

**Financial statements and auditors' report**

**Insight Securities (Private) Limited**  
**For the year ended June 30, 2020**



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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, 2020.

### **Economic Overview**

With the unprecedented onset of pandemic Covid-19 taking over the world in FY20, the global economy slid into recession with overall economic growth shrinking 4.9 percent this year. Pakistan was no exception, with GDP shrinking by 0.38% as compared to 3.3% growth recorded a year earlier. Only the agriculture sector showed positive growth of 2.7% during the year while manufacturing and services sector marked a negative growth of 5.6% and 0.6%, respectively. Large scale manufacturing contracted 10.2% in FY20 largely due to significant decline in textile, food, beverages and tobacco, coke and petroleum products, pharmaceuticals, automobiles, iron and steel products and electronics.

On the fiscal front, deficit clocked in at 8.1% of GDP (PKR 3.4 trillion) in FY20 compared to PKR 3.4 trillion recorded in FY19, 8.9 % of GDP. Total expenditure remained at PKR 9,648 billion (↑ by 15.6%), while total revenue grows to PKR 6,272 billion (↑ by 28%) in FY20. However, on the external front, despite global trade being affected by Covid-19, Pakistan was able to bring down the Current Account Deficit to 1.1% of GDP (USD 2.97 Billion) from previous year's 4.8% (USD 13.4 Billion). Furthermore, remittances also supported the external sector, registering a growth of 6.3% YoY to USD 23.1 billion, with highest inflows coming in from KSA followed by USA.

### **Market Overview**

FY20 saw double dips of KSE100 towards 28K level, first being in August 2019 and the second time near the end of March 2020. The year started with the KSE-100 Index nose-diving to 28,765 level due to hike in interest rates and other macro challenges as the country came under IMF EEF program with stiff fiscal targets. With interest rates having peaked out and attractive valuations, the market regained momentum and by Jan'20, the KSE-100 Index made a peak at 43,219. With the global pandemic spread, the benchmark KSE-100 Index nose-dived again but this time to a lower low of 27,229 level. Aggressive measure by the Government and State Bank to counter negative economic impacts of the pandemic including reduction on interest rates and the construction package, the regained momentum and the KSE-100 Index closed the year 34,422 gaining 1.5%. Average volumes during the year improved by 26% whereas average daily traded value also improved by 13%.

Amongst the main sectors, Pharma, Technology & Communication, Cement, Paper & Boards and Fertilizer sector significantly outperformed the market whereas Power, Banks, Oil & Gas Exploration and Oil & Gas Marketing Companies significantly underperformed the market.

Foreign investors remained net sellers with an outflow of USD 285mn during the year under review which were preliminary absorbed by individuals and Insurance Companies.

### Company's Financial Overview

The Company has posted operating revenue of Rs. 50.9mn during the period under review as compared to last year's Rs. 44.2mn. Before and after-tax profit/(loss) stood at Rs. 113.8mn and Rs. (1.3)mn respectively as compared to last year of Rs. 102.2mn and (7.3)mn respectively. The equity of the Company as at the balance sheet date is Rs. 281.2mn (June 2019: Rs. 182.2mn), which translates into book value per share of Rs. 23.44 (June 30, 2019: Rs. 15.18).

	<b>2020</b>	<b>2019</b>
	<b>Rupees</b>	<b>Rupees</b>
Operating Revenue – net	50,924,599	44,233,192
Profit / (loss) before tax	113,847,852	(1,377,825)
Profit / (loss) after tax	102,213,120	(7,399,868)
Earnings / (loss) per shares	8.52	(0.62)

During the year average daily traded value (ADTV) registered growth from PKR 6.4bn in FY19 to PKR 7.2bn in FY20. FY20 saw a couple of instances where ADTV crossed US\$100mn and seeing consistency post FY20. Despite a significant uncertainty amid Covid-19 pandemic during the period, your company's brokerage revenue witnessed an increase of 15.13% to close at PKR 50.9 mn. Institutional and retail revenues increased by 14.85% and 15.63% respectively. On the other hand, operating and administrative have been reduced by 14.94%.

### Future Prospectus

Interest rates are likely to rise gradually, we expect them to range between 9-10% at the end of FY21. 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.

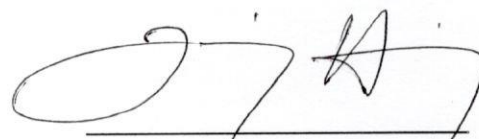
### Recommendation

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: **October 20, 2020**



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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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, 2020**, 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, 2020 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.

### 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

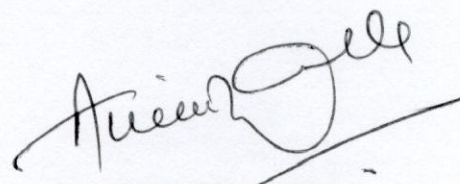
Dated: October 20, 2020

**INSIGHT SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

	Note	2020 -----Rupees-----	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	3,690,737	4,144,303
Intangible assets	7	2,500,000	2,500,000
Long term investment	8	-	17,913,389
Long term deposits	9	1,656,500	1,656,500
<b>Total non-current assets</b>		<b>7,847,237</b>	<b>26,214,192</b>
<b>Current assets</b>			
Trade debts	10	25,321,004	4,858,367
Trade deposits and short term prepayments	11	26,277,023	67,230,111
Other receivables	12	2,176,518	1,940,080
Loans and advances	13	4,005,500	479,500
Short term investments	14	217,417,516	104,582,875
Taxation - net	15	1,148,309	2,633,475
Cash and bank balances	16	44,677,037	39,866,312
<b>Total current assets</b>		<b>321,022,907</b>	<b>221,590,720</b>
<b>TOTAL ASSETS</b>		<b>328,870,144</b>	<b>247,804,912</b>
<b>SHAREHOLDER'S EQUITY</b>			
<b>Share capital and reserves</b>			
<b>Authorized Share Capital</b>			
12,000,000 (2019: 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
Total reserves		161,281,773	62,235,237
<b>Total equity</b>		<b>281,281,773</b>	<b>182,235,237</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liability	18	503,301	-
<b>Current liabilities</b>			
Trade and other payables	19	47,085,070	38,607,925
Loan from director	20	-	22,500,000
Accrued mark-up		-	4,461,750
<b>Total current liabilities</b>		<b>47,085,070</b>	<b>65,569,675</b>
<b>Total shareholders' equity and liabilities</b>		<b>328,870,144</b>	<b>247,804,912</b>
<b>Contingencies and Commitments</b>	21		

The annexed notes 1 to 38 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE OFFICER**

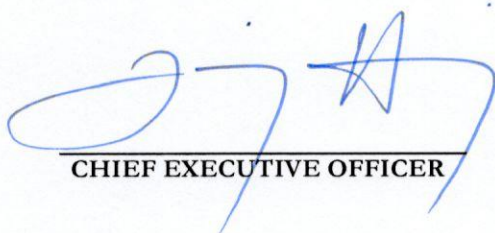
  
**DIRECTOR**

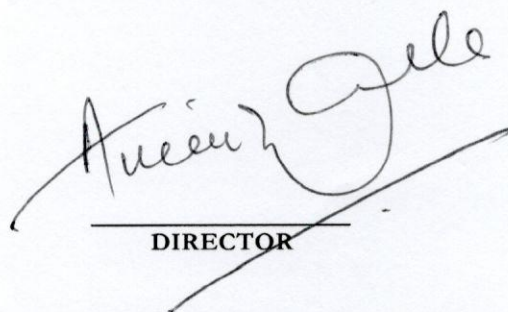
**INSIGHT SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 -----Rupees-----	2019
Operating revenue		57,544,817	49,983,505
Less: Sales tax		(6,620,218)	(5,750,313)
Operating revenue- net	22	50,924,599	44,233,192
Operating and administrative expenses	23	(37,014,763)	(43,518,080)
		13,909,836	715,112
Other income	24	98,529,050	18,225,961
Finance cost	25	(144,831)	(1,681,768)
		112,294,055	17,259,305
Unrealized gain / (loss) on re-measurement of investments at fair value through profit or loss - net	14.1	1,553,797	(18,637,130)
Profit / (loss) before taxation		113,847,852	(1,377,825)
Taxation	26	(11,634,732)	(6,022,043)
Profit / (loss) for the year		102,213,120	(7,399,868)

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**CHIEF EXECUTIVE OFFICER**

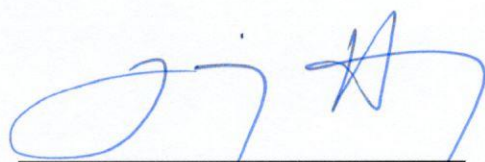
  
**DIRECTOR**

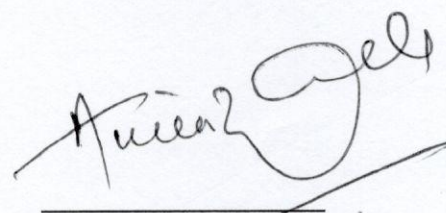
**INSIGHT SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 -----Rupees-----	2019
Profit / (loss) for the year		102,213,120	(7,399,868)
Other comprehensive income / (loss) :			
<i>Items that may 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	8	-	(9,301,183)
Realized loss on sale of investment		-	(539,480)
		-	(9,840,663)
<b>Total comprehensive income / (loss) for the year</b>		<b>102,213,120</b>	<b>(17,240,531)</b>

The annexed notes 1 to 38 form an integral part of these financial statements.

*CITAK*

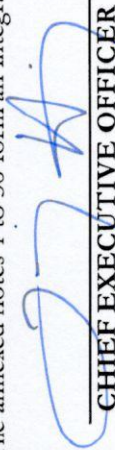
  
 CHIEF EXECUTIVE OFFICER

  
 DIRECTOR

**INSIGHT SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Reserves				Total Reserves	Total shareholders' equity
	Issued, subscribed and paid-up share capital	Remeasurement of investment at fair value through OCI	Unappropriated profit	Revenue Reserve		
<b>Balance as at July 01, 2018</b>	120,000,000	15,628,792	63,846,976		79,475,768	199,475,768
Loss for the year	-	-	(7,399,868)		(7,399,868)	(7,399,868)
<i>Other comprehensive income / (loss):</i>						
Remeasurement of investment classified at fair value through OCI	-	(9,301,183)	-		(9,301,183)	(9,301,183)
Realised loss on the sale of investment	-	(539,480)	-		(539,480)	(539,480)
Total comprehensive loss	-	(9,840,663)	(7,399,868)		(17,240,531)	(17,240,531)
Reclassification due to sale of investment at fair value through OCI	-	(1,654,270)	1,654,270		-	-
<b>Balance as at June 30, 2019</b>	120,000,000	4,133,859	58,101,378		62,235,237	182,235,237
<b>Balance as at July 01, 2019</b>	120,000,000	4,133,859	58,101,378		62,235,237	182,235,237
Income for the year	-	-	102,213,120		102,213,120	102,213,120
<i>Other comprehensive income:</i>						
Remeasurement of investment classified at fair value through OCI	-	-	-		-	-
Total comprehensive income	-	-	102,213,120		102,213,120	102,213,120
Realised loss on the sale of investment	-	(3,166,584)	-		(3,166,584)	(3,166,584)
Reclassification due to sale of investment held at fair value through OCI	-	(967,275)	967,275		-	-
<b>Balance as at June 30, 2020</b>	120,000,000	-	161,281,773		161,281,773	281,281,773

The annexed notes 1 to 38 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE OFFICER**

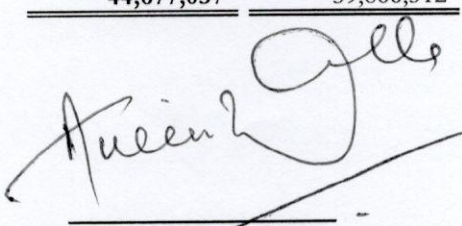
  
**DIRECTOR**

**INSIGHT SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 -----Rupees-----	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before taxation		113,847,852	(1,377,825)
<b>Adjustments for non-cash items:</b>			
Depreciation		676,880	817,493
Impairment of intangible assets		-	2,500,000
Loss on sale of property and equipment		-	759,381
Unrealized (loss)/gain on re-measurement of investments at fair value through profit or loss - net		(1,553,797)	18,637,130
Capital gain on sale of short term investments		(84,529,639)	(4,697,820)
Allowance for expected credit loss		(95,311)	256,344
Loss / (gain) on foreign currency transactions		16,969	(32,389)
Reversal of Interest		(4,461,750)	-
Finance cost		-	1,681,768
		<u>(89,946,648)</u>	<u>19,921,907</u>
<b>Operating cash flows before changes in working capital</b>		<b>23,901,204</b>	<b>18,544,082</b>
<b>Decrease/(Increase) in current assets</b>			
Trade debts		(20,367,326)	2,928,430
Trade deposits and short-term prepayments		40,953,088	798,024
Other receivables		(253,407)	3,680,571
Loans and advances		(3,526,000)	81,500
<b>(Decrease) / Increase in current liabilities</b>			
Trade and other payables		8,477,145	(85,748,333)
		<u>25,283,500</u>	<u>(78,259,808)</u>
<b>Cash generated from / (used in) operations</b>		<b>49,184,704</b>	<b>(59,715,726)</b>
Income tax paid		(9,646,265)	(8,035,124)
Finance cost paid		-	(194,518)
<b>Net cash generated from / (used in) operating activities</b>		<b>39,538,439</b>	<b>(67,945,368)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(223,314)	(37,800)
Proceeds from disposal of property and equipment		-	594,424
Proceeds from disposal of long term investment		14,746,805	3,904,271
Long term deposits		-	(10,000)
Short term investments - net		(26,751,205)	(12,727,078)
<b>Net cash used in investing activities</b>		<b>(12,227,714)</b>	<b>(8,276,183)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan repaid to director		(22,500,000)	-
<b>Net cash used in financing activities</b>		<b>(22,500,000)</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>4,810,725</b>	<b>(76,221,551)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>39,866,312</b>	<b>116,087,863</b>
<b>Cash and cash equivalents at the end of the year</b>	16	<b>44,677,037</b>	<b>39,866,312</b>

The annexed notes 1 to 38 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**