

**AUDITED FINANCIAL STATEMENTS**

**PEARL SECURITIES LIMITED**

**YEAR ENDED  
JUNE 30, 2012**



**MANSOOR ASLAM SERAJ SALEEM SHAHID**

Chartered Accountants

Suite No. 209, Parsa Tower,  
Plot No. 31-1-A, Block-6, PECHS,  
Main Sharea Faisal, Karachi - Pakistan.  
Tel: +92(0)21-3415-0811-2 Fax: +92(0)21-3415-0814  
Email: info@masss.com.pk

### Auditors' Report to the Members

We have audited the annexed balance sheet of **Pearl Securities Limited** as at June 30, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended 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 purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:-

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion -
  - (i) the balance sheet and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purposes of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 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, 2012 and of its cash flows, changes in equity and profit for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

*Mansoor Aslam Seraj Saleem Shahid*

Chartered Accountants

Karachi

*September 29, 2012*

Audit engagement partner – Muhammad Saleem

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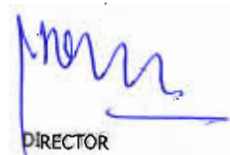
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**PEARL SECURITIES LIMITED**  
**BALANCE SHEET**  
As at June 30, 2012

	Note	2012 Rupees	2011 Rupees		Note	2012 Rupees	2011 Rupees
<b><u>EQUITY AND LIABILITIES</u></b>				<b><u>ASSETS</u></b>			
<b>SHAREHOLDERS EQUITY</b>				<b>NON CURRENT ASSETS</b>			
Authorised Capital				Fixed Assets	8	42,732,937	45,274,640
50,000,000 Ordinary shares of Rs. 10/- each		500,000,000	500,000,000	Long Term Deposits	9	4,955,000	4,955,000
						47,687,937	50,229,640
Issued, subscribed and paid up Capital	3	144,136,000	144,136,000	<b>CURRENT ASSETS</b>			
Unappropriated profit		105,851,612	87,376,872	Trade debtors	10	4,926,556,248	4,050,711,201
		249,987,612	231,512,872	Loans and advances	11	823,380	188,100
				Trade deposits and short term pre-payments	12	14,241,162	5,138,241
				Advance Income tax		25,197,906	22,113,413
<b>NON CURRENT LIABILITIES</b>				Other receivables		-	10,003
Long term loan	4	105,335,004	189,100,758	Cash and bank balances	13	7,026,117	10,203,549
						4,973,844,813	4,088,364,507
<b>CURRENT LIABILITIES</b>							
Trade and other payables	5	1,254,978,057	963,234,051				
Accrued markup		72,380,430	59,481,210				
Short term borrowings	6	3,318,605,870	2,671,546,587				
Provision for taxation		20,245,777	23,718,669				
		4,666,210,134	3,717,980,517				
<b>COMMITMENTS</b>							
	7	-	-				
		5,021,532,750	4,138,594,147			5,021,532,750	4,138,594,147

The annexed notes from 1 to 20 form an Integral part  
of these financial statements

  
CHIEF EXECUTIVE

  
DIRECTOR

**PEARL SECURITIES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
For the year ended June 30, 2012

	<b>Note</b>	<b>2012 Rupees</b>	<b>2011 Rupees</b>
Operating revenue	14	619,973,065	508,201,716
Less: Operating expenses	15	(78,873,932)	(69,715,694)
Operating profit		541,099,133	438,486,022
Less: Finance Costs	16	(486,293,405)	(376,703,188)
Profit before taxation		54,805,728	61,782,834
Less: Taxation - current year		(20,245,777)	(23,718,669)
- prior year		(5,275,011)	(2,069,021)
		(25,520,788)	(25,787,690)
Profit after taxation		29,284,940	35,995,144
Earnings per share (Rupees) - basic and diluted	17	2.03	2.50

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 20 form an integral part of these financial statements

  
CHIEF EXECUTIVE

  
DIRECTOR

**PEARL SECURITIES LIMITED**  
**CASH FLOW STATEMENT**  
For the year ended June 30, 2012

	2012 Rupees	2011 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	54,805,728	61,782,834
Adjustments		
Depreciation on operating fixed assets	2,744,564	3,300,680
Amortisation of Intangible asset	227,630	325,185
Finance costs	486,293,405	376,703,188
(Gain) on sale of fixed assets	-	(786,016)
Operating profit before working capital changes	544,071,327	441,325,871
Changes in working capital		
(Increase) / Decrease in current assets		
Trade debtors	(875,845,047)	(825,566,071)
Loans and advances	(635,280)	225,118
Trade deposits and short term pre-payments	(9,102,921)	(232,019)
Other receivables	10,003	(3)
(Decrease) / Increase in current liabilities		
Trade and other payables	291,744,006	16,956,839
Short term borrowings	647,059,283	805,697,606
	53,230,044	(2,918,530)
Financial charges paid - net	(473,394,185)	(354,432,755)
Taxes paid	(32,078,173)	(39,178,025)
<b>Net cash inflow from operating activities</b>	<b>91,829,013</b>	<b>44,796,561</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from / (Additions to) fixed assets - net	(430,491)	(1,386,852)
Long Term Deposits	-	653,100
Short term investments	-	1,911,009
<b>Net cash (outflow) / inflow from investing activities</b>	<b>(430,491)</b>	<b>1,177,257</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(10,810,200)	(32,430,600)
Long term Loans	(83,765,754)	24,728
Lease liabilities - net	-	(4,637,268)
<b>Net cash outflow from financing activities</b>	<b>(94,575,954)</b>	<b>(37,043,140)</b>
<b>Net (decrease) / increase in cash and cash equivalents-(A+B+C)</b>	<b>(3,177,432)</b>	<b>8,930,678</b>
<b>Cash and bank balances at beginning of the year</b>	<b>10,203,549</b>	<b>1,272,871</b>
<b>Cash and bank balances at end of the year</b>	<b>7,026,117</b>	<b>10,203,549</b>

The annexed notes from 1 to 20 form an integral part of these financial statements

  
CHIEF EXECUTIVE

  
DIRECTOR

**PEARL SECURITIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended June 30, 2012**

	Issued, subscribed and paid up capital	Unappropriated Profit	Total Rupees
Opening balance as at July 1, 2010	144,136,000	83,812,328	227,948,328
Profit for the year	-	35,995,144	35,995,144
Final dividend for the year ended June 30, 2010 @ 12.50 %	-	(18,017,000)	(18,017,000)
Interim dividend for the year ended June 30, 2011 @ 10.00 %	-	(14,413,600)	(14,413,600)
Balance as on June 30, 2011	144,136,000	87,376,872	231,512,872
Profit for the year	-	29,284,940	29,284,940
Final dividend for the year ended June 30, 2011 @ 7.50 %	-	(10,810,200)	(10,810,200)
Balance as on June 30, 2012	<u>144,136,000</u>	<u>105,851,612</u>	<u>249,987,612</u>

The annexed notes from 1 to 20 form an integral part  
of these financial statements

  
CHIEF EXECUTIVE

  
DIRECTOR

**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2012**

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**1. STATUS AND ACTIVITIES**

The Company is an unlisted public company incorporated in Pakistan under the Companies Ordinance, 1984 on May 8, 2000 as a private limited company and later converted into public company with effect from April 27, 2009. The registered office of the company is situated at 204, 2nd Floor, Business & Finance Centre, I.I. Chundrigar Road, Karachi.

The company is a corporate member of Karachi Stock Exchange (Guarantee) Limited and Pakistan Mercantile Exchange Limited. The principal activities of the company include shares brokerage, commodities brokerage, inter-bank brokerage, consultancy services and underwriting.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 BASIS OF PREPARATION**

**(a) Statement of compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standards for Medium Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of Companies Ordinance, 1984 shall prevail.

**(b) Accounting Convention**

These financial statements have been prepared under the historical cost convention except for certain financial assets which are stated at their fair values and mentioned in relevant notes hereof.

**(c) Critical Accounting estimates and judgements**

The preparation of financial instruments in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires the management to exercise its judgement in the process of applying the company's accounting policies.

**2.2 FIXED ASSETS**

**2.2.1 Property and Equipment**

These are stated at historical cost less accumulated depreciation or impairment losses, if any, except for capital work in progress which is stated at cost less accumulated impairment losses, if any. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

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**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2012**

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Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Depreciation on all property and equipment is calculated using the reducing balance method in accordance with the rates specified in note 9.1 to these financial statements and after taking into account residual value, if material. The residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on additions is charged from the month of purchase, no depreciation is charged on the disposals made during the relevant month.

Repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Gains or losses on disposals of property and equipment are determined by comparing proceeds with the carrying amount. These are included in the profit and loss account.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the recoverable amount.

**2.2.2 Intangible Assets**

Intangible assets with indefinite useful life are stated at cost less accumulated impairment losses, if any. Provisions are made for permanent diminution in the value of assets, if any. Gains and losses on disposal of intangible assets, if any, are taken to the profit and loss account.

**2.3 Investments**

The management of the company determines the appropriate classification of its investments at the time of purchase or increase in holding and classifies / re-classifies its investment as "at fair value through profit and loss", available for sale or held to maturity.

Investment in open end funds and in PIBs is categorised under "investments at fair value through profit and loss". The open end funds are valued on the basis of NAVs declared by the funds at year end while PIBs are valued on the basis quotations obtained from PKRV reuters page.

**2.4 Trade debts and other receivables**

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

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**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2012

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**2.5 Taxation**

**Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for current tax also includes adjustments where necessary, relating prior years which arise from assessments framed / finalised during the year.

**Deferred**

The company does not account for deferred taxation as there are no taxable timing differences.

**2.6 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents includes cash in hand and deposits held at call with banks.

**2.7 Trade and other payables**

Short term liabilities for trade and other amounts payable are recognised initially at fair value and subsequently carried at amortised cost.

**2.8 Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable than an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**2.9 Borrowing cost**

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset.

**2.10 Impairment**

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the assets recoverable amount is estimated in order to determine the extent of impairment loss, if any. The resultant impairment loss is recognised as an expense in the profit and loss account.

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**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2012

**2.11 Revenue Recognition**

- Brokerage income is recognised as and when Brokerage services are rendered.
- Dividend income is recognised when the right to receive the Dividend is established.
- Commission income is recognised on an accrual basis.
- Return on deposits are recognised on an accrual basis.
- Income on fixed term investment is recognised using the effective yield method.

**2.12 Foreign currency transactions**

Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at balance sheet date or at the contracted rates while foreign currency transactions are recorded at the rates of exchange prevailing at the transaction date or at the contracted rates. Exchange differences are taken to profit and loss account currently.

**2.13 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, which is the company's functional and presentation currency.

	<b>2012 Rupees</b>	<b>2011 Rupees</b>
<b>3. ISSUED SUBSCRIBED &amp; PAID UP CAPITAL</b>		
12,313,600 Ordinary shares of Rs. 10/- each fully paid in cash	123,136,000	123,136,000
2,100,000 Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	21,000,000	21,000,000
	<u>144,136,000</u>	<u>144,136,000</u>

**4. LONG TERM LOAN**

From Banking Company  
Term Finance

( Note 4.1 )

105,335,004

189,100,758

- 4.1** This represents Term Finance Facility for meeting the working capital requirements. The finance carries markup at 12.25 % per annum ( 2011 - 13.60 % per annum). The markup is payable lumpsum in arrear. The finance facility matures 13 months after the date of first disbursement on which date the principal is payable in bullet form.

The finance is secured by a lien on treasury bills amounting to Rs. 111 million ( 2011 - Rs. 231 million )

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**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2012

		<b>2012</b>	<b>2011</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>5. TRADE AND OTHER PAYABLES</b>			
Trade creditors	( Note 5.1 )	1,243,224,997	956,562,982
Accrued expenses		7,728,160	5,779,936
Others		4,024,900	891,133
		<u>1,254,978,057</u>	<u>963,234,051</u>

**5.1** This includes an amount of Rs. 404,216,782 (2011: Rs. Nil ) payable to National Clearing Company of Pakistan Limited in respect of trading in securities which was settled subsequent to the year end.

**6. SHORT TERM BORROWINGS**

**From Banking Companies - Secured**

Bank Islami Pakistan Limited	( Note 6.1 )	60,801,600	-
Bank Al-Falah Limited	( Note 6.2 )	71,621,711	445,580,380
Summit Bank Limited	( Note 6.3 )	739,015,815	61,645,793
JS Bank Limited	( Note 6.4 )	72,728,754	149,968,914
NIB Bank Limited	( Note 6.5 )	523,145,038	232,815,699
Silk Bank Limited	( Note 6.6 )	1,022,166,253	756,486,540
Sindh Bank Limited	( Note 6.7 )	256,325,837	499,945,510

**From Investment Companies - Secured**

Pak Brunei Investment Company Limited	( Note 6.8 )	88,200,000	88,200,000
Pak Libya Holding Company (Private) Ltd.	( Note 6.9 )	50,000,000	100,000,000
Pak Oman Investment Company Limited	( Note 6.10 )	434,600,862	336,903,751
		<u>3,318,605,870</u>	<u>2,671,546,587</u>

**6.1** This represents Murabaha finance facility obtained for purchase / trading of regularly traded shariah compliant shares of listed companies. The finance facility carries markup at 15.32 % per annum and is maturing on 25th July, 2012.

**6.2** This represents running / temporary finance facility with a limit of Rs. 500 million for meeting the working capital requirements. The running finance facility carries markup at 3 months KIBOR plus 150 base points per annum subject to quarterly revisions, whereas, term finance facility carries markup ranging from 12.25% to 14.20% per annum.

The running finance facility is secured by pledge of readily marketable shares of quoted companies with minimum 30% margin and the personal guarantee of one director of the company, whereas, term finance facility is secured against collaterals of the same amount.

**6.3** This represents running / temporary finance facility with a limit of Rs. 950 million for meeting the working capital requirements. The running finance facility carries markup ranging from 3 months KIBOR plus 200 base points to 3 months KIBOR plus 400 base points per annum subject to quarterly revisions, whereas, term finance facility carries markup @ 12.50 % per annum and is maturing on July 5, 2012.

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**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2012**

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The running finance facility is secured by pledge of readily marketable shares of quoted companies with minimum 30% margin and the personal guarantee of one director of the company. Running finance facility is also secured by first pari passu charge over receivables of the company upto Rs.430 million, whereas term finance facility is secured against collaterals of the same amount.

- 6.4** This represents running finance facility with a limit of Rs. 250 million for meeting the working capital requirements. The finance carries markup at 3 months KIBOR plus 200 base points per annum subject to quarterly revisions.

The finance is secured by pledge of readily marketable shares of quoted companies with minimum 35% margin.

- 6.5** This represents running / temporary finance facility with a limit of Rs. 700 million for meeting the working capital requirements. The running finance facility carries markup at 3 months KIBOR plus 225 base points per annum subject to quarterly revisions, whereas the term finance facility carries markup at 12.15% to 13.75% per annum and is maturing on different dates subsequent to the year end.

The running finance facility is secured by pledge of readily marketable shares of quoted companies with minimum 30% margin and the personal guarantee of one director of the company, whereas the term finance is secured against collaterals of the same amount.

- 6.6** This represents running / temporary finance facility with a limit of Rs. 1,120 million for meeting the working capital requirements. The running finance facility carries markup at 3 months KIBOR plus 250 base points per annum subject to quarterly revisions, whereas, term finance facility carries markup ranging from 12.25% to 13.90 % per annum and is maturing on different dates subsequent to the year end.

The running finance facility is secured by pledge of readily marketable shares of quoted companies with minimum 30% margin and is also secured by first pari passu charge over receivables of the company upto Rs. 673 million, whereas term finance facility is secured against collaterals of the same amount.

- 6.7** This represents running finance facility with a limit of Rs. 500 million for meeting the working capital requirements. The running finance facility carries markup at 3 months KIBOR plus 275 base points per annum subject to quarterly revisions.

The finance is secured by pledge of readily marketable shares of quoted companies with minimum 30% margin and first pari passu charge over receivables of the company upto Rs. 1,000 million.

- 6.8** This represents temporary finance facility obtained for purchase / trading of regularly traded shares of listed companies. The finance carries markup @ 15.60 % per annum and is maturing on December 20, 2012.

The finance is secured by pledge of readily marketable shares of quoted companies with minimum 30% margin.

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**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2012

- 6.9** This represents temporary finance facility obtained for purchase / trading of regularly traded shares of listed companies. The finance carries markup @ 15.43 % per annum and is maturing on October 13, 2012.

The finance is secured by pledge of readily marketable shares of quoted companies with minimum 30% margin.

- 6.10** This represents temporary finance facility with a limit of Rs. 500 million for meeting working capital requirements . The finance carries markup ranging from 12.25% to 14.05 % per annum and is maturing on various dates subsequent to the year end.

The facility is secured against collaterals of the same amount.

**7. COMMITMENTS**

There are no contingencies and commitments at the balance sheet date.

**8. FIXED ASSETS**

Property and equipment

Operating fixed assets

Intangible assets

( Note 8.1 )

( Note 8.2 )

**2012**  
**Rupees**

**2011**  
**Rupees**

21,451,802	23,765,875
21,281,135	21,508,765
<u>42,732,937</u>	<u>45,274,640</u>

**8.1 Operating fixed assets**

2012 - Rupees							
Particulars	COST			Rate per annum	DEPRECIATION		
	As at July 1, 2011	Additions / (Deletions)	As at June 30, 2012		As at July 1, 2011	Charge for the year	As at June 30, 2012
Office premises & renovation	6,113,625	-	6,113,625	-	-	-	6,113,625
Office equipment	3,871,442	186,305	4,057,747	10%	1,179,554	277,325	1,456,879
Furniture and fixtures	7,279,686	-	7,279,686	10%	1,962,417	531,727	2,494,144
Computer equipment	8,981,915	244,186	9,226,101	20%	5,080,797	787,117	5,867,914
Motor Vehicles - Owned	7,231,113	-	7,231,113	20%	1,489,138	1,146,395	2,637,533
<b>TOTAL RUPEES</b>	<u>33,477,781</u>	<u>430,491</u>	<u>33,908,272</u>		<u>9,711,906</u>	<u>2,744,564</u>	<u>12,456,470</u>

2011 - Rupees							
Particulars	COST			Rate per annum	DEPRECIATION		
	As at July 1, 2010	Additions / (Deletions)	As at June 30, 2011		As at July 1, 2010	Charge for the year	As at June 30, 2011
Office premises & renovation	6,113,625	-	6,113,625	-	-	-	6,113,625
Office equipment	3,751,973	119,469	3,871,442	10%	880,465	299,099	1,179,564
Furniture and fixtures	5,728,904	1,550,782	7,279,686	10%	1,371,609	590,808	1,962,417
Computer equipment	8,293,214	688,601	8,981,915	20%	4,105,518	975,279	5,080,797
Motor Vehicles - Owned	2,094,000	6,531,613 (1,394,500)	7,231,113	20%	734,160	1,435,494 (580,516)	1,489,138
Motor Vehicles - Under finance lease	12,067,604	-	-	20%	5,888,991	-	-
		(12,067,604)				(5,888,991)	
<b>TOTAL RUPEES</b>	<u>36,049,420</u>	<u>8,890,465</u> <u>(13,462,104)</u>	<u>33,477,781</u>		<u>12,980,733</u>	<u>3,300,580</u> <u>(6,569,507)</u>	<u>9,711,906</u>

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**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2012

	2012 Rupees	2011 Rupees
<b>8.2 Intangible Assets</b>		
Membership card of Karachi Stock Exchange (Guarantee) Limited ( Note 18.1 )	20,500,000	20,500,000
Membership card of Pakistan Mercantile Exchange Limited	250,000	250,000
Computer Software ( Note 8.2.1 )	531,135	758,765
	<u>21,281,135</u>	<u>21,508,765</u>
<b>8.2.1 Computer Software</b>		
Carrying value	758,765	908,950
Additions during the year	-	175,000
Total	<u>758,765</u>	<u>1,083,950</u>
Less: Amortisation during the year @ 30%	<u>(227,630)</u>	<u>(325,185)</u>
	<u>531,135</u>	<u>758,765</u>
<b>9. LONG TERM DEPOSITS</b>		
Karachi Stock Exchange (Guarantee) Limited	600,000	600,000
Central Depository Company of Pakistan Limited	100,000	100,000
Pakistan Mercantile Exchange Limited	750,000	750,000
NCEL Building Management Limited	2,500,000	2,500,000
National Clearing Company of Pakistan Limited	300,000	300,000
Rent deposit	705,000	705,000
	<u>4,955,000</u>	<u>4,955,000</u>
<b>10. TRADE DEBTS</b>		
Unsecured - considered good	<u>4,926,556,248</u>	<u>4,050,711,201</u>
<b>11. LOANS AND ADVANCES</b>		
Advances to staff - considered good	823,380	188,100
	<u>823,380</u>	<u>188,100</u>
<b>12. TRADE DEPOSITS AND SHORT TERM PRE-PAYMENTS</b>		
Exposure deposit with Karachi Stock Exchange ( Note 12.1 )	13,898,600	4,728,299
Prepayments	268,757	336,137
Other deposits	73,805	73,805
	<u>14,241,162</u>	<u>5,138,241</u>

**12.1** These represented amount deposited with Karachi Stock Exchange (Guarantee) Limited against exposure arising out of the transactions entered into by the company in respect of which settlements have not taken place at the year end. The amount was deposited in accordance with the regulations of the Karachi Stock Exchange (Guarantee) Limited.

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**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2012

	<b>2012</b>	<b>2011</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>13. CASH AND BANK BALANCES</b>		
Cash in hand	89,037	10,000
Cash at banks - in current accounts	6,937,080	10,193,549
	<u>7,026,117</u>	<u>10,203,549</u>
<b>14. OPERATING REVENUE</b>		
Commission and brokerage earned - Equity market operations	83,660,759	66,526,865
Income from inter-bank brokerage and others	22,204,796	613,588
Capital gain	9,249,446	1,419,550
Income from MTS Transactions	-	268,131
Consultancy / underwriting services	-	6,198,942
Settlement charges	498,938,271	431,236,577
Miscellaneous income	5,919,793	1,152,047
Gain on disposal of fixed assets	-	786,016
	<u>619,973,065</u>	<u>508,201,716</u>

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**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2012

	2012 Rupees	2011 Rupees
<b>15. OPERATING EXPENSES</b>		
Salaries and allowances	20,043,741	16,952,930
Directors remuneration	1,950,000	2,300,000
KSE, clearing house and CDC charges	7,670,675	5,179,164
SECP transaction fee	402,557	361,936
Depreciation	2,744,564	3,300,680
Amortisation of intangible assets	227,630	325,185
Repairs and maintenance	1,377,643	1,119,624
Office rent	2,499,300	2,338,600
Entertainment	766,052	646,472
Printing and stationery	548,286	507,298
Communication	2,818,390	2,592,481
Travelling and conveyance	953,152	1,433,165
Insurance	435,977	497,131
Auditors remuneration ( Note 15.1 )	247,000	175,000
Legal and professional charges	663,192	778,787
Computer repair and maintenance	965,487	585,895
Property tax	17,626	17,626
Vehicle running	2,624,612	1,598,231
Business promotion	1,191,592	202,330
Fees and subscription	2,025,200	2,014,978
Commission and brokerage	26,135,338	18,680,733
Utilities	1,264,631	1,506,347
Rates and taxes	126,050	76,050
Others	1,175,237	6,525,051
	<u>78,873,932</u>	<u>69,715,694</u>

**15.1 Auditors remuneration**

Statutory audit fee	125,000	125,000
Fee for other services	122,000	50,000
	<u>247,000</u>	<u>175,000</u>

**16. FINANCE COSTS**

Markup on Long term loan	388,874	2,554,421
Markup on short term borrowings	466,671,318	358,309,074
Financial charges on leases	-	288,734
Markup on borrowed securities	19,016,355	15,333,136
Bank charges and others	216,858	217,823
	<u>486,293,405</u>	<u>376,703,188</u>

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**PEARL SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2012

	2012 Rupees	2011 Rupees
<b>17. EARNINGS PER SHARE - RUPEES - BASIC AND DILUTED</b>		
Weighted average number of ordinary shares	14,413,600	14,413,600
Profit after tax	29,284,940	35,995,144
Earnings per share - Rupees	<u>2.03</u>	<u>2.50</u>

**18. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

**18.1 Grant of Trading Right Entitlement Certificate [ TREC ] by Karachi Stock Exchange**

Subsequent to demutualisation of Karachi Stock Exchange [KSE] and conversion of the Exchange into Karachi Stock Exchange Limited [ KSEL ], the membership rights of the company in KSE have been relinquished and instead, the company has been allotted 4,007,383 ordinary shares of Rs. 10/- each in KSEL on August 15, 2012.

Out of this, shares equivalent to 60% i.e. 2,404,430 ordinary shares have deposited in a sub-account opened in the name of the company by KSEL in Central Depository Company of Pakistan Limited which will remain blocked in terms of the provisions of the Stock Exchanges (Corporatisation, demutualization and integration) Act, 2012.

**18.2 Declaration of dividend**

The Board of Directors in their meeting held on September 29, 2012 have proposed a final cash dividend in respect of the year ended June 30, 2012 at Rs 1.75 (2011 : Rs 1.75 including interim dividend of Rs. 1.00) per share. The proposed final dividend will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2012 do not include the effect of this final dividend which will be accounted for in the financial statements for the year ending June 30, 2013.

**19. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 29, 2012 by the Board of directors of the Company.

**20. GENERAL**

Figures have been rounded to the nearest rupee.

  
CHIEF EXECUTIVE

  
DIRECTOR