

PEARL SECURITIES LIMITED

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
DECEMBER 31, 2021**



Crowe Hussain Chaudhury & Co.

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INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of
Pearl Securities Limited
Report on review of interim financial statements**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pearl Securities Limited (the 'Company'), as at December 31, 2021 and the related condensed interim statement of profit or loss condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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Other Matters

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the six months period ended December 31, 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2021.

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

A handwritten signature in black ink, appearing to read "Imran Shaikh".


Crowe Hussain Chaudhury & Co.
Karachi


Date: **28 FEB 2022**

PEARL SECURITIES LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Note	----- Rupees -----	
SHARE CAPITAL & RESERVES			
Authorized capital 50,000,000 (June 30, 2021: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	4	144,136,000	144,136,000
Revenue reserve - unappropriated profit		126,647,426	114,575,519
Fair value reserve		224,567,941	764,269,165
Remeasurement of post retirement benefits		(58,428)	(58,428)
		495,292,939	1,022,922,256
NON-CURRENT LIABILITIES			
Long term loan and finances	5	17,284,369	200,000,000
Staff retirement benefits		30,085,644	30,218,000
Deferred taxation	11	42,562,589	124,421,222
		89,932,602	354,639,222
CURRENT LIABILITIES			
Trade creditors, accrued and other liabilities	6	646,465,811	797,854,346
Accrued markup		43,592,137	93,037,387
Short term borrowings	7	1,625,108,854	1,636,863,225
Current portion of liability against leased assets	5	1,631,723	385,776
Taxation - net		-	10,041,615
		2,316,798,525	2,538,182,349
Contingencies and commitments	8	2,902,024,066	3,915,743,826
NON-CURRENT ASSETS			
Property and equipment	9	39,458,509	40,768,594
Right-of-use assets		4,857,312	371,889
Intangible assets	10	2,925,000	2,750,000
Long term deposits	12	19,387,979	10,487,979
		66,628,800	54,378,462
CURRENT ASSETS			
Short term investments	13	1,179,696,018	1,885,262,999
Receivable against margin financing transactions		41,200,425	85,215,453
Trade debts	14	1,468,523,155	1,527,677,788
Advances, deposits, prepayments and other receivables	15	11,924,682	45,012,040
Taxation - net		12,433,344	-
Cash and bank balances	16	121,617,642	318,197,084
		2,835,395,266	3,861,365,364
		2,902,024,066	3,915,743,826

The annexed notes form an integral part of these financial statements.

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Chief Executive


Director

PEARL SECURITIES LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2021

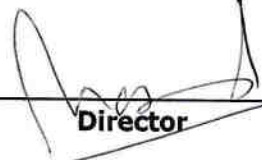
	Note	Half year ended	
		December 31, 2021	December 31, 2020
		----- (Rupees) -----	
Operating revenue		91,851,276	100,846,482
Capital gain on short term investments		106,182,670	84,604,785
Administrative and operating expenses		(91,389,166)	(86,733,709)
' Unrealized loss on fair value through profit and loss investments		(10,295,666)	(1,138,474)
Operating profit		<u>96,349,114</u>	<u>97,579,084</u>
Finance cost	17	<u>(83,556,010)</u>	<u>(48,535,240)</u>
		12,793,104	49,043,843
Other income	18	<u>15,905,826</u>	<u>5,147,027</u>
Profit before taxation		28,698,930	54,190,871
Taxation			
- Current		(19,492,348)	(2,469,879)
- Prior years		(2,795,324)	-
- Deferred		(22,287,672)	1,379,370
			(1,090,509)
Profit after taxation		6,411,258	53,100,362
Gain per share - basic and diluted		<u>0.44</u>	<u>3.68</u>

The annexed notes form an integral part of these financial statements.

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Chief Executive



Director

PEARL SECURITIES LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2021


	Half year ended	
	December 31, 2021	December 31, 2020
	----- (Rupees) -----	
Profit after taxation for the period	6,411,258	53,100,362.4
Other comprehensive income for the period		
Items that will not be reclassified subsequently to profit or loss		
- Re-measurement of staff retirement obligation - net off deferred tax	-	-
- Unrealised (dimunition) / gain - FVOCI investment	(618,694,531)	441,213,418.3
- Deferred tax on unrealized gain of FVOCI investment	84,653,956	-
	-	-
Total comprehensive (loss) / income for the period	(527,629,317)	494,313,780

The annexed notes form an integral part of these financial statements.

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Chief Executive



Director

PEARL SECURITIES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2021

	Half year ended	
	December 31, 2021	December 31, 2020
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	28,698,930	54,190,871
Adjustments for:		
- Depreciation of property and equipment	2,165,873	2,250,014
- Depreciation of right of use of assets	813,463	743,780
- Impairment of TREC	-	-
- Unrealized (loss) on investments through profit and loss	10,295,666	1,138,474
- Provision for gratuity	3,701,706	3,629,614
- Provision for bad debts	1,100,000	
- Gain on disposal of fixed assets	(960)	(59,790)
- Finance cost	83,556,010	48,535,240
Cash generated from operating activities before working capital changes	101,631,758	56,237,332
(Increase) / decrease in current assets		
Trade debts	59,154,633	345,400,402
Receivable against margin finance transactions	44,015,028	(50,811,469)
Advances, deposits, prepayments and other receivables	33,087,358	(3,136,565)
Increase / (decrease) in current liabilities		
Trade creditors, accrued and other liabilities	(151,388,535)	253,325,020
Short term borrowings	(11,754,371)	1,444,365
	(26,885,886)	546,221,753
Financial charges paid	(133,001,260)	(14,762,663)
Taxes paid	(41,967,307)	(1,775,520)
Gratuity Paid	(2,564,807)	(582,454)
Net cash (used in) / generated from operating activities	(74,088,573)	639,529,319
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,047,328)	(3,719,268)
Proceeds from disposal of capital work-in-process	-	-
Proceeds from disposal of property and equipment	16,540	37,800
Net proceeds from sale of short term and long term investment	(111,791,514)	(541,180,627)
Long term deposits	(8,900,000)	2,250,000
Net cash generated from / (used in) investing activities	(121,722,302)	(542,612,095)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Repayments of lease liability	(768,570)	(790,920)
Repayments of long term loan - net	-	-
Net cash used in financing activities	(768,570)	(790,920)
Net (decrease) / increase in cash and cash equivalents	(196,579,442)	96,126,305
Cash and cash equivalents at the beginning of the period	318,197,084	93,720,852
Cash and cash equivalents at the end of the year	121,617,642	189,847,157

The annexed notes form an integral part of these financial statements.


Chief Executive


Director

Pearl Securities Limited
Statement of Changes in Equity
For the year ended 31 December 2021

	Issued, subscribed & paid-up capital	Revenue reserve unappropriated profit / (loss)	Fair value reserve	Remeasurement of post retirement benefits-net of tax	Total Equity
	----- (Rupees) -----				
Balance as at 01 July 2020	144,136,000	(24,834,349)	52,192,897	-	171,494,548
Profit after taxation for the year	-	53,100,262	-	-	53,100,262
Transfer of fair value reserve of equity instruments designated at FVOCI		(68,727)	68,727	-	-
Other comprehensive gain for the year	-	-	441,282,144	-	441,282,144
Balance as at 31 December 2020	<u>144,136,000</u>	<u>28,197,186</u>	<u>493,543,768</u>	<u>-</u>	<u>665,876,954</u>
Balance as at 01 July 2021	144,136,000	114,575,519	764,269,165	(58,428)	1,022,922,256
Profit after taxation for the period	-	6,411,258		-	6,411,258
Transfer of fair value reserve of equity instruments designated at FVOCI	-	5,660,649	(5,660,649)	-	-
Other comprehensive loss	-	-	(534,040,575)	-	(534,040,575)
Balance as at 31 December 2021	<u>144,136,000</u>	<u>126,647,426</u>	<u>224,567,941</u>	<u>(58,428)</u>	<u>495,292,939</u>

The annexed notes form an integral part of these financial statements.


 Chief Executive


 Director

PEARL SECURITIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

Pearl Securities Limited (the Company) was incorporated as a private limited company on May 8, 2000 under the Companies Ordinance, 1984 and was subsequently converted into a public limited Company on April 27, 2009. The Company is a corporate member of Pakistan Stock Exchange Limited (PSX).

The Company is a Trading Right Entitlement Certificate (TREC) holder of PSX and a member of Pakistan Mercantile Exchange Limited (PMEX). The Company is principally engaged in brokerage of shares, stocks, securities, commodities and other financial instruments, securities research, financial consultancy and underwriting. The Company has a network of five branches (December 31, 2021: five branches) across Pakistan.

Geographical location of business units

Locations	Addr
Head Office/Registered Office	Suit # 204, 2nd Floor, Business & Finance Centre, I.I Chundrigar Road, Karachi.
Branches	
Pakistan Stock Exchange	Suit # 137, 3rd Floor, Stock Exchange
Islamabad Branch	Suit # 1011, 10th Floor, Stock Exchange Towers, Islamabad
State Life Branch	Ground Floor, State Life Building, Peshawar
Lahore Branch	Suit # 218, 2nd Floor, Siddiq Trade Centre, 72 Main Boulevard Gulberg, Lahore.
Mardan Branch	Shop # 57 & 60 Cantonment Plaza Mall

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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3 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are same as those applied in the preparation of the annual financial statements for the period ended June 30, 2021.

4 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

This comprises fully paid-up ordinary shares of Rs. 10 each as follows:

(Un-audited) December 31, 2021	(Audited) June 30, 2021		(Un-audited) December 31, 2021	(Audited) June 30, 2021
----- (No. of shares) -----			----- (Rupees) -----	
<u>14,413,600</u>	<u>14,413,600</u>	Issued for cash	<u>144,136,000</u>	<u>144,136,000</u>

5. LONG TERM LOAN AND FINANCES

Summit Bank Limited	-	200,000,000
Sponsors' loan	14,000,000	-
Lease liability	4,916,092	-
	<u>18,916,092</u>	<u>200,000,000</u>
Less: Current Portion lease liability	(1,631,723)	-
Less: Current Portion of long term loan	-	-
Long term Portion	<u>17,284,369</u>	<u>200,000,000</u>

6. TRADE CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for purchase of shares	105,278,549	299,650,036
Payable to NCCPL	197,175,690	-
Creditors of PMEX	6,143	6,143
Payable to money market clients	315,354,872	456,323,446
Payable to forex clients	217,591	188,493
Sindh sales tax on brokerage services	1,760,400	5,277,684
Commission payable to traders	19,056,739	24,395,380
Accrued and other liabilities	7,615,827	12,013,163
	<u>646,465,811</u>	<u>797,854,346</u>

6.1 This includes an amount of Rs. 197,175,690 payable to National Clearing Company of Pakistan Limited in respect of purchase of shares subsequent to period end.

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	(Un-audited) December 31, 2021 ----- (Rupees) -----	(Audited) June 30, 2021
7. SHORT TERM BORROWINGS		
From banking companies - secured		
Summit Bank Limited	223,199,275	143,382,671
Silk Bank Limited	599,648,004	599,894,359
Sindh Bank Limited	348,697,253	341,196,689
Askari Bank Limited	364,407,348	500,079,350
Soneri Bank Limited	39,156,974	7,310,156
From investment companies - secured		
Saudi Pak Agricultural & Investment Company Limited	50,000,000	45,000,000
	<u>1,625,108,854</u>	<u>1,636,863,225</u>

8. CONTINGENCIES AND COMMITMENTS

The Assistant Commissioner SRB, has passed 3 orders in respect of short payment of sales tax amounting to Rs. 280,808,039 along with penalty amounting to Rs. 14,040,401 in respect of financial year 2011 to 2018 on other charges recovered from customers. The Company has filed appeal before the Commissioner Appeals against the impugned order however, decision in appeal is pending. The Company is having fair chance of success in appeal, therefore, no provision has been made in these financial statements.

	(Un-audited) December 31, 2021 ----- (Rupees) -----	(Audited) June 30, 2021
9 PROPERTY AND EQUIPMENTS		
Opening written down value	40,768,594	38,590,029
Addition during the period / year	872,328	7,049,772
Disposal during the period / year	(16,540)	(164,208)
Depreciation charged during the period / year	(2,165,873)	(4,706,999)
	<u>39,458,509</u>	<u>40,768,594</u>
10. INTANGIBLE ASSETS		
Trading Right Entitlement Certificate (TREC)	2,500,000	2,500,000
Pakistan Mercantile Exchange Limited - membership card	250,000	250,000
Capital work in progress- Software	175,000	-
	<u>2,925,000</u>	<u>2,750,000</u>

10.1 This represents TREC received by the Company in accordance with the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012. These have been recorded at notional value determined by PSX.

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	(Un-audited) December 31, 2021	(Audited) June 30, 2021
	----- (Rupees) -----	
11. DEFERRED TAXATION		
Taxable temporary differences on:		
Accelerated depreciation	(6,435,432)	(6,070,761)
Right of use asset	(1,408,620)	(107,848)
Investments-FVOCI	(50,217,073)	(134,871,029)
Re-measurement of staff retirement obligation	1,554,738	1,554,738
Deductible temporary differences on:		
Provision of doubtful debts	3,628,852	3,338,852
provision of gratuity	8,724,837	8,763,220
Liability against leased assets	1,425,667	111,875
Investments-FVTPL	(1,544,350)	1,168,186
Depreciation / Initial allowance unlimited C/F	1,708,793	1,691,545
	<u>(42,562,589)</u>	<u>(124,421,222)</u>
12. LONG TERM DEPOSITS		
Pakistan Stock Exchange Limited	13,855,979	4,955,979
National Clearing Company of Pakistan Limited	1,400,000	1,400,000
Pakistan Mercantile Exchange Limited	3,250,000	3,250,000
Central Depository Company of Pakistan Limited	100,000	100,000
Others	782,000	782,000
	<u>19,387,979</u>	<u>10,487,979</u>
12.1 This include amount placed with Pakistan Stock Exchange Limited as a basic deposit for taking exposure in regular and future market and cash deposited amounting to Rs. 13,855,979 against BMC requirement.		
	(Un-audited) December 31, 2021	(Audited) June 30, 2021
	----- (Rupees) -----	
13. SHORT TERM INVESTMENT		
Financial assets classified as FVTPL		
Shares of listed companies - average cost	64,630,393	136,075,547
Less: Unrealized loss on revaluation of fair value through profit or loss investments	(10,295,666)	(7,787,909)
Fair value	<u>54,334,727</u>	<u>128,287,638</u>
Financial assets classified as FVTOCI		
Share of listed companies - average cost	844,915,628	857,835,166
Add: Unrealized gain on revaluation of fair value through profit or loss investments	280,445,663	899,140,195
Fair value	<u>1,125,361,291</u>	<u>1,756,975,361</u>
Total Short Term Investment	<u>1,179,696,018</u>	<u>1,885,262,999</u>

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	(Un-audited) December 31, 2021 ----- (Rupees) -----	(Audited) June 30, 2021
14. TRADE DEBTS		
Receivable from client on behalf of;		
Purchase of shares on behalf of clients	1,430,670,964	1,488,072,919
Money market and Forex Brokerage	37,852,191	39,604,870
	1,468,523,155	1,527,677,789
Considered doubtful	12,513,282	11,513,282
	1,481,036,437	1,539,191,071
Less: Provision for expected credit losses	(12,513,282)	(11,513,282)
	1,468,523,155	1,527,677,788

14.1 This includes an amount of Rs. 16,724,606 (June 30, 2021: Rs. 124,194,630) receivable from NCCPL against trade of clients.

	(Un-audited) December 31, 2021 ----- (Rupees) -----	(Audited) June 30, 2021
14.2 Provision against expected credit losses		
As at July 01	5,113,282	5,290,938
Charge / (reversal) for the period/year	1,100,000	(177,656)
Closing	6,213,282	5,113,282

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

Advances to staff - secured	7,771,762	7,197,672
Trade deposit	4,870	33,906,563
Prepayments	1,735,493	1,277,105
Other deposits and receivables	2,412,557	2,630,700
	11,924,682	45,012,040

15.1 This represent deposit with National Clearing Company Pakistan Limited against the exposure margin in respect of trade in future and ready market. These deposits carry profits at rates ranging from 4.5% to 11% (June 30, 2021:4.5% to 11%)

16. CASH AND BANK BALANCES

Cash in hand	3,394,321	4,258,825
At banks:		
- Client accounts (current)	112,515,271	308,918,983
- Current accounts	4,854,027	3,806,192
- Saving accounts	854,023	1,213,084
	121,617,642	318,197,084

16.1 The interest rates on saving accounts range from 8% to 12% per annum (June 30,2021: 8% to 10%).

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Half year ended	
December 31, 2021	December 31, 2020
----- (Rupees) -----	

17. FINANCE COST

Markup on short term borrowings	78,247,321	46,859,389
Markup on long term borrowings	5,135,893	24,045,538
Bank charges	31,808	81,406
	<u>83,415,022</u>	<u>70,986,333</u>

18. OTHER INCOME

Income from financial assets

Return on short term investment		-
Return on margin financing & MTS	7,216,771	3,025,462
Dividend income	7,551,791	458,362
Return on cash margins with PSX & PMEX	1,089,116	1,849,801
Profit from profit and loss sharing account	47,188	69,131
	<u>15,904,866</u>	<u>5,402,756</u>

Income from non-financial assets

Gain on disposal of fixed assets	960	917,926
Expenses recovered from customer	-	1,176,733
Miscellaneous	-	552,835
	<u>960</u>	<u>2,647,494</u>
	<u>15,905,826</u>	<u>8,050,250</u>

19. GENERAL


The corresponding figures have been rearranged / reclassified, wherever necessary, for better presentation.

20. Authorization For Issuance

These financial statements have been authorized for issue by the Board of Directors of the Company on 26 FEB 2022.

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Chief Executive



Director