



**Crowe Hussain Chaudhury & Co.**

Chartered Accountants  
Member Crowe Global

F-4/2, Mustafa Avenue,  
Behind The Forum  
Block 9, Clifton, Karachi, Pakistan.  
+92 21 35877806-10  
www.crowe.pk

Other Offices in Lahore & Islamabad

**INDEPENDENT AUDITORS REPORT ON STATEMENT OF NET CAPITAL BALANCE**

**To the Chief Executive Officer of Pearl Securities Limited**

**Opinion**

We have audited the Statement of Net Capital Balance of Pearl Securities Limited and notes to the Statement of Net Capital Balance as at June 30, 2020 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at June 30, 2020 is prepared, in all material respects, in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP).

**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 statement* section of our report. We are independent of the Securities Broker in accordance with the ethical requirements that are relevant to our audit of the statement in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter - Basis of Accounting and Restriction on Distribution**

We draw attention to Note 1 to the statement, which describes the basis of accounting. The statement is prepared to assist the Pearl Securities Limited to meet the requirements of the SECP, Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL). As a result, the statement may not be suitable for another purpose. Our report is intended solely for Pearl Securities Limited, SECP, PSX and NCCPL and should not be distributed to parties other than Pearl Securities Limited or the SECP, PSX or NCCPL. Our opinion is not modified in respect of this matter.

**Responsibilities of Management and Those Charged with Governance for the statement**

Management is responsible for the preparation of the statement in accordance with the Regulations and the SEC Rules 1971, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Those charged with governance is responsible for overseeing the Securities Broker's financial reporting process.

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### Auditor's Responsibilities for the Audit of the statement

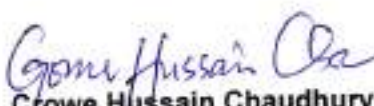
Our objectives are to obtain reasonable assurance about whether the statement is free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 this statement.

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

- Identify and assess the risks of material misstatement of the statement, 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 Securities Broker's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance 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.

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

  
Crowe Hussain Chaudhury & Co.  
Karachi  
Date: 29 OCT 2020

**PEARL SECURITIES LIMITED**  
**NET CAPITAL BALANCE AS AT 30TH JUNE 2020**

(Excess of Current Assets over Current Liabilities as determined in accordance with the rule 2(D) of the 3rd Schedule of the Securities & Exchange Rules, 1971)

DESCRIPTION	VALUATION BASIS	Rupees VALUE
<b>Current Assets</b>		
Cash in hand	As per book value	3,739,432
Cash at bank	As per book value	
- In the name of broker		2,288,043
- In the name of client		87,693,377
		89,981,420
Trade Receivables	Book Value	2,101,495,677
	Less: Over due for more than 14 days	(346,825,447)
		1,754,670,230
Securities purchased for clients	Securities purchased for the clients and held by the member where the payment has not been received within 14 days	321,738,206
Deposits against exposure and losses with Karachi Stock Exchange	As per Book Value	13,653,614
Investment in listed Securities in the name of broker	Market-value	403,252,427
	Less: 15% discount	(60,487,865)
		342,764,562
Listed TFCs / Corporate Bonds (Not less than BBB grade)	Market-value	-
	Less: 10% discount	-
Federal investment bonds/ PIBs	Market-value	-
	Less: 5% discount	-
Treasury Bills	At Market value	-
		<u>2,526,547,464</u>
<b>Current Liabilities</b>		
Trade payables	Book value	108,576,635
	Less: overdue for more than 30 days	(20,807,110)
		87,769,525
Other liabilities	As classified under the generally acceptable accounting principles	2,082,715,518
Trade payables	Overdue by 30 days	20,807,110
		<u>2,191,292,153</u>
		<u>335,255,311</u>
	<b>Net Capital Balance as at June 30, 2020</b>	

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**MUHAMMAD WASIM**  
 Head of Operations



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**M. HUSAIN HASHMI**  
 Chief Financial Officer

**NOTES TO STATEMENT OF THE NET CAPITAL BALANCE**  
As at June 30, 2020

**1 STATEMENT OF COMPLIANCE**

The statement of Net Capital Balance ("the Statement") of Pearl Securities Limited ("the Company") has been prepared in accordance with Rule 2(d) and the Third Schedule of the Securities and Exchange Rules, 1971 and in accordance with the clarifications/ guidelines issued by the Securities and Exchange Commission of Pakistan (SECP).

2 BANK BALANCES AND CASH DEPOSITS	Note	----- Rupees -----
These are stated at book value.		
Cash in hand		3,739,432
Bank balance pertaining to:		
Brokerage house	2,288,043	
Client	87,693,377	
Total bank balance		89,981,420
Less: adjustment to restrict client account to overall creditors		-
		93,720,852

3 The client's bank account balance amounting to **Rs. Nil** has been restricted to overall trade payable balance for the purpose of Net Capital Balance in accordance with clause 1.5 of clarification/guidelines issued by SECP on 03 July 2013.

**4 TRADE RECEIVABLES**

These are valued at cost less bad and doubtful debts (if any) and debts outstanding for more than 14 days.

	----- Rupees -----
Trade receivables	1,756,001,687
Receivable against margin financing	45,939,784
Receivable - Forex/MM clients	39,486,465
Receivable from NCCPL	260,067,741
Total receivables	2,101,495,677

**5 INVESTMENT IN LISTED SECURITIES IN THE NAME OF BROKER**

Listed securities which are on the stock exchange are valued at market rates prevailing as on June 30, 2020 less 15% discount as prescribed in Rule 2(d) of the Third Schedule to the Securities and Exchange Rules, 1971, Securities. On default counter and those not appearing on the exposure list of the stock exchange where such securities are listed have been excluded from the calculation.

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Scrip	No. of shares	Market Value	Discount 15%	Carrying Value
ANSM	2,062,285	11,981,876	(1,797,281)	10,184,595
ASTL	31,000	1,011,840	(151,776)	860,064
AKBL	62,500	856,875	(128,531)	728,344
BAFL	73,500	2,467,395	(370,109)	2,097,286
BOP	120,000	1,008,000	(151,200)	856,800
DCL	248,500	1,933,330	(290,000)	1,643,330
ECPL	13,000	324,740	(48,711)	276,029
FCEL	997,000	9,461,530	(1,419,230)	8,042,300
FEROZ	13,200	3,965,676	(594,851)	3,370,825
GHNI	200	24,200	(3,630)	20,570
HASCOL	302,500	4,114,000	(617,100)	3,496,900
HCAR	2,000	387,360	(58,104)	329,256
ISL	48,000	2,479,200	(371,880)	2,107,320
KEL	653,000	1,965,530	(294,830)	1,670,700
LUCK	10,200	4,708,116	(706,217)	4,001,899
LOTCHEM	127,500	1,268,625	(190,294)	1,078,331
MUREB	2,600	1,508,000	(226,200)	1,281,800
NRL	1,300	139,464	(20,920)	118,544
OGDC	14,700	1,639,050	(245,858)	1,393,192
POWER	441,000	2,734,200	(410,130)	2,324,070
PPL	39,300	3,410,454	(511,568)	2,898,886
PSMC	9,400	1,521,202	(228,180)	1,293,022
PSD	31,400	4,966,224	(744,934)	4,221,290
PSX	1,757,953	17,403,735	(2,610,560)	14,793,175
SEARL	1,150	229,115	(34,367)	194,748
SMBL	1,188,946	1,426,735	(214,010)	1,212,725
SNGP	77,500	4,231,500	(634,725)	3,596,775
SSGC	120,500	1,607,470	(241,121)	1,366,349
STPL	10,000	92,200	(13,830)	78,370
TGL	14,000	903,280	(135,492)	767,788
TPLP	63,800	331,760	(49,764)	281,996
TRG	10,982,669	310,150,571	(46,522,586)	263,627,985
UVIC	74,543	301,899	(45,285)	256,614
UNITY	175,117	1,952,555	(292,883)	1,659,672
WTL	856,000	744,720	(111,708)	633,012
		<u>403,252,427</u>	<u>(60,487,865)</u>	<u>342,764,562</u>

## 6 SECURITIES PURCHASED FOR CLIENTS

These amount represents to the lower of value of securities appearing in the clients respective sub account to the extent of overdue balance for more than 14 days or value of investments.

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**7 TRADE PAYABLES**

This represents balance payable against trading of shares less trade payable balances overdue for more than 30 days which has been included in other liabilities.

**8 OTHER LIABILITIES**

These represent current liabilities, other than trade payable which are due within 30 days. Other liabilities are stated at book value.

*The breakup is as follows:*

	----- Rupees -----	
Creditors of PMEX	6,143	
Creditors of Money Market/FX	312,681,633	
Commission payable to traders	6,281,787	
Accrued & other liabilities	7,882,109	
Current portion of liability against leased assets	1,407,048	
Accrued markup	140,266,714	
Short term borrowings	<u>1,614,190,084</u>	<b>2,082,715,518</b>

**9 DATE OF ISSUANCE**

This statement is being issued on 29 OCT 2020

  
**MUHAMMAD WASIM**  
Head of Operations

  
**M. AHSAN HASHMI**  
Chief Financial Officer