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**INDEPENDENT AUDITORS REPORT ON STATEMENT OF LIQUID CAPITAL****To the Chief Executive Officer of Pearl Securities Limited****Opinion**

We have audited the Statement of Liquid Capital of **Pearl Securities Limited** and notes to the Statement of Liquid Capital 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 Third Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) 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 1.1 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, 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 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

14 Schedule III  
(as regulation 4(R))

Monthly statement of liquid capital with the Commission and the securities exchange  
Pearl Securities Limited  
Computation of Liquid Capital  
As on 31 June 2020

S. No.	Head of Account	Value in Pak Rupees	Risk Cnt / Adjustments	Net Adjusted Value
<b>1. Assets</b>				
1.1	Property & Equipment	28,590,529	100.00%	-
1.2	Intangible Assets	2,750,000	100.00%	-
1.3	Investment in Govt. Securities (150,000*00)	-	-	-
<b>Investment in Debt Securities</b>				
<i>If listed then:</i>				
i. 5% of the balance sheet value in the case of tenure upto 1 year.				
ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.				
iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.				
<i>If unlisted then:</i>				
i. 10% of the balance sheet value in the case of tenure upto 1 year.				
ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.				
iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.				
<b>Investment in Equity Securities</b>				
i. If listed 10% or 10% of each securities as computed by the Securities Exchange for respective securities whichever is higher.				
ii. If unlisted, 100% of carrying value.				
1.5	Subscription money against investment in IPO/offer for sale. Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	408,252,427	56,429,049	306,824,338
Investment in IPO shares				
1.6	Investment in subsidiaries	-	100.00%	-
<b>Investment in associated companies/undertaking</b>				
i. If listed 10% or 10% of each securities as computed by the Securities Exchange for respective securities whichever is higher.				
ii. If unlisted, 100% of net value.				
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	12,060,579	100.00%	-
1.9	Margin deposits with exchange and clearing house.	-	-	-
1.10	Deposit with authorized intermediaries against borrowed securities under SR.	-	-	-
1.11	Other deposits and prepayments	13,438,202	100.00%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc. (Nil)	-	-	-
100% in respect of mark-up accrued on loans to directors, subsidiaries and other related parties				
1.13	Dividends receivable.	-	-	-
Accounts receivable against repo financing.				
Amount paid as purchaser under the RPO agreement. <b>Securities purchased under repo arrangement shall not be included in the investments.</b>				
Others				
100.00%				
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	5,290,549	-	5,290,549
ii. Receivables other than trade receivables				
100.00%				
<b>Receivables from clearing house or securities exchange(s)</b>				
100% value of claims other than those on account of entitlements against trading of securities in all markets including MTF gains.				
1.16	claims on account of entitlements against trading of securities in all markets including MTF gains.	-	100.00%	-
<b>Receivables from customers</b>				
i. In case receivables are against margin financing, the aggregate of (i) value of securities held in the blocked account after applying VAR based haircut, (ii) cash deposited as collateral by the financee @ 8 market value of any securities deposited as collateral after applying VAR based haircut.				
i. Lower of net balance sheet value or value determined through adjustments.				
ii. In case receivables are against margin trading, 5% of the net balance sheet value.				
<b>ii. Net amount after deducting haircut</b>				
iii. In case receivables are against securities borrowings under SR, the amount paid to NSDL as collateral upon entering into contract.				
<b>iii. Net amount after deducting haircut</b>				
iv. In case of other trade receivables not more than 5 days overdue, 2% of the net balance sheet value.				
iv. <b>Balance sheet value</b>				
v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VAR based haircuts.				
v. Lower of net balance sheet value or value determined through adjustments				
vi. 100% haircut in the case of amount receivable from related parties.				
100.00%				
<b>Cash and Bank balances</b>				
i. Bank balance proprietary accounts				
1.18		2,288,043	0.00%	2,288,043
ii. Bank balance customer accounts				
		87,823,377	0.00%	87,823,377
iii. Cash in hand				
		3,739,433	0.00%	3,739,433
1.19	<b>Total Assets</b>	<b>2,674,177,580</b>		<b>2,419,996,660</b>

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	<b>Trade Payables</b>			
2.1	i. Payable to exchanges and clearing houses			-
	ii. Payable against leveraged market products			-
	iii. Payable to customers	108,574,671	0.00%	108,574,671
	<b>Current Liabilities</b>			
	i. Statutory and regulatory shells		0.00%	-
	ii. Accruals and other payables	429,258,720	0.00%	429,258,720
	iii. Short term borrowings	1,794,858,798	0.00%	1,794,858,798
	iv. Current portion of subordinated loans			-
	v. Current portion of long term liabilities			-
2.2	vi. Deferred Liabilities			-
	vii. Provision for bad debts			-
	viii. Provision for taxation			-
	ix. Other liabilities as per accounting principles and included in the Financial statements			-
	<b>Non-Current Liabilities</b>			
	i. Long Term Financing	282,885,778	100.00%	-
	ii. Long Term Financing obtained from financial institutions/long term portion of financing obtained from a financial institution including amount due against finance lease			-
	iii. Other long-term financing			-
	iv. Staff retirement benefits	21,905,203	0.00%	21,905,203
2.3	<b>ii. Advance against shares for increase in Capital of Securities Broker (MCP)</b> (cannot be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed e. Auditor is satisfied that such advance is against the increase of capital. iii. Other liabilities as per accounting principles and included in the Financial statements			-
	<b>Subordinated loans</b>			
2.4	i. 100% of Subordinated loans which fulfil the conditions specified by MCP are allowed to be deducted. The Schedule III provides that 100% haircut will be allowed against subordinated loans which fulfil the conditions specified by MCP. In this regard, following conditions are specified: A. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 22 months of reporting period. B. No haircut will be allowed against short term portion which is repayable within next 22 months. C. In case of early repayment of loan, adjustment shall be made to the Debt Capital and revised Liquid Capital statement must be submitted to exchange. ii. Subordinated loans which do not fulfil the conditions specified by MCP			-
2.5	<b>Total Liabilities</b>	<b>2,882,882,032</b>		<b>2,712,297,358</b>
	<b>B. Banking Liabilities Relating to:</b>			
	<b>Concentration in Margin Financing</b>			
3.1	The amount calculated client-to-client basis, by which any amount receivable from any of the Fincores exceed 10% of the aggregate of amounts receivable from total Fincores	16,278,007	100%	16,278,007
	<b>Concentration in securities lending and borrowing</b>			
3.2	The amount by which the aggregate of: (i) Amount deposited by the borrower with MCP, (ii) Cash margin provided (iii) The market value of securities pledged as margin exceed the 100% of the market value of shares borrowed			
	<b>Net underwriting Commitments</b>			
3.3	(a) In the case of right issues: If the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Net net multiplied by the underwriting commitments; and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 50% of the haircut multiplied by the net underwriting (b) In any other case, 12.5% of the net underwriting commitments			
3.4	<b>Negative equity of subsidiary</b> (The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary)			
	<b>Foreign exchange Agreements and foreign currency positions</b>			
3.5	75% of the net position in foreign currency net position in foreign currency, minus the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency			
	<b>Margin Payable under WFO</b>			
3.6	<b>Repo adjustment</b> In the case of finance/purchase the total amount receivable under Repo less the 100% of the market value of underlying securities. In the case of finance/sell the market value of underlying securities after applying haircut less the total amount received, less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.			
3.7	<b>Concentrated proprietary positions</b> If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market of a security exceeds 52% of the proprietary position, then 10% of the value of such security	31,025,057	100%	31,025,057
	<b>Opening Positions in futures and options</b>			
3.9	i. In case of customer positions, the total margin requirements in respect of open position less the amount of cash deposited by the customer and the value of securities held as collateral/pledged with securities margin after applying full haircut ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met through full positions			
3.10	i. In case of customer positions, the market value of shares sold short in ready market as behalf of customer's after increasing the same with the VaR based haircut less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VaR based haircut ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VaR based haircut less the value of securities pledged as collateral after applying haircut			
3.11	<b>Total Banking Liabilities</b>	<b>69,293,064</b>		<b>69,293,064</b>
	<b>Liquid capital</b>			<b>257,808,340</b>

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