

# Financial Statements and Independent Auditors' Report

## Insight Securities (Private) Limited

*For the year ended June 30, 2018*

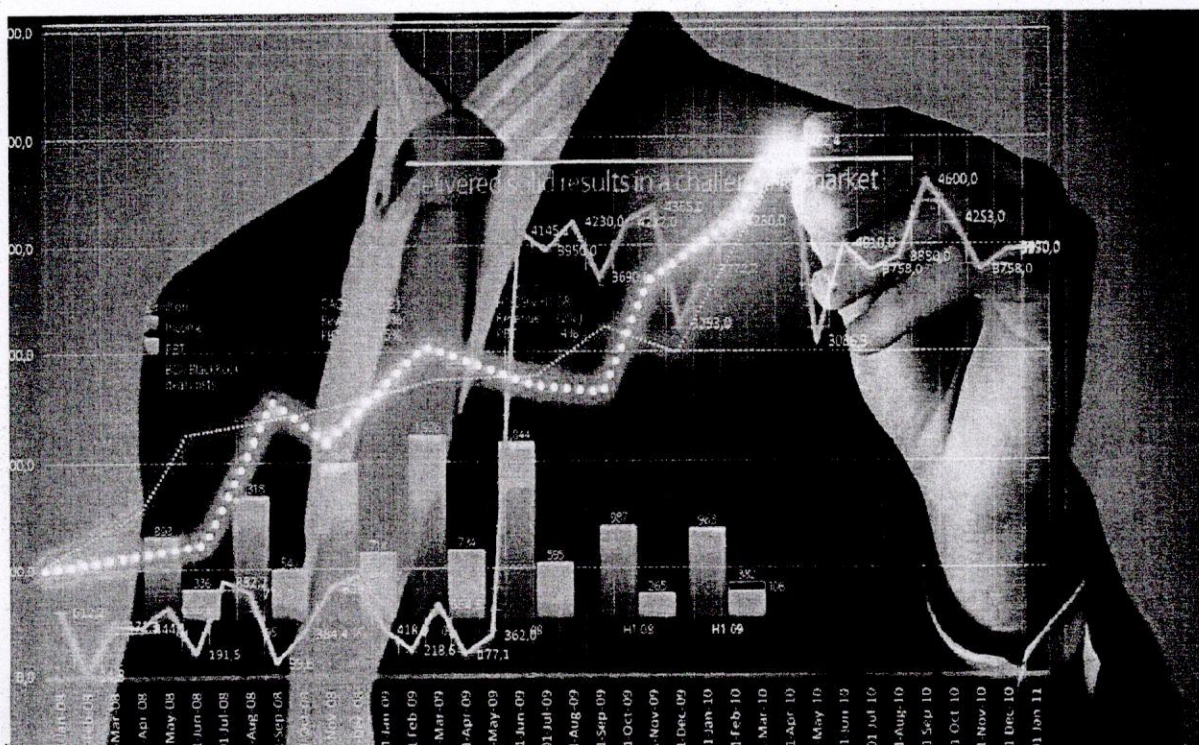


**Grant Thornton**

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**Grant Thornton Anjum Rahman**

*Chartered Accountants*





## 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, 2018.

### **Economic Overview**

Pakistan's economy posted a real growth of 5.8% in FY18 compared with 5.28% in FY 17. The growth was led by agriculture sector 3.8% and manufacturing sector 6.2%. Inflationary pressure weekend an average CPI inflation declined to 3.9% from a previous 4.2% largely owing to containment in food pricing.

The twin deficits, however, remained primary concern throughout the year where Current Account Deficit of 6% of GDP was recorded previously 4.1% of GDP. The foreign exchange reserves held by State Bank of Pakistan (SBP) declined from USD 14.6 billion to USD 9.8 billion, Consequently, the PKR exchange rate against USD depreciated by 16% YoY holding out at PKR 121.5/USD against PKR 104.8/USD in FY17. The weakness in Balance of Payments was driven by rising Current Account Deficit which grew by 43% YoY to reach USD 18 billion compared to USD 12.6 billion last year.

The Dec '17 devaluation triggered a tightening monetary stance resulting in a policy rate hike by 75 basis points to 6.5% with Discount Rate becoming 7% as FY 18 ended. Further, 8.3% PKR devaluation and 100 basis points hike in discount rate occurred post June 2018.

### **Market Overview**

The benchmark KSE-100 index posted negative return of 10% during the fiscal year (Jul17-Jun18). The benchmark index realized a high of 47,084 points and also witnessed a low of 37,919 points (reflecting an erosion of 9,165 points (-19%)). Since Pakistan's upgrade to Emerging Market status in MSCI, May 2017, foreign outflows paced significantly. The dismal performance is mainly attributed to 1) Weakness in Balance of Payment and mounting Current Account Deficit (increased from USD 12.6 billion to USD 19 billion (+16% YoY)) 2) Political uncertainty during the year in the wake of Panama Papers and General Elections 3) Foreign outflows 4) Rupee devaluation.

Foreign Institutional Investor remained net sellers despite part of MSCI EM amid weak Macros leading to PKR devaluation, taking a major outflow of \$285.9 million whereas local insurance companies topped the buyer's list with inflows of \$202.5 million.



### Company's Financial Overview

The Company has posted a revenue of Rs. 69.67 million during the period under review as compared to last year's Rs. 144.99 million. Before and after-tax profit stood at Rs. 16.76 million and Rs. 5.27 million respectively as compared to last year of Rs. 96.21 million and 81.25 million respectively. Company has earned earning per share of Rs. 0.43 as compared to last year eps of Rs. 6.77.

	2018	2017
	Rupees	Rupees
Operating Revenue	69,677,387	144,990,972
Profit / (loss) before tax	16,766,112	96,217,474
Profit / (loss) after tax	5,279,658	81,253,089
Earnings / (loss) per shares	0.43	6.77

Declining traded value in equity market reflected on brokerage income in FY 18 which was down by 25% YoY. Institutional and retail revenues declined by 12% and 40% respectively. The incidence of tax rate on equity brokerage felt more pronounced, as presumptive tax regime was made final instead of it being adjustable, effective tax rate to revenue worked out at 16.5% as compared to 10.32% in FY18. Operating and administrative expenses increased by 1.43% whereas finance cost increased by 0.93%.

### Future Prospectus

With the rising interest rate scenario equities are not likely to be the favored asset class, however continuous reforms at the PSX level are likely to increase the investor base for the market. Going forward, the Company is likely to consolidate its current market position and focus on enhancing revenue base by identifying latest market trends and adjusting itself accordingly.

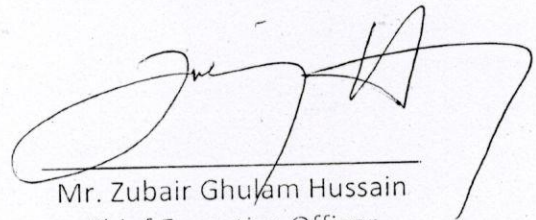
### Recommendation

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: October 09, 2018



Mr. Zubair Ghulam Hussain  
 Chief Executive Officer





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## INDEPENDENT AUDITOR'S REPORT

To the members of Insight Securities (Private) Limited

Report on the Audit of the Financial Statements

**GRANT THORNTON ANJUM RAHMAN**

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### 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, 2018, 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, 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### 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.

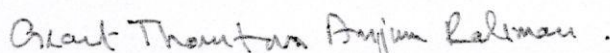
We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **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.

  
**Grant Thornton Anjum Rahaman**  
Chartered Accountants  
Karachi

Date: October 09, 2018

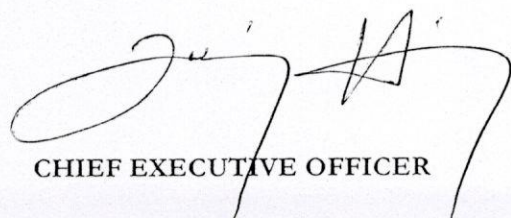
**Insight Securities (Private) Limited**  
**Financial statements – audited**  
For the year ended June 30, 2018



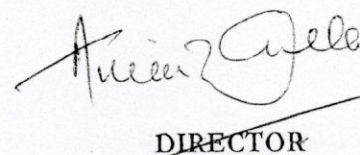
**INSIGHT SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	6,277,802	5,941,419
Intangible assets	5	5,000,000	5,000,000
Long term investment	6	31,658,322	41,163,833
Long term deposits	7	1,646,500	23,607,268
<b>Total non-current assets</b>		<b>44,582,624</b>	<b>75,712,520</b>
<b>Current assets</b>			
Trade debts	8	8,043,141	20,562,293
Trade deposits and short term prepayments	9	68,028,135	136,524,255
Other receivables	10	6,181,651	8,955,517
Short term investments	11	105,762,720	10,826,355
Taxation - net		620,392	618,067
Cash and bank balances	12	116,087,863	253,859,549
<b>Total current assets</b>		<b>304,723,902</b>	<b>431,346,036</b>
<b>TOTAL ASSETS</b>		<b>349,306,526</b>	<b>507,058,556</b>
<b>SHAREHOLDER'S EQUITY</b>			
<b>Share capital and reserves</b>			
<b>Authorized Share Capital</b>			
12,000,000 (2017: 12,000,000) ordinary shares of Rs.10 each		120,000,000	120,000,000
Issued, subscribed and paid up share capital	13	120,000,000	120,000,000
Unappropriated profit		63,846,976	58,567,318
Unrealized gain on revaluation of available for sale investment		15,628,792	25,134,303
<b>Total equity</b>		<b>199,475,768</b>	<b>203,701,621</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term loan from director	14	-	22,500,000
<b>Current liabilities</b>			
Trade and other payables	15	124,356,258	254,369,685
Short term loan from director	16	-	25,000,000
Current portion of long term loan	14	22,500,000	-
Accrued mark-up		2,974,500	1,487,250
<b>Total current liabilities</b>		<b>149,830,758</b>	<b>280,856,935</b>
<b>Contingencies And Commitments</b>	17		
<b>Total shareholders' equity and liabilities</b>		<b>349,306,526</b>	<b>507,058,556</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE OFFICER**

CITAL

  
**DIRECTOR**

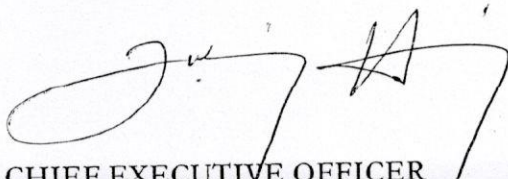


INSIGHT SECURITIES (PRIVATE) LIMITED  
STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Operating revenue	18	69,677,387	144,990,972
Operating and administrative expenses	19	(47,209,054)	(46,544,761)
		22,468,333	98,446,211
Other income	20	1,608,124	625,958
Finance cost	21	(1,668,919)	(1,653,519)
		22,407,538	97,418,650
Unrealized loss on re-measurement of investments 'at fair value through profit or loss' - net	11	(5,626,426)	(1,201,176)
Profit before taxation		16,781,112	96,217,474
Taxation	22	(11,501,454)	(14,964,385)
Profit for the year		5,279,658	81,253,089

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CITAL

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

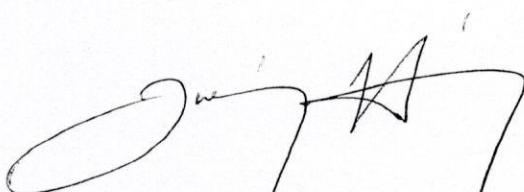


INSIGHT SECURITIES (PRIVATE) LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Profit for the year		5,279,658	81,253,089
Other comprehensive income :			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Remeasurement of Investment classified as 'available for sale'	6.1	(9,505,511)	25,134,303
Other Comprehensive (loss) / income		(9,505,511)	25,134,303
<b>Total comprehensive (loss) / income for the year</b>		<b>(4,225,853)</b>	<b>106,387,392</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

  
DIRECTOR

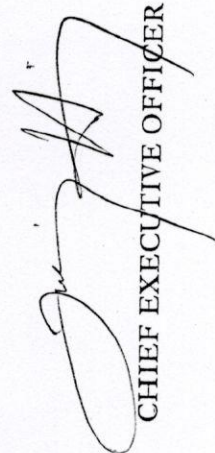


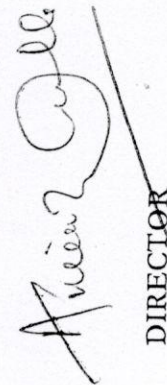
**INSIGHT SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Share capital	Capital Reserve	Revenue Reserve	Total Reserves	Total shareholders' equity
		Unrealized gain on revaluation of available for sale investment	(Accumulated loss) / Unappropriated profit		
					Rupees -----
Balance as at July 01, 2016	120,000,000	-	(22,685,771)	(22,685,771)	97,314,229
Profit for the year					
Other comprehensive income	-	25,134,303	81,253,089	81,253,089	81,253,089
Total comprehensive income	-	25,134,303	81,253,089	106,387,392	25,134,303
Balance as at June 30, 2017	120,000,000	25,134,303	58,567,318	83,701,621	106,387,392
Balance as at July 01, 2017	120,000,000	25,134,303	58,567,318	83,701,621	203,701,621
Profit for the year					
Other comprehensive loss	-	(9,505,511)	5,279,658	5,279,658	5,279,658
Total comprehensive loss	-	(9,505,511)	5,279,658	(4,225,853)	(9,505,511)
Balance as at June 30, 2018	120,000,000	15,628,792	63,846,976	79,475,768	(4,225,853)
					199,475,768

The annexed notes 1 to 30 form an integral part of these financial statements.

CITAL

  
**CHIEF EXECUTIVE OFFICER**

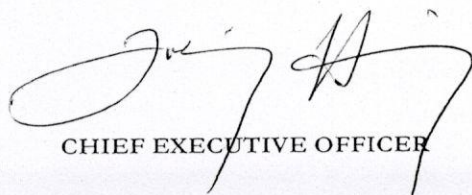
  
**DIRECTOR**



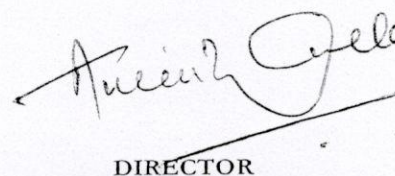
INSIGHT SECURITIES (PRIVATE) LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		16,781,112	96,217,474
Adjustments for:			
Depreciation		1,280,502	1,417,999
Unrealized loss on re-measurement of investments at fair value through profit or loss - held for trading' - net		5,626,426	1,201,176
Capital gain on sale of short term investments		(14,413,617)	(30,232,045)
Capital gain on sale of long term investment		-	(43,279,729)
Finance cost		1,668,919	1,653,519
Dividend income		(2,571,274)	(3,757,337)
<b>Operating cash flows before changes in working capital</b>		<b>8,372,068</b>	<b>23,221,057</b>
<b>Decrease/(Increase) in current assets</b>			
Trade debts		12,519,152	(4,431,038)
Trade deposits and short-term prepayments		68,496,120	(133,936,755)
Other receivables		2,773,866	(8,119,825)
<b>(Decrease) / Increase in current liabilities</b>			
Trade and other payables		(130,013,428)	242,535,218
		(46,224,290)	96,047,600
<b>Cash (used in) / generated from operations</b>		<b>(37,852,222)</b>	<b>119,268,657</b>
Income tax paid		(11,503,779)	(15,753,292)
Finance cost paid		(181,669)	(166,269)
<b>Net cash (used in) / generated from operating activities</b>		<b>(49,537,670)</b>	<b>103,349,096</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(1,616,885)	(4,228,695)
Proceeds from sale of long term investments		-	67,324,029
Long term deposits		21,960,768	(23,093,959)
Proceed from short term investments - net		(86,149,173)	68,454,929
Dividend received		2,571,274	3,757,337
<b>Net cash (used in) / generated from investing activities</b>		<b>(63,234,016)</b>	<b>112,213,641</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan (paid) / received from director		(25,000,000)	25,000,000
<b>Net cash (used in) / generated from financing activities</b>		<b>(25,000,000)</b>	<b>25,000,000</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(137,771,686)</b>	<b>240,562,737</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>253,859,549</b>	<b>13,296,812</b>
<b>Cash and cash equivalents at end of the year</b>		<b>116,087,863</b>	<b>253,859,549</b>
Cash and Bank Balances	12	116,087,863	253,859,549

The annexed notes 1 to 30 form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

GTAL

  
DIRECTOR