

MARGALLA FINANCIAL (PRIVATE) LIMITED

FINANCIAL STATEMENTS

**FOR THE YEAR
ENDED**

June 30, 2019

BAKER TILLY MEHMOOD IDREES QAMAR

CHARTERED ACCOUNTANTS

TF-58, Deans Trade Center, Islamia Road, Peshawar Cantt. Peshawar

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MARGALLA FINANCIAL (PRIVATE) LIMITED**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **MARGALLA FINANCIAL (PRIVATE) LIMITED** (the Company), which comprise the balance sheet as at **June 30, 2019**, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account, the statement of other comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019** and of the profit (or loss), the total comprehensive income (or loss), the changes in equity and its cash flows for the year then ended.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



ADVISORY - ASSURANCE - TAX

Baker Tilly Mehmood Idrees Qamar, Chartered Accountants trading as Baker Tilly is a Member of the global network of Baker Tilly International Ltd. the members of which are separate and independent legal entities.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 as applicable in Pakistan 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 these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are



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based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the balance sheet, the profit and loss account, the statement of other comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Abdur Rub Khan, FCA**.

Baker Tilly Mehmood Idrees Qamar

Date: October 5, 2019
Place: Peshawar

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants



ADVISORY - ASSURANCE - TAX

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MARGALLA FINANCIAL (PRIVATE) LIMITED
BALANCE SHEET
AS AT 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,460	17,840
Intangible assets	5	2,500,000	4,000,000
Long term investment	6	30,346,030	30,346,030
Long term advances and deposits	7	600,000	600,000
		33,450,490	34,963,870
Current assets			
Short term investment	8	5,302,093	5,669,897
Advances, Deposits, Prepayments and Other receivables	9	3,052,615	3,180,814
PSX exposure deposit		50,000	50,000
Cash and bank balances	10	650,610	3,540,330
		9,055,318	12,441,041
		42,505,808	47,404,911
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000 ordinary shares of Rupees 100 each		10,000,000	10,000,000
Issued, subscribed and paid up share capital			
100,000 ordinary shares of Rupees 100 each		10,000,000	10,000,000
Un-appropriated profit / (loss)		(3,940,222)	(36,120)
Deposit for shares issue		25,000,000	23,000,000
Unrealised gain on available for sale investment		11,346,030	11,346,030
Total equity		42,405,808	44,309,910
Current liabilities			
Accrued and other payables	11	100,000	95,000
Loan from director		-	3,000,000
Contingencies and commitments			
	12		
TOTAL EQUITY AND LIABILITIES		42,505,808	47,404,910

The annexed notes 1 to 16 form an integral part of these financial statements.

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Mudhan

Chief Executive Officer

Jeevan

Director

MARGALLA FINANCIAL (PRIVATE) LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
Revenue	13	(1,461,712)	93,438
Administrative expenses	14	<u>(799,322)</u>	<u>(549,651)</u>
OPERATING PROFIT/(LOSS)		(2,261,035)	(456,213)
Impairment loss on TREC	5	(1,500,000)	-
Financial expenses		-	34,927
PROFIT /(LOSS) BEFORE TAXATION		<u>(3,761,035)</u>	<u>(491,140)</u>
Taxation		(143,068)	(187,338)
PROFIT/ (LOSS) AFTER TAXATION		<u><u>(3,904,103)</u></u>	<u><u>(678,478)</u></u>

The annexed notes 1 to 16 form an integral part of these financial statements.

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Mhad Chan

Chief Executive Officer

Jeem Chan

Director

MARGALLA FINANCIAL (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
PROFIT/(LOSS) AFTER TAXATION		(3,904,103)	(678,478)
Other comprehensive income:		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME		<u><u>(3,904,103)</u></u>	<u><u>(678,478)</u></u>

The annexed notes 1 to 16 form an integral part of these financial statements.

Shahid

Shahid Khan

Chief Executive Officer

Zeem Khan

Director

MARGALLA FINANCIAL (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued Subscribed & Paid up Capital	Un- appropriate d profit/(loss)	Share deposit money	Un-realised gain on Available For Sale Investment	Total
(R U P E E S)					
Balance as at June 30, 2017	10,000,000	642,358	23,000,000	11,346,030	44,988,388
Introduced during the year	0	-	-	0	0
Comprehensive (loss) for the year ended June 30, 2018	0	(678,478)	-	0	-
Balance as at June 30, 2018	<u>10,000,000</u>	<u>(36,120)</u>	<u>23,000,000</u>	<u>11,346,030</u>	<u>44,309,910</u>
Introduced during the year	-	-	2,000,000	-	-
Comprehensive (loss) for the year ended June 30, 2019	-	(3,904,103)	-	-	-
Balance as at June 30, 2019	<u>10,000,000</u>	<u>(3,940,222)</u>	<u>25,000,000</u>	<u>11,346,030</u>	<u>42,405,808</u>

The annexed notes 1 to 16 form an integral part of these financial statements.

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Mhad Khan

Chief Executive Officer

Jeem Khan

Director

MARGALLA FINANCIAL (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) for the year before taxation		(3,761,035)	(491,140)
Adjustments for non-cash charges and other items			
Gain / Loss on investment at fair value through profit and loss		(180,634)	411,975
Depreciation		13,380	13,380
Unrealized Loss		2,374,653	
Finance costs		-	34,927
Impairment loss on TREC		1,500,000	-
Cash flows before working capital changes		(53,636)	(30,858)
Working capital changes			
(Increase) / decrease in current assets:			
Long Term Advances and deposits		-	-
Advances, Deposits, Prepayments and Other receivables		128,199	1,153,687
PSX exposure deposit		-	-
Increase / (decrease) in current liabilities:			
Accrued and other payables		5,000	45,000
		133,199	1,198,687
Cash generated from operations		79,563	1,167,829
Finance cost			(34,927)
Taxes paid		(143,068)	(187,338)
Net cash from operating activities		(63,505)	945,564
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure			-
Investment in Marketable Securities		(1,826,215)	(1,206,789)
Net cash used in investing activities		(1,826,215)	(1,206,789)
CASH FLOW FROM FINANCING ACTIVITIES			
Share Deposit Money		2,000,000	-
Loan from director		(3,000,000)	3,000,000
Net cash from financing activities		(1,000,000)	3,000,000
Net cash decrease in cash and cash equivalents		(2,889,720)	2,738,776
Cash and cash equivalent at the beginning of the year		3,540,330	801,554
Cash and cash equivalent at the end of the year		650,610	3,540,330

The annexed notes 1 to 16 form an integral part of these financial statements.



Chief Executive Officer




Director

MARGALLA FINANCIAL (PRIVATE) LIMITED
Notes to the financial statements
For the year ended June 30, 2019

1 STATUS AND NATURE OF BUSINESS

Margalla Financial (Private) Limited is a private company limited by shares and incorporated in Pakistan under the Companies Ordinance 1984 on June 03, 2014. The registered office of the company is located at house no.172, street no. 20, sector G-10/2 Islamabad.

The company is primarily engaged in the business of stock, brokerage, investment advisory-consultancy, portfolio management and in secondary capital market operations. It is also actively taking part in the Initial Public Offerings (IPO's) and providing all relative services to the general public to promote investment.

2 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 such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of Financial Statement

These accounts have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given hereunder.

3.2 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with the accounting and financial reporting standards requires the management to make judgments, estimates and assumptions that affect the reporting amounts of assets and liability, income and expenses. These estimates and assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

- i) Useful lives, pattern of economic benefits and impairments
- ii) Taxation



3.3 Property and equipment

a) Cost

Operating fixed assets are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognized 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. All other repair and maintenance costs are charged to income during the year / period in which they are incurred.

b) Depreciation

Depreciation is charged to income on the straight-line method so as to write off the cost of an asset over its estimated useful life. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. The residual values and useful lives of assets are reviewed by the management at each financial year end and adjusted if impact on

c) Derecognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year/period the asset is derecognized.

3.4 Impairment

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

3.5 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash at bank in current accounts. It is carried in the balance sheet at book value which approximates its fair value.

3.6 Taxation

The charge for current taxation is based on taxable income at the current rates after taking into accounts the tax credits and tax rebates available.

In order to facilitate the process of demutualization and corporatization of Stock Exchanges any gain on transfer of capital assets of the existing stock exchanges to new corporatized stock exchange has been exempted under newly inserted clause (110A) of the Income Tax Ordinance, 2001, amended through Finance Act 2007. Similarly, any gain on transfer of a capital asset, being a membership right held by a member of an existing stock exchange for acquisition of shares or trading rights by such member in a newly corporatized stock exchange has also been exempted under clause (110B) of Part I of Second Schedule to the Income Tax Ordinance, 2001 as shown in statement of comprehensive income.



MARGALLA FINANCIAL (PRIVATE) LIMITED

Notes to the financial statements

For the year ended June 30, 2019

3.7 Investment at fair value through profit or loss

These include investments classified as held for trading or upon initial recognition it is designated by the Company as at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains and losses recognized directly in income currently. Fair value of investments is their quoted bid price at the balance sheet date. Transaction costs are charged to income currently.

3.8 Settlement Date Accounting

All "regular way" purchases and sales of financial assets are recognized on settlement date, i.e. the date on which the asset is delivered to or by the Company. Regular way purchases or sales of financial assets are those contracts which requires delivery of assets within the time frame generally established by regulation or convention in the market.

3.9 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose off the investments within twelve months from the balance sheet date.

Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. Investments in associates are accounted for using the equity method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit and loss account as a reclassification adjustment.

Interest on available-for-sale securities, if any, is calculated using the effective interest method is recognized in the profit and loss account. Dividends on available for-sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for-sale financial assets, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit and loss account as a reclassification adjustment.

3.10 Revenue Recognition

Capital gains or losses on sale of investments are recognized in the year in which they arise.

Money market brokerage, consultancy and advisory fees are recognized as and when such services are provided.

Revenue is recognized as and when services are rendered.



4 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	C O S T			Rate	D E P R E C I A T I O N			W.D.V as on 30.06.2019
	As on 01.07.2018	Additions/ (Deletions)	As on 30.06.2019		As on 01.07.2018	For the year	As on 30.06.2019	
Computers & Accessories	44,600	-	44,600	30%	26,760	13,380	40,140	4,460
Rupees (2019)	44,600		44,600		26,760	13,380	40,140	4,460
Rupees (2018)	44,600	-	44,600		13,380	13,380	26,760	17,840

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MARGALLA FINANCIAL (PRIVATE) LIMITED
Notes to the financial statements
For the year ended June 30, 2019

	Rupees 2019	Rupees 2018
5 Intangible assets		
Opening Balance Trading Right Entitlement Certificate	5.1 4,000,000	4,000,000
Impairment	<u>(1,500,000)</u>	<u>-</u>
	<u>2,500,000</u>	<u>4,000,000</u>

5.1 These represent Trading Right Entitlement Certificate (TREC) received from Islamabad Stock Exchange Limited (ISE) in accordance with the requirement of Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012 (The Act). The Board of Directors of PSX has implemented the requirement of the creating charge/hypothecation on TREC. This fact indicates an acceptable level of value for TREC which is also used by the Stock Exchange for risk management and to safeguard the investors' interest.

6 Long Term Investment

Available for sale

Shares in ISE Towers REIT	<u>30,346,030</u>	<u>30,346,030</u>
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6.1 These represent the shares received from ISE Towers REIT Management Limited (Formerly Islamabad Stock Exchange (ISE) in pursuance of corporatization and demutualization of ISE as public company limited by shares in accordance with the requirement of the Stock Exchanges (Corporatization, Demutualization and Integration Act, 2012 (the Act)). In addition, the company has also received Trading Right Entitlement Certificate (TREC) from ISE which now has become TREC of Pakistan Stock Exchange Limited after Integration of the Stock Exchanges.

6.2 Accordingly, the company has been allotted 3,034,603 shares of ISE of Rs. 10/- each based on the valuation of their assets and liabilities as approved by the SECP. The company has received 40% equity shares i.e. 1,213,841 shares of ISE. The remaining 60% shares are transferred to CDC sub-account in company's name under ISE's participant IDs with the CDC which will remain blocked until these are divested to strategic investor(s), general public and financial institutions. Now 1,026,590 shares are pledged with PSX's participant IDs to maintain the Base Minimum Capital "BMC". As the fair value of both the asset transfer and assets obtain can not be determined with reasonable accuracy, the investment in shares has been recorded at the face value of Rs. 10/- each in the Company's book.

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MARGALLA FINANCIAL (PRIVATE) LIMITED

Notes to the financial statements

For the year ended June 30, 2019

	Rupees 2019	Rupees 2018
7 Long term advances and deposits		
CDC deposit	100,000	100,000
NCCPL deposit	300,000	300,000
ISE Clearing House deposit	100,000	100,000
PSX clearing deposit	100,000	100,000
	<u>600,000</u>	<u>600,000</u>
8 Investment in marketable securities		
Investment in marketable securities	5,302,093	5,669,897
	<u>5,302,093</u>	<u>5,669,897</u>
9 Advances, Deposits, Prepayments and Other receivables		
Income tax refundable	10,301	3,860
Director Current account	3,026,954	3,176,954
Dividend Warrants in hand	15,360	-
	<u>3,052,615</u>	<u>3,180,814</u>
10 Cash and bank balances		
Cash at banks:		
Current accounts	650,610	3,540,330
	<u>650,610</u>	<u>3,540,330</u>
Cash in hand	<u>650,610</u>	<u>3,540,330</u>
11 Accrued and other payables		
Audit Fee Payable	50,000	50,000
Legal & Professional Charges Payable	50,000	45,000
	<u>100,000</u>	<u>95,000</u>
12 Contingencies and commitments		
<p>The company has pledged/hypothecated TRE certificate of Pakistan Stock Exchange Limited (PSX) and 1,026,590 Ordinary shares of ISE Towers REIT management limited with PSX in compliance with Base Minimum Capital (BMC) requirement under regulation 2.1 of the Regulations Governing Risk Management of the Pakistan Stock Exchange Limited (PSX).</p>		
13 Revenue		
Dividend Income	729,059	504,140
Gain on investment in Marketable Securities	180,634	447,055
NCCPL profit on deposit	3,230	-
Un-realised loss on Marketable Securities	(2,374,653)	(859,030)
Profit on PSX Deposit	17	1,274
	<u>(1,461,712)</u>	<u>93,438</u>

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MARGALLA FINANCIAL (PRIVATE) LIMITED
Notes to the financial statements
For the year ended June 30, 2019

	Rupees 2019	Rupees 2018
14 Administrative Expenses		
CDC Charges	57,211	56,485
NCCPL Charges	62,245	2,806
PSX Office Registration Annual Fee	5,000	-
PSX Annual Fee	10,000	10,000
PSX Laga Charges	1,000	2,000
SECP Filing Fee	105,035	-
Audit Fee	45,000	45,000
Legal and Professional Charges	291,500	147,303
Annual Fee SECP	50,025	50,025
Misc. Expenses	6,364	-
PSX IT Annual Charges	36,852	18,949
Internet Charges	59,500	72,633
LSEFL Back Office	-	75,000
LSEFL Support Programme	56,210	56,070
Depreciation	13,380	13,380
	799,322	549,651
15 Number of employees	Nil	Nil

16 General

16.1 Figures have been rounded to the nearest rupees, unless otherwise stated.

16.2 These financial statements have been authorized for issue by the board of directors of the company on October 5, 2019.

B. Mittal

M. Madhavan

Chief Executive Officer

Jeevan Chauhan

Director