

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 December 31, 2018 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at December 31, 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.

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 Pearl Securities Limited to meet the requirements of 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, SECP, PSX and 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.

Auditor's Responsibilities for the Audit of the statement

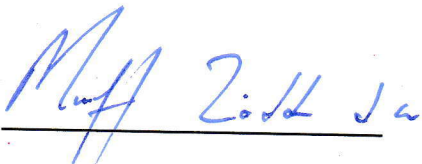
Our objectives are to obtain reasonable assurance about whether the statement is free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted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



Chartered Accountants

Date: 14 MAR 2019

PEARL SECURITIES LIMITED

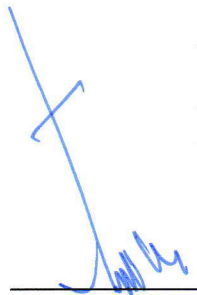
NET CAPITAL BALANCE AS AT 31 DECEMBER 2018

(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	2,498,439
Cash at bank	As per book value	
- In the name of broker		4,358,103
- In the name of client		90,194,488
		94,552,591
Trade Receivables	Book Value	1,132,567,999
	Less: Over due for more than 14 days	(709,114,764)
		423,453,235
Securities purchased for clients	Securities purchased for the clients and held by the member where the payment has not been received within 14 days	612,578,751
Deposits against exposure and losses with Pakistan Stock Exchange	As per Book Value	39,008,414
Investment in listed Securities in the name of broker	Market-value	580,905,794
	Less: 15% discount	(87,135,869)
		493,769,925
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	-
		1,665,861,355
<u>Current Liabilities</u>		
Trade payables	Book value	81,776,904
	Less: overdue for more than 30 days	(46,793,056)
		34,983,848
Other liabilities	As classified under the generally acceptable accounting principles	1,427,803,113
Trade payables	Overdue by 30 days	46,793,056
		1,509,580,017
Net Capital Balance as at December 31, 2018		156,281,338


HEAD OF OPERATIONS




CHIEF FINANCIAL OFFICER

NOTES TO STATEMENT OF THE NET CAPITAL BALANCE

For the period ended December 31, 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		2,498,439
Bank balance pertaining to:		
Brokerage house	4,358,103	
Client	90,194,488	
Total bank balance		94,552,591
Less: adjustment to restrict client account to overall creditors		-

97,051,030

- 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 - Individuals	872,833,851
Trade receivables - Institutions	2,186,120
Receivable against margin finance transactions	41,748,349
Receivable against FOREX clients	1,375,576
Receivable from NCCPL	214,424,103
Total receivables	<u>1,132,567,999</u>

M. Asim



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