

PEARL SECURITIES LIMITED

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
DECEMBER 31, 2020**

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of

Pearl Securities Limited

Report on review of interim financial statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pearl Securities Limited (the 'Company'), as at December 31, 2020 and the related condensed interim statement of profit or loss condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Ch

Other Matters

The financial statement of the Company for the period ended December 31, 2019 were reviewed by another firm of Chartered Accountants, whose report dated February 11, 2020 expressed an unqualified conclusion on such financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Imran Shaikh.


Crowe Hussain Chaudhury & Co.
Karachi


27 FEB 2021

PEARL SECURITIES LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
	Note	----- Rupees -----	
SHARE CAPITAL & RESERVES			
Authorized capital 50,000,000 (June 30,2020: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	4	144,136,000	144,136,000
Revenue reserve - unappropriated profit / (loss)		28,197,288	(24,834,348)
Fair value reserve		493,543,768	52,192,897
		665,877,056	171,494,549
NON-CURRENT LIABILITIES			
Long term loan and finances	5	290,385,776	290,385,776
Staff retirement benefits		24,634,717	21,005,103
		315,020,493	311,390,879
CURRENT LIABILITIES			
Trade creditors, accrued and other liabilities	6	689,671,793	435,428,307
Accrued markup		173,936,899	140,266,714
Short term borrowings	7	1,615,634,449	1,614,190,084
Current portion of liability against leased assets	5	616,128	1,407,048
		2,479,859,270	2,191,292,153
Contingencies and commitments	8	3,460,756,818	2,674,177,581
NON-CURRENT ASSETS			
Property and equipment	9	39,961,693	38,590,029
Right-of-use assets		1,115,669	1,859,449
Intangible assets	10	2,750,000	2,750,000
Deferred taxation	11	4,099,313	2,719,943
Long term deposits	12	14,810,979	17,060,979
		62,737,654	62,980,400
CURRENT ASSETS			
Short term investments	13	1,384,706,112	403,252,427
Receivable against margin financing transactions		96,751,253	45,939,784
Trade debts	14	1,705,042,210	2,050,442,612
Advances, deposits, prepayments and other receivables	15	13,592,085	10,455,520
Taxation - net		8,080,345	7,385,986
Cash and bank balances	16	189,847,159	93,720,852
		3,398,019,164	2,611,197,181
		3,460,756,818	2,674,177,581

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

ce


 Chief Executive



 Director

PEARL SECURITIES LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2020

	Note	Half year ended	
		December 31, 2020	December 31, 2019
		----- (Rupees) -----	
Operating revenue		100,846,482	54,168,870
Capital gain on short term investments		84,604,785	41,703,105
Administrative and operating expenses		(86,733,709)	(57,576,717)
Unrealized loss on fair value through profit and loss investments		(1,138,474)	(2,207,892)
Operating profit		97,579,084	36,087,366
Finance cost		(48,535,240)	(70,904,927)
		49,043,843	(34,817,561)
Other income	18	5,147,027	8,050,250
Profit / (loss) before taxation		54,190,871	(26,767,311)
Taxation			
- Current		(2,469,879)	(933,967)
- Prior years		-	(1,666,078)
- Deferred		1,379,370	(1,480,078)
		(1,090,508)	(4,080,123)
Profit / (loss) after taxation		53,100,362	(30,847,434)
Earnings / (loss) per share - basic and diluted		3.68	(2.14)

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

ce


 Chief Executive


 Director

PEARL SECURITIES LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2020

	Half year ended	
	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
Profit / (loss) after taxation for the period	53,100,362	(30,847,434)
Other comprehensive income for the period		
Items that will not be reclassified subsequently to profit or loss		
- Unrealised gain /(diminution) - FVOCI investment	441,282,144	166,761,412
- Realised (loss) / gain - FVOCI investment	(68,727)	1,421,281
Items that are or may be reclassified subsequently to profit or loss	-	-
Total comprehensive income for the period	<u><u>494,313,779</u></u>	<u><u>137,335,259</u></u>

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

gsc



Chief Executive



Director

PEARL SECURITIES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2020

	Half year ended	
	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/Loss before taxation	54,190,871	(26,767,311)
Adjustments for:		
- Depreciation of property and equipment	2,250,014	1,775,488
- Depreciation of right of use of assets	743,780	-
- Unrealized gain / (loss) on investments through profit and loss	1,138,474	2,207,892
- Provision for gratuity	3,629,614	933,673
- Reversal of expected credit losses	-	(177,656)
- Gain on disposal of fixed assets	(59,790)	(917,926)
- Finance cost	48,535,240	70,904,927
Cash generated from operating activities before working capital changes	56,237,332	74,726,398
(Increase) / decrease in current assets		
Trade debts	345,400,402	(153,672,610)
Receivable against margin finance transactions	(50,811,469)	(25,676,552)
Advances, deposits, prepayments and other receivables	(3,136,565)	34,337,812
Increase / (decrease) in current liabilities		
Trade creditors, accrued and other liabilities	253,325,020	(27,548,744)
Short term borrowings	1,444,365	203,309,898
Financial charges paid	546,221,754	30,749,804
Taxes paid	(14,762,663)	(58,020,844)
Gratuity Paid	(1,775,520)	(3,634,645)
Gratuity Paid	(582,454)	-
Net cash generated from / (used in) operating activities	639,529,320	17,053,402
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(3,719,268)	(173,595)
Proceeds from disposal of capital work-in-process	-	233,415
Proceeds from disposal of property and equipment	37,800	2,428,587
Net purchase / (proceeds) from investment	(541,180,627)	64,156,829
Long term deposits	2,250,000	(2,152,000)
Net cash generated from investing activities	(542,612,095)	64,493,236
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	-
(Repayments) of lease liability	(790,920)	-
(Repayments) of long term loan - net	-	(75,000,000)
Net cash (used in) financing activities	(790,920)	(75,000,000)
Net (decrease) in cash and cash equivalents	96,126,307	6,546,639
Cash and cash equivalents at the beginning of the period	93,720,852	97,446,020
Cash and cash equivalents at the end of the period	189,847,159	103,992,659

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

ae

Tarsh
Chief Executive

[Signature]
Director

PEARL SECURITIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
For the year ended 31 December 2020

	Issued, Subscribed & Paid-up Capital	Revenue reserve - unappropriated profit / (loss)	Fair Value Reserve	Total Equity
	(Rupees)			
Balance as at 01 July 2019	144,136,000	90,289,100	(89,983,403)	144,441,697
Loss after taxation for the period	-	(30,847,434)	-	(30,847,434)
Transfer of fair value reserve of equity instruments designated at FVOCI		(1,421,281)	1,421,281	-
Other comprehensive gain for the period	-	-	166,761,412	166,761,412
Balance as at 31 December 2019	<u>144,136,000</u>	<u>58,020,386</u>	<u>78,199,290</u>	<u>280,355,675</u>
Balance as at 01 July 2020	144,136,000	(24,834,348)	52,192,897	171,494,549
Loss after taxation for the period	-	53,100,362		53,100,362
Transfer of fair value reserve of equity instruments designated at FVOCI	-	(68,727)	68,727	-
Other comprehensive gain / (loss) for the period	-	-	441,282,144	441,282,144
Balance as at 31 December 2020	<u>144,136,000</u>	<u>28,197,288</u>	<u>493,543,768</u>	<u>665,877,056</u>

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

GE



Chief Executive



Director

PEARL SECURITIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

Pearl Securities Limited (the Company) was incorporated as a private limited company on May 8, 2000 under the Companies Act, 2017 and was subsequently converted into a public limited Company on April 27, 2009. The Company is a corporate member of Pakistan Stock Exchange Limited (PSX).

The Company is a Trading Right Entitlement Certificate (TREC) holder of PSX and a member of Pakistan Mercantile Exchange Limited (PMEX). The Company is principally engaged in brokerage of shares, stocks, securities, commodities and other financial instruments, securities research, financial consultancy and underwriting. The Company has a network of five branches (December 31, 2020: five branches) across Pakistan.

Geographical location of business units

Locations	Addresses
Head Office/Registered Office	Suit # 204, 2nd Floor, Business & Finance Centre, I.I Chundrigar Road, Karachi.
Branches	
Pakistan Stock Exchange	Suit # 137, 3rd Floor, Stock Exchange Building, Karachi
Islamabad Branch	Suit # 1011, 10th Floor, Stock Exchange Towers, Islamabad
State Life Branch	Ground Floor, State Life Building, Peshawar Cantt, Peshawar.
Lahore Branch	Suit # 218, 2nd Floor, Siddiq Trade Centre, 72 Main Boulevard Gulberg, Lahore.
Mardan Branch	Shop # 57 & 60 Cantonment Plaza Mall Road, Mardan

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are same as those applied in the preparation of the annual financial statements for the period ended June 30, 2020.

CAC

4 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	Note	(Un-audited) December 31, 2020 ----- (Rupees) -----	(Audited) June 30, 2020
This comprises fully paid-up ordinary shares of Rs. 10 each as follows:			
(Un-audited) December 31, 2020 ----- (No. of shares) ----- <u>14,413,600</u>	(Audited) June 30, 2020 <u>14,413,600</u>	Issued for cash	<u>144,136,000</u> <u>144,136,000</u>
(Un-audited) (Audited)			
December 31, June 30,			
2020 2020			
----- (Rupees) -----			
5. LONG TERM LOAN AND FINANCES			
Silk Bank Limited - Term Finance		100,000,000	100,000,000
Silk Bank Limited - Running finance		90,000,000	90,000,000
Summit Bank Limited		200,000,000	200,000,000
Lease liability		1,001,904	1,792,824
		<u>391,001,904</u>	<u>391,792,824</u>
Less: Current Portion lease liability		(616,128)	(1,407,048)
Less: Current Portion of long term loan		<u>(100,000,000)</u>	<u>(100,000,000)</u>
Long term Portion		<u>290,385,776</u>	<u>290,385,776</u>
6. TRADE CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors for purchase of shares	6.1	462,640,761	108,576,635
Trade Deposit		2,062,395	-
Creditors of PMEX		6,143	6,143
Payable to money market clients		209,044,231	312,506,359
Payable to forex clients		127,006	175,274
Sindh sales tax on brokerage services		1,652,081	-
Commission payable to traders		9,901,138	6,281,787
Accrued and other liabilities		4,238,038	7,882,109
		<u>689,671,793</u>	<u>435,428,307</u>

6.1 This includes an amount of Rs.271,039,323 (June 30, 2020:Nil) payable to NCCPL against trade of clients. This also includes liability of creditors for purchase of trading shares Rs.16,170,003 for the period ended December,31 2020 will be settled after reporting date (June 30, 2020:Rs.21,676,750)

98

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
	Note	----- (Rupees) -----	
7. SHORT TERM BORROWINGS			
From banking companies - secured			
Summit Bank Limited		143,382,671	143,382,671
Silk Bank Limited		600,356,580	597,903,897
Sindh Bank Limited		395,281,124	395,281,974
Askari Bank Limited		264,052,806	314,512,506
Soneri Bank Limited		12,561,268	8,109,036
Silk Bank Limited - Term Finance Facility		100,000,000	100,000,000
From investment companies - secured			
Saudi Pak Agricultural & Investment Company Limited		100,000,000	55,000,000
		<u>1,615,634,449</u>	<u>1,614,190,084</u>
8. CONTINGENCIES AND COMMITMENTS			
The Assistant Commissioner SRB, has passed 3 orders in respect of short payment of sales tax amounting to Rs. 280,808,039 along with penalty amounting to Rs. 14,040,401 in respect of financial year 2011 to 2018 on other charges recovered from customers. The Company has filed appeal before the Commissioner Appeals against the impugned order however, decision in appeal is pending. The Company is having fair chance of success in appeal, therefore, no provision has been made in these financial statements.			
9. PROPERTY AND EQUIPMENTS			
Property & equipments	9.1	39,961,693	38,590,029
Capital work-in-progress		-	-
		<u>39,961,693</u>	<u>38,590,029</u>
9.1			
Opening written down value		38,590,029	40,213,828
Addition during the period		3,719,268	4,016,775
Disposal during the period		(97,590)	(3,141,778)
Depreciation charged during the period		(2,250,014)	(2,498,796)
		<u>39,961,693</u>	<u>38,590,029</u>
10. INTANGIBLE ASSETS			
Trading Right Entitlement Certificate (TREC)	10.1	2,500,000	2,500,000
Pakistan Mercantile Exchange Limited - membership card		250,000	250,000
Software		-	-
		<u>2,750,000</u>	<u>2,750,000</u>

10.1 This represents TREC received by the Company in accordance with the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012. These have been recorded at notional value determined by PSX.

9x

	Note	(Un-audited) December 31, 2020 ----- (Rupees) -----	(Audited) June 30, 2020
11. DEFERRED TAXATION			
Taxable temporary differences on:			
Accelerated depreciation		(6,835,317)	(5,996,451)
Right of use asset		(323,544)	(539,240)
Deductible temporary differences on:			
Provision of doubtful debts		1,801,852	1,482,852
provision of gratuity		7,144,068	5,004,560
Liability against leased assets		290,552	519,919
Investments		330,157	556,759
Depreciation / initial allowance unimpaired C/F		1,691,545	1,691,545
		<u>4,099,313</u>	<u>2,719,944</u>
12. LONG TERM DEPOSITS			
Pakistan Stock Exchange Limited	12.1	9,455,979	11,905,979
National Clearing Company of Pakistan Limited		1,400,000	1,200,000
Pakistan Mercantile Exchange Limited		3,250,000	3,250,000
Central Depository Company of Pakistan Limited		100,000	100,000
Others		605,000	605,000
		<u>14,810,979</u>	<u>17,060,979</u>
12.1 This represents cash deposited against BMC requirement.			
13. SHORT TERM INVESTMENT			
Financial assets classified as FVTPL			
Shares of listed companies - average cost	13.1	57,851,763	21,901,136
Less: Unrealized loss on revaluation of fair value through profit or loss investments		(1,138,474)	(3,711,724)
Fair value		<u>56,713,289</u>	<u>18,189,412</u>
Financial assets classified as FVTOCI			
Share of listed companies - average cost	13.2	834,517,782	332,870,118
Less: Unrealized gain on revaluation of fair value through profit or loss investments		493,475,041	52,192,897
Fair value		<u>1,327,992,823</u>	<u>385,063,015</u>
Total Short Term Investment		<u>1,384,706,112</u>	<u>403,252,427</u>

92

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
	Note	----- (Rupees) -----	
14. TRADE DEBTS			
Receivable from client on behalf of:			
Purchase of shares on behalf of clients	14.1	1,662,974,822	2,010,956,146
Money market and Forex Brokerage		42,067,388	39,486,465
		<u>1,705,042,210</u>	<u>2,050,442,612</u>
Considered doubtful		6,213,282	5,113,282
		<u>1,711,255,492</u>	<u>2,055,555,894</u>
Less: Provision for expected credit losses	14.2	(6,213,282)	(5,113,282)
		<u>1,705,042,210</u>	<u>2,050,442,612</u>

14.1 This includes an amount of Rs.260,067,741 receivable from NCCPL against trade of clients.

14.2 Provision against expected credit losses

Opening Balance	5,113,282	5,290,938
Charge / (reversal) for the period	1,100,000	(177,656)
Closing Balance	<u>6,213,282</u>	<u>5,113,282</u>

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

Advances to staff - secured		9,281,709	5,290,949
Trade deposit	15.1	-	1,133,802
Prepayments		1,667,828	339,022
Dividend receivable		49,000	-
Other deposits and receivables		2,593,548	3,691,747
		<u>13,592,085</u>	<u>10,455,520</u>

15.1 This represent deposit with National Clearing Company Pakistan Limited against the exposure margin in respect of trade in future and ready market. These deposits carry profits at rates ranging from 4.5% to 11% (30 June 2020:3.5% to 9.35%)

16. CASH AND BANK BALANCES

Cash in hand		3,903,767	3,739,432
At banks:			
- Client accounts (current)		181,926,121	87,693,377
- Current accounts		3,418,312	1,518,234
- Saving accounts	16.1	598,959	769,809
		<u>189,847,159</u>	<u>93,720,852</u>

16.1 The interest rates on saving accounts range from 8% to 12% per annum (June 30, 2020: 8% to 10%).

CWC

	Half year ended	
	December 31, 2020	December 31, 2019
	----- (Rupees) -----	
17. FINANCE COST		
Markup on short term borrowings	33,811,304	46,859,389
Markup on long term borrowings	14,493,998	24,045,538
Markup on lease facility	127,546	
Bank charges	102,393	81,406
	<u>48,535,240</u>	<u>70,986,333</u>
18. OTHER INCOME		
Income from financial assets		
Return on short term investment	11,030	-
Return on margin financing & MTS	2,902,701	3,025,462
Dividend income	1,433,900	458,362
Return on cash margins with PSX & PMEX	816,910	1,849,801
Profit from profit and loss sharing account	42,276	69,131
	<u>5,206,817</u>	<u>5,402,756</u>
Income from non-financial assets		
Gain on disposal of fixed assets	(59,790)	917,926
Expenses recovered from customer	-	1,176,733
Miscellaneous	-	552,835
	<u>(59,790)</u>	<u>2,647,494</u>
	<u>5,147,027</u>	<u>8,050,250</u>

19. GENERAL

The corresponding figures have been rearranged / reclassified, wherever necessary, for better presentation.

20. Authorization For Issuance

These financial statements have been authorized for issue by the Board of Directors of the Company on

27 FEB 2021

GK

Tarah

Chief Executive

[Signature]

Director