



PEARL SECURITIES LIMITED
INTERIM
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED

Private & Confidential

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, 2023 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.

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


Crowe Hussain Chaudhury & Co.
Karachi

Date: 08 MAR 2024

UDIN: RR202310207YfpwDSTvL

PEARL SECURITIES LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

		(Un-audited) December 31, 2023	(Audited) June 30, 2023
	Note	----- Rupees -----	
SHARE CAPITAL & RESERVES			
Authorized capital 50,000,000 (June 30, 2023: 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		205,200,750	200,574,492
Fair value reserve		(141,121,747)	(151,850,207)
Sponsor's loan		46,000,000	46,000,000
Remeasurement of post retirement benefits		2,895,334	2,895,334
		257,110,337	241,755,619
NON-CURRENT LIABILITIES			
Lease Liability	5	-	505,518
Staff retirement benefits		36,010,017	33,706,000
		36,010,017	34,211,518
CURRENT LIABILITIES			
Trade creditors, accrued and other liabilities	6	626,669,347	353,061,393
Accrued markup		115,635,381	69,570,789
Short term borrowings	7	1,251,177,200	1,403,578,497
Current portion of liability against leased assets	5	1,565,640	1,898,987
Taxation - net		4,739,214	2,697,741
		1,999,786,782	1,830,807,407
Contingencies and commitments	8	-	-
		2,292,907,136	2,106,774,544
NON-CURRENT ASSETS			
Property and equipment	9	36,243,338	40,009,514
Right-of-use assets	10	1,324,721	2,207,869
Intangible assets	11	2,750,000	2,750,000
Deferred taxation	12	26,530,918	30,690,826
Long term deposits		17,507,979	17,907,979
		84,356,956	93,566,188
CURRENT ASSETS			
Short term investments	13	225,448,412	187,018,436
Receivable against margin financing transactions		36,751,390	11,215,526
Trade debts	14	1,740,575,282	1,660,112,895
Advances, deposits, prepayments and other receivables	15	83,297,810	61,179,007
Cash and bank balances	16	122,477,286	93,682,492
		2,208,550,180	2,013,208,356
		2,292,907,136	2,106,774,544

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, 2023

	Note	Half year ended	
		December 31, 2023	December 31, 2022
		----- (Rupees) -----	
Operating revenue		68,434,217	61,242,658
Capital gain on short term investments		159,076,769	201,054,157
Administrative and operating expenses		(71,236,179)	(82,064,997)
Unrealized loss on fair value through profit and loss investments		(3,440,731)	(4,740,846)
Operating profit		<u>152,834,076</u>	<u>175,490,972</u>
Finance cost		(157,633,891)	(112,160,504)
		(4,799,815)	63,330,468
Other income	17	10,656,799	14,885,715
Profit before taxation		<u>5,856,984</u>	<u>78,216,183</u>
Taxation,			
- Current		(4,164,633)	(5,239,814)
- Prior		-	3,783,356
- Deferred		(4,159,908)	2,806,141
		(8,324,541)	1,349,683
(Loss) / profit after taxation		<u>(2,467,557)</u>	<u>79,565,866</u>
Profit per share - basic and diluted		<u>(0.17)</u>	<u>5.52</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, 2023

	Half year ended	
	December 31, 2023	December 31, 2022
	----- (Rupees) -----	
(Loss) / profit after taxation for the period	(2,467,557)	79,565,866
Other comprehensive income for the period		
Items that will not be reclassified subsequently to profit or loss		
- Unrealised gain / (loss) - FVOCI investment - net of deferred tax	10,728,460	(91,322,831)
- Realised gain - FVOCI investment	-	16,556,678
Total comprehensive (loss) / income for the period	8,260,903	4,799,713

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 CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023

	Issued, subscribed & paid-up capital	Sponsor's Loan	Revenue reserve - unappropriated profit / (loss)	Fair value reserve	Remeasurement of post retirement benefits-net of tax	Total Equity
	(Rupees)					
Balance as at 01 July 2022	144,136,000	46,000,000	188,880,727	(105,699,509)	(531,126)	272,786,092
Profit after taxation for the period	-	-	79,565,866	-	-	79,565,866
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	16,556,678	-	-	16,556,678
Other comprehensive gain for the period	-	-	-	(91,322,831)	-	(91,322,831)
Balance as at 31 December 2022	144,136,000	46,000,000	285,003,271	(197,022,340)	(531,126)	277,585,805
Balance as at 01 July 2023	144,136,000	46,000,000	200,574,492	(151,850,207)	2,895,334	241,755,619
Profit after taxation for the period	-	-	(2,467,557)	-	-	(2,467,557)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	7,093,815	-	-	7,093,815
Other comprehensive loss for the period	-	-	-	10,728,460	-	10,728,460
Balance as at 31 December 2023	144,136,000	46,000,000	205,200,750	(141,121,747)	2,895,334	257,110,337

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


Chief Executive


Director

PEARL SECURITIES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023

	Half year ended	
	December 31, 2023	December 31, 2022
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,856,984	78,216,183
Adjustments for:		
- Depreciation of property and equipment	4,866,801	1,992,564
- Depreciation of right of use of assets	883,148	714,214
- Unrealized loss on investments through profit and loss	3,440,731	4,740,846
- Provision for gratuity	2,304,017	3,357,060
- Gain on disposal of fixed assets	(2,325,821)	(1,707,800)
- Finance cost	157,633,891	112,160,504
Cash generated from operating activities before working capital changes	166,802,767	121,257,388
(Increase) / decrease in current assets		
Trade debts	(80,462,387)	(167,099,339)
Receivable against margin finance transactions	(25,535,864)	15,380,943
Advances, deposits, prepayments and other receivables	(22,118,803)	(7,984,490)
Increase / (decrease) in current liabilities		
Trade creditors, accrued and other liabilities	273,607,954	(156,358,709)
Short term borrowings	(152,401,297)	113,001,029
	(6,910,397)	(203,060,566)
Financial charges paid	(111,569,299)	(95,008,652)
Taxes paid	(2,123,160)	1,033,633
Gratuity Paid	-	(454,330)
Net cash (used in) / generated from operating activities	52,056,895	(98,016,344)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,573,703)	(6,377,667)
Proceeds from disposal of property and equipment	6,451,983	2,334,000
Net proceeds from sale of short term investments	(27,701,516)	74,462,694
Long term deposits	400,000	(370,000)
Net cash generated from / (used in) investing activities	(22,423,236)	70,049,027
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of lease liability	(838,865)	(836,456)
Net cash used in financing activities	(838,865)	(836,456)
Net (decrease) / increase in cash and cash equivalents	28,794,794	(28,803,773)
Cash and cash equivalents at the beginning of the period	93,682,492	99,235,281
Cash and cash equivalents at the end of the period	122,477,286	70,431,508

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

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 Chief Executive


 Director

PEARL SECURITIES LIMITED

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

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

Head Office/Registered Office

Addresses

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, 2023.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

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

(Un-audited) December 31, 2023	(Audited) June 30, 2023		(Un-audited) December 31, 2023	(Audited) June 30, 2023
----- (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. LEASE LIABILITY

Lease liability	<u>1,565,640</u>	<u>2,404,505</u>
	<u>1,565,640</u>	<u>2,404,505</u>
Less: Current Portion lease liability	<u>(1,565,640)</u>	<u>(1,898,987)</u>
Long term Portion	<u>-</u>	<u>505,518</u>

6. TRADE CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for purchase of shares	6.1	114,184,544	81,408,448
Payable to NCCPL		-	5,836,303
Creditors of PMEX		6,143	6,143
Payable to money market clients		495,237,078	258,007,263
Sindh sales tax on brokerage services		2,724,612	296,678
Commission payable to traders		7,967,025	2,937,986
Accrued and other liabilities		6,549,945	4,568,572
		<u>626,669,347</u>	<u>353,061,393</u>

- 6.1 This includes liability of creditors for sale of shares amounting Rs. 9,146,102 dated December 29 and 30, 2023 which will be settled after reporting date.

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	(Un-audited) December 31, 2023	(Audited) June 30, 2023
	----- (Rupees) -----	
7. SHORT TERM BORROWINGS		
From banking companies - secured		
Summit Bank Limited	222,403,417	222,341,797
Silk Bank Limited	597,048,307	867,098,018
Sindh Bank Limited	293,435,571	293,435,571
Askari Bank Limited	120,758,167	19,924,803
Soneri Bank Limited	17,531,738	778,308
	<u>1,251,177,200</u>	<u>1,403,578,497</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, 2023	(Audited) June 30, 2023
	----- (Rupees) -----	
9. PROPERTY AND EQUIPMENTS		
Opening written down value	40,009,514	37,419,433
Addition during the period / year	1,573,703	7,507,800
Disposal during the period / year	(2,993,247)	(2,548,660)
Depreciation charged during the period / year	(2,346,632)	(2,369,059)
	<u>36,243,338</u>	<u>40,009,514</u>
10. INTANGIBLE ASSETS		
Trading Right Entitlement Certificate (TREC) 10.1	2,500,000	2,500,000
Pakistan Mercantile Exchange Limited - membership card	250,000	250,000
	<u>2,750,000</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, 2023	(Audited) June 30, 2023
	----- (Rupees) -----	
11. DEFERRED TAXATION		
Taxable temporary differences on:		
Accelerated depreciation	(6,707,236)	(6,264,001)
Right of use asset	(896,395)	(640,282)
Investments-FVOCI	19,357,304	24,072,123
Re-measurement of staff retirement obligation	(1,399,540)	(1,399,540)
Deductible temporary differences on:		
Provision of doubtful debts	4,788,852	4,788,852
provision of gratuity	10,442,905	9,484,740
Liability against leased assets	428,921	697,304
Investments-FVTPL	516,110	(48,370)
	<u>26,530,918</u>	<u>30,690,826</u>
12. LONG TERM DEPOSITS		
Pakistan Stock Exchange Limited	12.1 11,655,979	12,055,979
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	1,102,000	1,102,000
	<u>17,507,979</u>	<u>17,907,979</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. 11,655,979 against BMC requirement.	
	(Un-audited) December 31, 2023	(Audited) June 30, 2023
	----- (Rupees) -----	
13. SHORT TERM INVESTMENT		
Financial assets classified as FVTPL		
Shares of listed companies - average cost	19,906,818	2,575,106
Less: Unrealized gain/(loss) on revaluation of fair value through profit or loss investments	(3,440,731)	322,468
Fair value	<u>16,466,087</u>	<u>2,897,574</u>
Financial assets classified as FVTOCI		
Share of listed companies - average cost	338,031,021	344,601,685
Add: Unrealized gain on revaluation of fair value through profit or loss investments	(129,048,696)	(160,480,823)
Fair value	<u>208,982,325</u>	<u>184,120,862</u>
Total Short Term Investment	<u>225,448,412</u>	<u>187,018,436</u>

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	(Un-audited) December 31, 2023	(Audited) June 30, 2023
	----- (Rupees) -----	
14. TRADE DEBTS		
Receivable from client on behalf of;		
Purchase of shares on behalf of clients	14.1 1,734,429,187	1,671,004,225
Money market and Forex Brokerage	6,146,095	5,621,952
	1,740,575,282	1,676,626,177
Considered doubtful	16,513,282	-
	1,757,088,564	1,676,626,177
Less: Provision for expected credit losses	14.2 (16,513,282)	(16,513,282)
	1,740,575,282	1,660,112,895

14.1 This includes an amount of Rs. 160,542,639 (June 30, 2023: Rs. Nil) receivable from NCCPL against trade of clients.

	(Un-audited) December 31, 2023	(Audited) June 30, 2023
	----- (Rupees) -----	
14.2 Provision against expected credit losses		
As at July 01	16,513,282	16,513,282
Charge / (reversal) for the period/year	-	-
Closing	16,513,282	16,513,282

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

Advances to staff - secured	15.1 16,228,772	14,819,672
Trade deposit	57,720,341	39,195,451
Advance against capital expenditure	2,500,047	-
Prepayments	631,676	692,110
Other deposits and receivables	6,216,974	6,471,774
	83,297,810	61,179,007

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 15% (June 30, 2023: 4.5% to 15%)

16. CASH AND BANK BALANCES

Cash in hand	3,881,704	1,662,472
At banks:		
- Client accounts (current)	114,560,718	88,121,087
- Current accounts	3,398,504	2,415,471
- Saving accounts	16.1 636,360	1,483,462
	122,477,286	93,682,492

16.1 The interest rates on saving accounts range from 6% to 20% per annum (June 30,2023: 6% to 20%).

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(Un-audited) December 31, 2023	(Un-audited) December 31, 2022
----- (Rupees) -----	

17. OTHER INCOME**Income from financial assets**

Return on short term investment	36,399	-
Return on margin financing & MTS	3,310,127	3,524,172
Dividend income	1,764,143	7,540,660
Return on cash margins with PSX & PMEX	3,128,640	2,035,747
Profit from profit and loss sharing account	91,669	77,336
	<u>8,330,978</u>	<u>13,177,915</u>

Income from non-financial assets

Gain on disposal of fixed assets	2,325,821	1,707,800
	<u>10,656,799</u>	<u>14,885,715</u>

18. GENERAL

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

19. AUTHORIZATION FOR ISSUANCE

These financial statements have been authorized for issue by the Board of Directors of the Company on 29 FEB 2024.

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Chief Executive



Director



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