

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 as at June 30, 2018 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at June 30, 2018 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.

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.

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.

Karachi: **14 SEP 2018**

Muniff Ziauddin & Co.
Chartered Accountants
(Sohail Saleem) *M3*

PEARL SECURITIES LIMITED

NET CAPITAL BALANCE AS AT 30 JUNE 2018

(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
<u>Current Assets</u>		
Cash in hand	As per book value	2,405,798
Cash at bank	As per book value	
- In the name of broker		2,613,752
- In the name of client		122,562,358
		125,176,110
Trade Receivables	Book Value	1,909,561,600
	Less: Over due for more than 14 days	(1,064,345,062)
		845,216,538
Securities purchased for clients	Securities purchased for the clients and held by the member where the payment has not been received within 14 days	1,017,098,193
Deposits against exposure and losses with Karachi Stock Exchange	As per Book Value	28,848,383
Investment in listed Securities in the name of broker	Market-value	865,766,933
	Less: 15% discount	(129,865,040)
		735,901,893
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	-
		2,754,646,915
<u>Current Liabilities</u>		
Trade payables	Book value	115,989,111
	Less: overdue for more than 30 days	(43,566,055)
		72,423,056
Other liabilities	As classified under the generally acceptable accounting principles	2,127,306,246
Trade payables	Overdue by 30 days	43,566,055
		2,243,295,357
		511,351,558

Net Capital Balance as at June 30, 2018


MUHAMMAD WASIM
 Head of Operations




M. ANWAR HASHMI
 Chief Financial Officer

NOTES TO STATEMENT OF THE NET CAPITAL BALANCE

For the period ended June 30, 2018

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		2,405,792
Bank balance pertaining to:		
Brokerage house	2,613,753	
Client	122,562,357	
Total bank balance		125,176,110
Less: adjustment to restrict client account to overall creditors		
		<u>127,581,902</u>

3 TRADE RECEIVABLES

Trade receivables	1,431,088,916
Receivable against margin financing	108,693,232
Receivable - Forex clients	1,400,358
Receivable from financial institutions	4,095,400
Receivable from NCCPL	364,283,694
	<u>1,909,561,600</u>

- 4 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.

----- Rupees -----

Total receivable	1,909,561,600
Outstanding for more than 14 days	(1,064,345,062)
Balance generated within 14 days and/or not yet due	<u>845,216,538</u>

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, 2018 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.

Shares:	Market Value	Discount 15%	
Al-Shaheer Corporation Limited (914,642 shares)	24,923,995	(3,738,599)	21,185,396
Al-Ameen Islamic Active Allocation PlanVIII (24,180 shares)	2,178,622	(326,793)	1,851,829
Ansari Sugar Mills Limited (2,062,285 shares)	42,441,825	(6,366,274)	36,075,551
First Capital Securities Corporation Limited (4,080,000 shares)	9,792,000	(1,468,800)	8,323,200
First Capital Equities Limited (997,000 shares)	8,374,800	(1,256,220)	7,118,580
Ghandara Industries Limited (4,450 shares)	3,144,770	(471,716)	2,673,055



Honda Atlas Cars Limited (4,200 shares)	1,328,838	(199,326)	1,129,512
Pakistan Stock Exchange Limited (275,000 shares)	5,431,250	(814,688)	4,616,563
Power Cement Limited (355,000 shares)	2,964,250	(444,638)	2,519,613
Summit Bank Limited (116,822,946 shares)	251,169,334	(37,675,400)	213,493,934
Sui Northern Gas Pipelines Limited (370,600 shares)	37,141,532	(5,571,230)	31,570,302
Sui Southern Gas Company Limited (200,000 shares)	6,564,000	(984,600)	5,579,400
The Universal Insurance Company Limited (75,043 shares)	566,575	(84,986)	481,589
TPL Properties Limited (2,584,500 shares)	24,035,850	(3,605,378)	20,430,473
TPL Insurance Limited (formerly TPL Direct Ins Ltd) (49,500 sha	1,062,270	(159,341)	902,930
TRG Pakistan Limited (13,294,169 shares)	380,745,000	(57,111,750)	323,633,250
Aisha Steels Limited (195,000 shares)	3,075,150	(461,273)	2,613,878
Attock Refinery Limited (16,500 shares)	3,552,615	(532,892)	3,019,723
The Bank of Punjab (475,000 shares)	5,733,250	(859,988)	4,873,263
Dewan Farooq Motors Limited (64,000 shares)	1,819,520	(272,928)	1,546,592
Dewan Cement Limited (716,500 shares)	12,897,000	(1,934,550)	10,962,450
Dost Steel Limited (120,000 shares)	949,200	(142,380)	806,820
Engro Polymer Limited (78,000 shares)	2,446,080	(366,912)	2,079,168
Engro Polymer Limited - Right (36,995 shares)	326,295	(48,944)	277,351
Fauji Foods Limited (130,000 shares)	4,196,400	(629,460)	3,566,940
Golden Arrow Selected Stock Fund (10,000 shares)	90,000	(13,500)	76,500
Glaxo Consumers Healthcare Pakistan Limited (1,700 shares)	688,585	(103,288)	585,297
Honda Atlas Cars Pakistan Limited (3,800 shares)	1,202,282	(180,342)	1,021,940
International Steels Limited (48,500 shares)	4,932,450	(739,868)	4,192,583
K-Electric Company Limited (374,000 shares)	2,124,320	(318,648)	1,805,672
Pakistan Oxygen Ltd (Formerly Linde Pakistan Ltd) (12,514 sha	3,003,360	(450,504)	2,552,856
Mughal Iron & Steels Limited (42,000 shares)	2,579,640	(386,946)	2,192,694
Pakistan Refinery Limited (102,000 shares)	3,540,420	(531,063)	3,009,357
Power Cement Limited (25,000 shares)	208,750	(31,313)	177,438
Sui Southern Gas Company Limited (95,000 shares)	3,117,900	(467,685)	2,650,215
TRG Pakistan Limited (205,500 shares)	5,885,520	(882,828)	5,002,692
Tristar Polyster Limited (92,311 shares)	1,533,286	(229,993)	1,303,293
	865,766,933	(129,865,040)	735,901,893



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.

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	68,711,146	
Sindh sales tax on brokerage services	730,128	
Commission payable to traders	9,109,588	
Accrued & other liabilities	9,833,307	
Accrued markup	46,468,040	
Short term borrowings	1,992,447,894	2,127,306,246

9 DATE OF ISSUANCE

This statement is being issued on _____.

Head of Operations

Chief Finance Officer

