,000,000	120,000,000	120,000,000
Issued, subscribed and paid-up share capital	14	120,000,000	120,000,000	120,000,000
Total reserves		343,588,969	161,355,396	62,110,910
Total equity		463,588,969	281,355,396	182,110,910
LIABILITIES				
Non-current liabilities				
Deferred tax liability	15	1,342,292	503,646	-
Current liabilities				
Trade and other payables	16	311,174,038	65,588,265	73,564,807
Loan from director		-	-	22,500,000
Accrued mark-up		-	-	4,461,750
Taxation-net	17	4,238,707	-	-
Total current liabilities		315,412,745	65,588,265	100,526,557
Total shareholders' equity and liabilities		780,344,006	347,447,307	282,637,467
Contingencies and Commitments				
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The annexed notes 1 to 33 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER


DIRECTOR

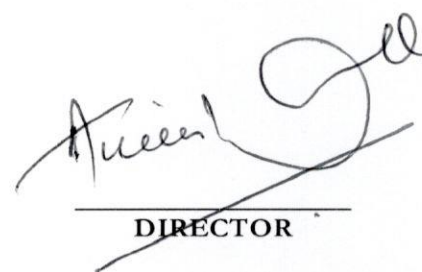
INSIGHT SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

		2021	2020 (Restated)
	Note	-----Rupees-----	
Operating revenue		119,179,137	57,544,817
Less: Sales tax		(13,710,885)	(6,620,218)
Operating revenue- net	19	105,468,252	50,924,599
Operating and administrative expenses	20	(60,404,640)	(37,014,763)
Impairment (loss) / reversal of trade debts	8.1	(46,676)	95,311
		45,016,936	14,005,147
Other income	21	176,981,454	98,629,739
Bank charges		(78,196)	(144,831)
		221,920,194	112,490,055
Unrealized gain on re-measurement of investments at fair value through profit or loss - net	12.1	6,387,159	1,556,092
Profit before taxation		228,307,353	114,046,147
Taxation	22	(46,073,780)	(11,635,077)
Profit for the year		182,233,573	102,411,070

The annexed notes 1 to 33 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER


DIRECTOR

INSIGHT SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 -----Rupees-----	2020 (Restated)
Profit for the year		182,233,573	102,411,070
Other comprehensive income :			
<i>Items that may be reclassified subsequently to statement of profit or loss</i>		<div>-</div>	<div>-</div>
<i>Items that will not be reclassified subsequently to statement of profit or loss</i>		<div>-</div>	<div>-</div>
Total comprehensive income for the year		<u>182,233,573</u>	<u>102,411,070</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER


DIRECTOR

	Reserves				
	Issued, subscribed and paid-up share capital	Remeasurement of investment at fair value through OCI	Revenue Reserve	Total Reserves	'Total shareholders' equity
			Unappropriated profit		
				----- Rupees -----	
Balance as at July 01, 2019 - as reported	120,000,000	4,133,859	58,101,378	62,235,237	182,235,237
Effect of restatement			(124,327)	(124,327)	(124,327)
Balance as at July 01, 2019 (restated)	120,000,000	4,133,859	57,977,051	62,110,910	182,110,910
Profit for the year	-	-	102,411,070	102,411,070	102,411,070
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	102,411,070	102,411,070	102,411,070
Realised loss on the sale of investment		(3,166,584)		(3,166,584)	(3,166,584)
Reclassification due to sale of investment at fair value through OCI	-	(967,275)	967,275	-	-
Balance as at June 30, 2020 (restated)	120,000,000	-	161,355,396	161,355,396	281,355,396
Balance as at July 01, 2020	120,000,000	-	161,355,396	161,355,396	281,355,396
Profit for the year	-	-	182,233,573	182,233,573	182,233,573
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	182,233,573	182,233,573	182,233,573
Balance as at June 30, 2021	120,000,000	-	343,588,969	343,588,969	463,588,969

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Walter G. Cole
DIRECTOR

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

	Note	2021 -----Rupees-----	2020 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		228,307,353	114,046,147
Adjustments for non-cash items:			
Depreciation		920,396	676,880
Unrealized gain on re-measurement of investments at fair value through profit or loss - net		(6,387,159)	(1,556,092)
Capital gain on sale of short term investments		(159,990,659)	(84,725,639)
Allowance for / (reversal of) expected credit loss		46,676	(95,311)
(Gain) / loss on foreign currency transactions		(2,152)	16,969
Reversal of Interest		-	(4,461,750)
Dividend income		(13,833,059)	(5,277,888)
Bank charges		78,196	144,831
		<u>(179,167,761)</u>	<u>(95,278,000)</u>
Operating cash flows before changes in working capital		49,139,592	18,768,147
Decrease/(Increase) in current assets			
Trade debts		8,108,442	(8,975,216)
Trade deposits and short-term prepayments		(38,902,659)	40,953,088
Other receivables		(2,822,786)	15,344
Loans and advances		(787,500)	(3,526,000)
(Decrease) / Increase in current liabilities			
Trade and other payables		245,585,774	(7,976,542)
		<u>211,181,271</u>	<u>20,490,674</u>
Cash generated from operations		260,320,863	39,258,821
Income tax paid		(39,848,118)	(9,646,265)
Bank charges paid		(78,196)	(144,831)
Net cash generated from operating activities		220,394,549	29,467,725
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(1,741,143)	(223,314)
Proceeds from disposal of long term investment		-	14,746,805
Dividend received		13,833,059	5,277,888
Short term investments - net		(5,609,567)	(21,958,379)
Net cash generated from / (used in) investing activities		6,482,349	(2,157,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repaid to director		-	(22,500,000)
Net cash used in financing activities		-	(22,500,000)
Net increase in cash and cash equivalents		226,876,898	4,810,725
Cash and cash equivalents at the beginning of the year		44,677,037	39,866,312
Cash and cash equivalents at the end of the year	13	271,553,935	44,677,037

The annexed notes 1 to 33 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR