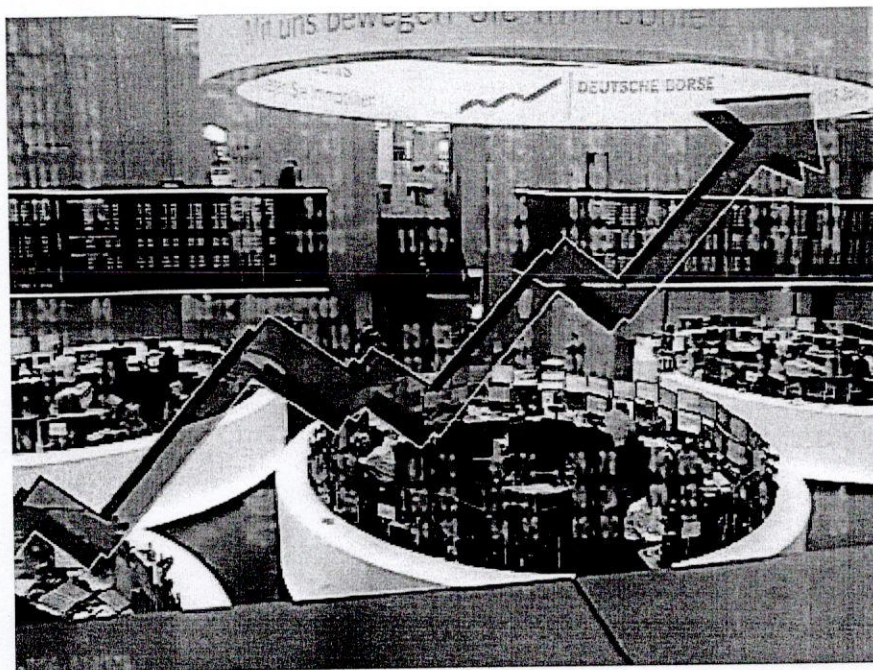


Financial statements and auditors' report

Insight Securities (Private) Limited
For the year ended June 30, 2019



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, 2019.

Economic Overview

Pakistan's Economic conditions continue to remain challenging as GDP growth plunged from a decade year high of 5.5% to 3.3%, while CAD (Current Account Deficit) remained high at US \$ 13.5 billion (4.8% of GDP) despite reduction of 32% YoY. Fiscal Deficit touched 8.9% of GDP, which was a 28-yr high due to lower revenues (-6.3% YoY) and higher expenditures (+11.4% YoY). A combination of low economic growth and higher twin deficit painted a bleak picture of the economy.

On the monetary front, continuing with a hawkish monetary policy stance, SBP raised Policy Rate by 575 bps to 12.25% by the end of FY19 in order to counter inflationary expectations. Inflationary pressures further surged during the period under review with average inflation during the year increasing to 7.4% compared to 3.9% a year ago. On the other hand, the Rupee depreciated by 19% against the US \$ to mitigate the external imbalance.

Market Overview

KSE-100 Index plummeted by 19% YoY in FY19 to close at 33,902 points. The benchmark index KSE100 saw high point early in July 2018 at 43,636 points, and since then gradually came down due to a host of factors. The downturn in the market was witnessed on the back of i) Macroeconomic concerns (weak external account, depreciation of the currency, rising inflationary pressure leading to rise in interest rates severely hampering growth momentum), ii) Uncertainty over the IMF program followed by stringent conditions of the program such as ambitious revenue targets, iii) Dismal corporate results, and (v) rise in SBP policy rate from 6.5% at the start of fiscal to 12.25% till the end.

Trading volume at the bourse saw significant decline in FY19 and touched 39.3mn shares on May 10, 2019 which was lowest in past 5 years, last seen on July 9, 2014. Average daily traded value clocked at US \$ 46.7mn, which is 37% lower as compared with US \$ 74.2mn in FY18. Similarly, Average daily traded volume also dropped to 155mn shares as against 175mn SPLY (-11% YoY).

Emerging market flows have largely been negative to the region and PSX proved no exception. Pakistan saw MSCI and FTSE rebalancing translating in to net foreign outflows, which continued with US \$ 356mn in FY19 and US \$ 289mn in FY18 whereas local insurance companies with inflows of \$150mn in FY 19.

Company's Financial Overview

The Company has posted operating revenue of Rs. 44.2mn during the period under review as compared to last year's Rs. 50.7mn. Before and after-tax profit/(loss) stood at Rs. (1.3)mn and Rs. (7.3)mn respectively as compared to last year of Rs. 16.7mn and 5.2mn respectively. The equity of the Company as at the balance sheet date is Rs. 182.2mn (June 2018: Rs. 199.4mn), which translates into book value per share of Rs. 15.18 (June 30, 2018: Rs. 16.62).

	2019	2018
	Rupees	Rupees
Operating Revenue – net	44,233,192	50,701,985
Profit / (loss) before tax	(1,377,825)	16,781,112
Profit / (loss) after tax	(7,399,868)	5,279,658
Earnings / (loss) per shares	(0.62)	0.43

Despite significant decline of 22% in average daily traded value (ADTV) during the period, your company's brokerage revenue witnessed a slight decline of 12.76% to close at Rs. 44.2mn. Institutional and retail revenues declined by 11.62% and 14.73% respectively. On the other hand, operating and administrative have been reduced by 7.82% despite booking Rs. 2.5mn impairment cost on TREC of PSX.

Future Prospectus

Interest rates are likely to remain at elevated levels for the remaining part of the fiscal year, we expect modest monetary easing towards the end of FY20. Equities will be impacted by high interest rate environment, but attractive valuations are likely to keep things in the limelight. Insight Securities plans to consolidate its current market position and focus on enhancing revenue base by identifying latest market trends and adapting accordingly.

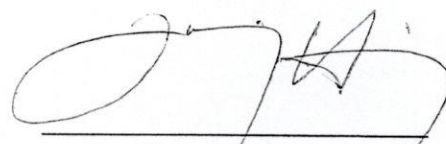
Recommendation

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, 2019**



Mr. Zubair Ghulam Hussain
 Chief Executive Officer



Grant Thornton

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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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Modern Motors House
Beaumont Road,
Karachi 75530

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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, 2019**, 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, 2019 and of the loss 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.

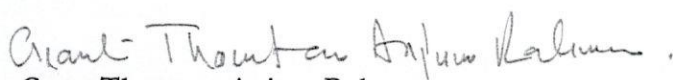
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Rahman

Chartered Accountants
Karachi

Dated: October 10, 2019

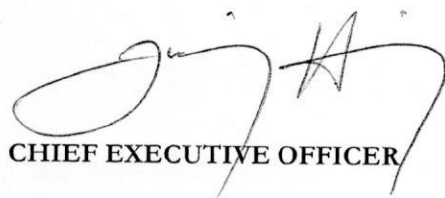
Insight Securities (Private) Limited
Financial statements
For the year ended June 30, 2019

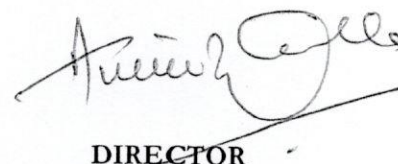
INSIGHT SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 -----Rupees-----	2018
ASSETS			
Non-current assets			
Property and equipment	7	4,144,303	6,277,802
Intangible assets	8	2,500,000	5,000,000
Long term investment	9	17,913,389	31,658,322
Long term deposits	10	1,656,500	1,646,500
Total non-current assets		26,214,192	44,582,624
Current assets			
Trade debts	11	4,858,367	8,043,141
Trade deposits and short term prepayments	12	67,230,111	68,028,135
Other receivables	13	1,956,819	5,620,651
Loans and advances	14	479,500	561,000
Short term investments	15	104,582,875	105,762,720
Taxation - net		2,633,475	620,392
Cash and bank balances	16	39,866,312	116,087,863
Total current assets		221,607,459	304,723,902
TOTAL ASSETS		247,821,651	349,306,526
SHAREHOLDER'S EQUITY			
Share capital and reserves			
Authorized Share Capital			
12,000,000 (2018: 12,000,000) ordinary shares of Rs.10 each		120,000,000	120,000,000
Issued, subscribed and paid-up share capital	17	120,000,000	120,000,000
Unappropriated profit		58,101,378	63,846,976
Remeasurement of investment at fair value through OCI		4,133,859	15,628,792
Total equity		182,235,237	199,475,768
LIABILITIES			
Current liabilities			
Trade and other payables	18	38,624,664	124,356,258
Loan from director	19	22,500,000	22,500,000
Accrued mark-up		4,461,750	2,974,500
Total current liabilities		65,586,414	149,830,758
Total shareholders' equity and liabilities		247,821,651	349,306,526
Contingencies and Commitments	20		

The annexed notes 1 to 34 form an integral part of these financial statements.

QTR


CHIEF EXECUTIVE OFFICER

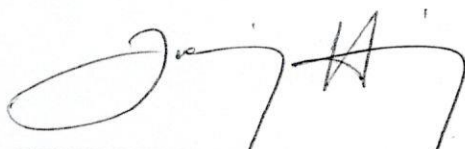

DIRECTOR

INSIGHT SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 -----Rupees-----	2018
Operating revenue		49,983,505	57,293,238
Less: Sales tax		(5,750,313)	(6,591,253)
Operating revenue- net	21	44,233,192	50,701,985
Operating and administrative expenses	22	(43,518,080)	(47,209,054)
		715,112	3,492,931
Other income	23	18,225,961	20,583,526
Finance cost	24	(1,681,768)	(1,668,919)
		17,259,305	22,407,538
Unrealized loss on re-measurement of investments at fair value through profit or loss - net	15.1	(18,637,130)	(5,626,426)
(Loss)/Profit before taxation		(1,377,825)	16,781,112
Taxation	25	(6,022,043)	(11,501,454)
(Loss)/Profit for the year		(7,399,868)	5,279,658

The annexed notes 1 to 34 form an integral part of these financial statements.

GTAZ


CHIEF EXECUTIVE OFFICER



DIRECTOR

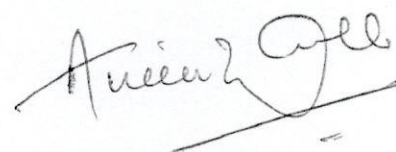
INSIGHT SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 -----Rupees-----	2018
(Loss)/Profit for the year		(7,399,868)	5,279,658
Other comprehensive loss :			
<i>Items that will be reclassified subsequently to statement of profit or loss</i>			
<i>Items that will not be reclassified subsequently to statement of profit or loss</i>			
Remeasurement of investment at fair value through OCI	9	(9,301,183)	(9,505,511)
Realised loss on the sale of investment		(539,480)	-
		(9,840,663)	(9,505,511)
Total comprehensive loss for the year		(17,240,531)	(4,225,853)

The annexed notes 1 to 34 form an integral part of these financial statements.

9/18/19

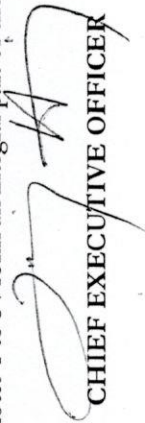

CHIEF EXECUTIVE OFFICER

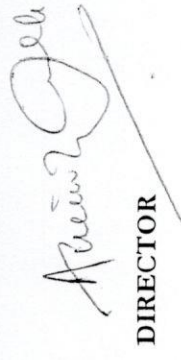

DIRECTOR

INSIGHT SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Reserves				Total shareholders' equity
	Issued, subscribed and paid-up share capital	Remeasurement of investment at fair value through OCI	Revenue Reserve	Total Reserves	

The annexed notes 1 to 34 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

INSIGHT SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 -----Rupees-----	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(1,377,825)	16,781,112
Adjustments for non-cash items:			
Depreciation		817,493	1,280,502
Impairment of intangible assets		2,500,000	-
Loss on sale of property and equipment		759,381	-
Unrealized loss on re-measurement of investments at fair value through profit or loss - net		18,637,130	5,626,426
Capital gain on sale of short term investments		(4,697,820)	(14,413,617)
Allowance for expected credit loss		256,344	-
Gain on foreign currency transactions		(32,389)	-
Finance cost		1,681,768	1,668,919
Dividend income		(6,770,170)	(2,571,274)
		<u>13,151,737</u>	<u>(8,409,044)</u>
Operating cash flows before changes in working capital		11,773,912	8,372,068
Decrease/(Increase) in current assets			
Trade debts		2,928,430	12,519,152
Trade deposits and short-term prepayments		798,024	68,496,120
Other receivables		3,663,832	3,257,466
Loans and advances		81,500	(483,600)
(Decrease) / Increase in current liabilities			
Trade and other payables		(85,731,594)	(130,013,428)
		<u>(78,259,808)</u>	<u>(46,224,290)</u>
Cash used in operations		(66,485,896)	(37,852,222)
Income tax paid		(8,035,124)	(11,503,779)
Finance cost paid		(194,518)	(181,669)
Net cash used in operating activities		(74,715,538)	(49,537,670)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(37,800)	(1,616,885)
Proceeds from disposal of property and equipment		594,424	-
Proceeds from disposal of long term investment		3,904,271	-
Long term deposits		(10,000)	21,960,768
Short term investments - net		(12,727,078)	(86,149,173)
Dividend received		6,770,170	2,571,274
Net cash used in investing activities		(1,506,013)	(63,234,016)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repaid to director		-	(25,000,000)
Net cash used in financing activities		-	(25,000,000)
Net decrease in cash and cash equivalents		(76,221,551)	(137,771,686)
Cash and cash equivalents at the beginning of the year		116,087,863	253,859,549
Cash and cash equivalents at the end of the year	16	39,866,312	116,087,863

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR