



**MARGALLA FINANCIAL (PRIVATE) LIMITED**

**UNAUDITED FINANCIAL STATEMENTS**

**FOR THE HALF YEAR**

**ENDED**

**DECEMBER 31, 2020**

THE UNIVERSITY OF CHICAGO

PHYSICS DEPARTMENT

PHYSICS 350

LECTURE 1

**MARGALLA FINANCIAL (PVT) LTD**  
**BALANCE SHEET (UNAUDITED)**  
**AS AT DECEMBER 31, 2020**

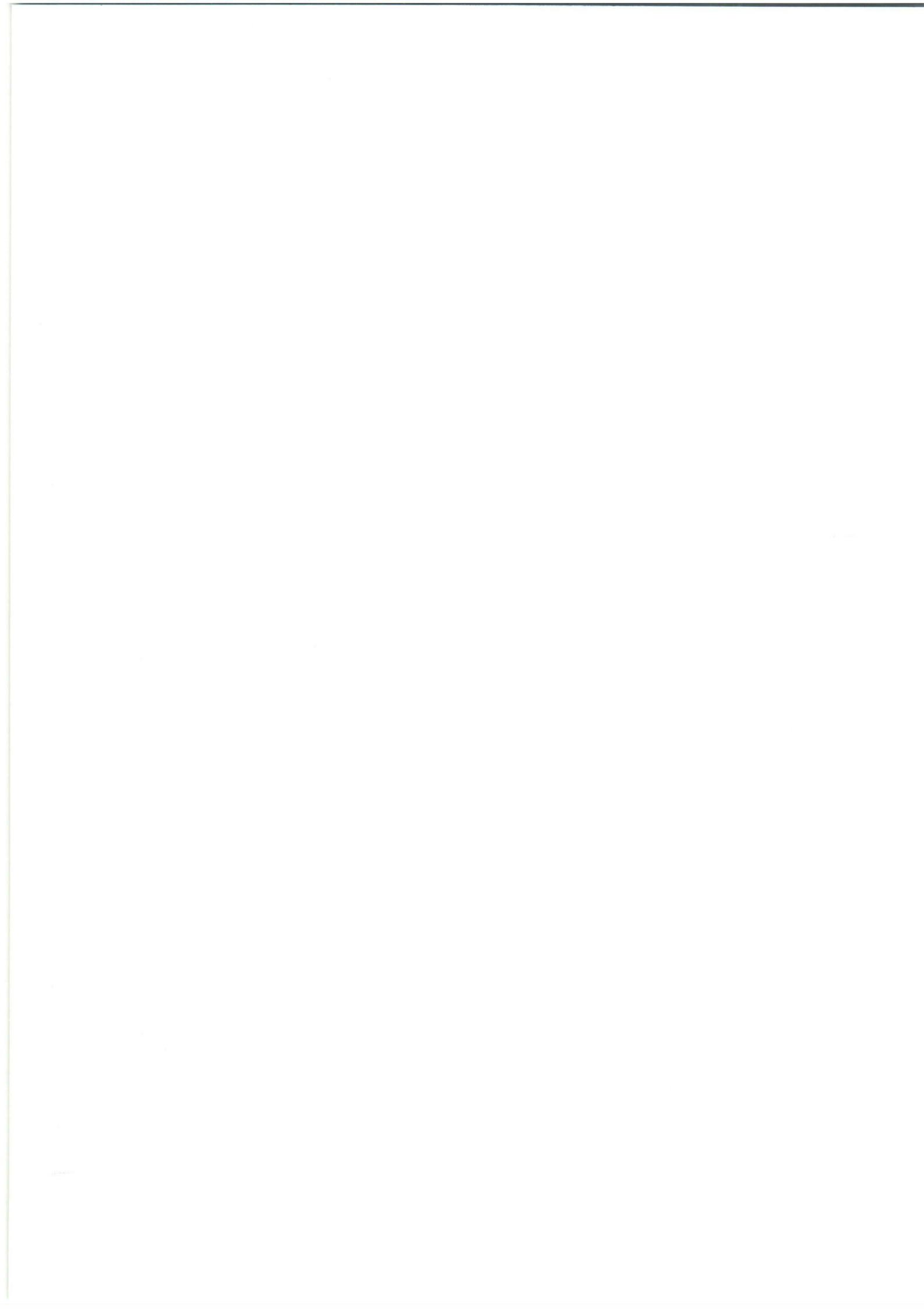
	Note	Rupees Dec-20	Rupees Dec - 19
<b>ASSETS</b>			
Non-Current Assets			
Plant, property and Equipment	4	4,460	4,460
Intangible Assets	5	2,500,000	2,500,000
Long Term Investments	6	46,884,616	30,346,030
Long Term Deposits and Advances	7	500,000	500,000
Current Assets			
Short Term Investments	8	6,780,240	6,500,943
Other Receivables	9	4,992,595	3,671,255
PSX Exposure Deposit		50,000	50,000
Cash & Cash Equivalent	10	695,174	296,688
<b>Net Assets</b>		<b>62,407,085</b>	<b>43,869,376</b>
<b>EQUITY AND LIABILITIES</b>			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
100,000 Shares of PKR 100 each		10,000,000	10,000,000
Issued, subscribed and paid up share capital			
100,000 Shares of PKR 100 each		10,000,000	10,000,000
Un Appropriated Loss/Profit		16,004,231	(2,494,345)
Deposit for Shares Issue		25,000,000	23,000,000
Unrealized Gain on Available for Sale Investments		11,346,030	11,346,030
<b>Total Equity</b>		<b>62,350,261</b>	<b>43,851,685</b>
Non-Current Liabilities			
Loan From Director		-	
Current Liabilities			
Accrued and Other Payables	11	54,886	
Tax Payable	12	1,938	17,691
Contingencies and Commitments	13		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>62,407,085</b>	<b>43,869,376</b>



CEO



Director



**MARGALLA FINANCIAL (PVT) LTD**  
**PROFIT AND LOSS ACCCOUNT (UNAUDITED)**  
**FOR THE HALF YEAR ENDING 31 DECEMBER 2020**

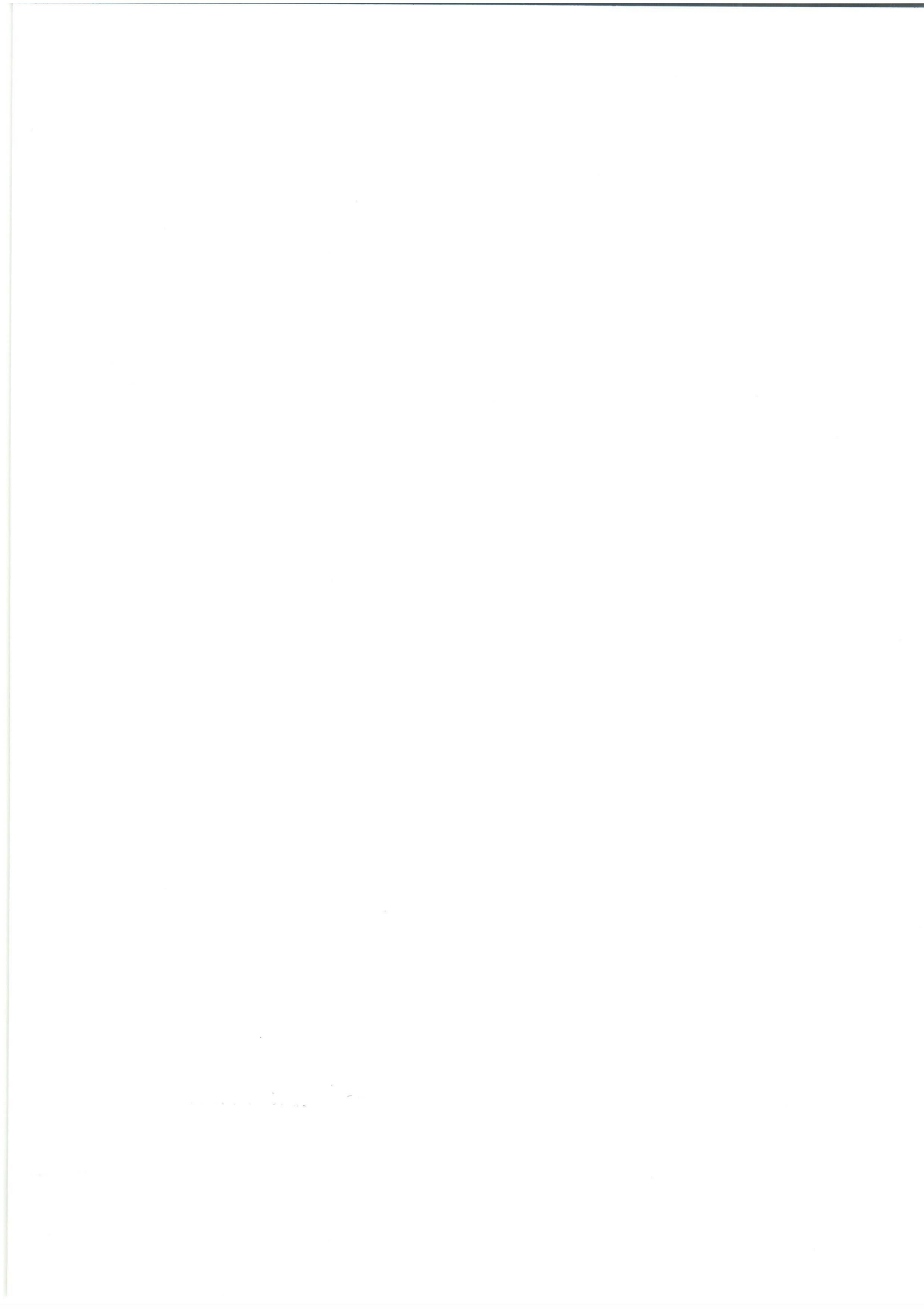
		Rupees Dec 2020	Rupees Dec 2019
Revenue	14	3,136,775	1,863,138
Administrative Expense	15	328,499	268,711
Operating Profit/Loss		<u>2,808,276</u>	<u>1,594,427</u>
Taxation		166,879	148,550
Net Profit/Loss After Taxation		<u><u>2,641,397</u></u>	<u><u>1,445,877</u></u>



CEO



Director




**MARGALLA FINANCIAL PRIVATE LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

	Note	2020 Rupees	2019 Rupees
PROFIT/LOSS AFTER TAXATION		2,641,397	1,445,877
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Unrealized gain on available for sale investment			
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<u><u>2,641,397</u></u>	<u><u>1,445,877</u></u>

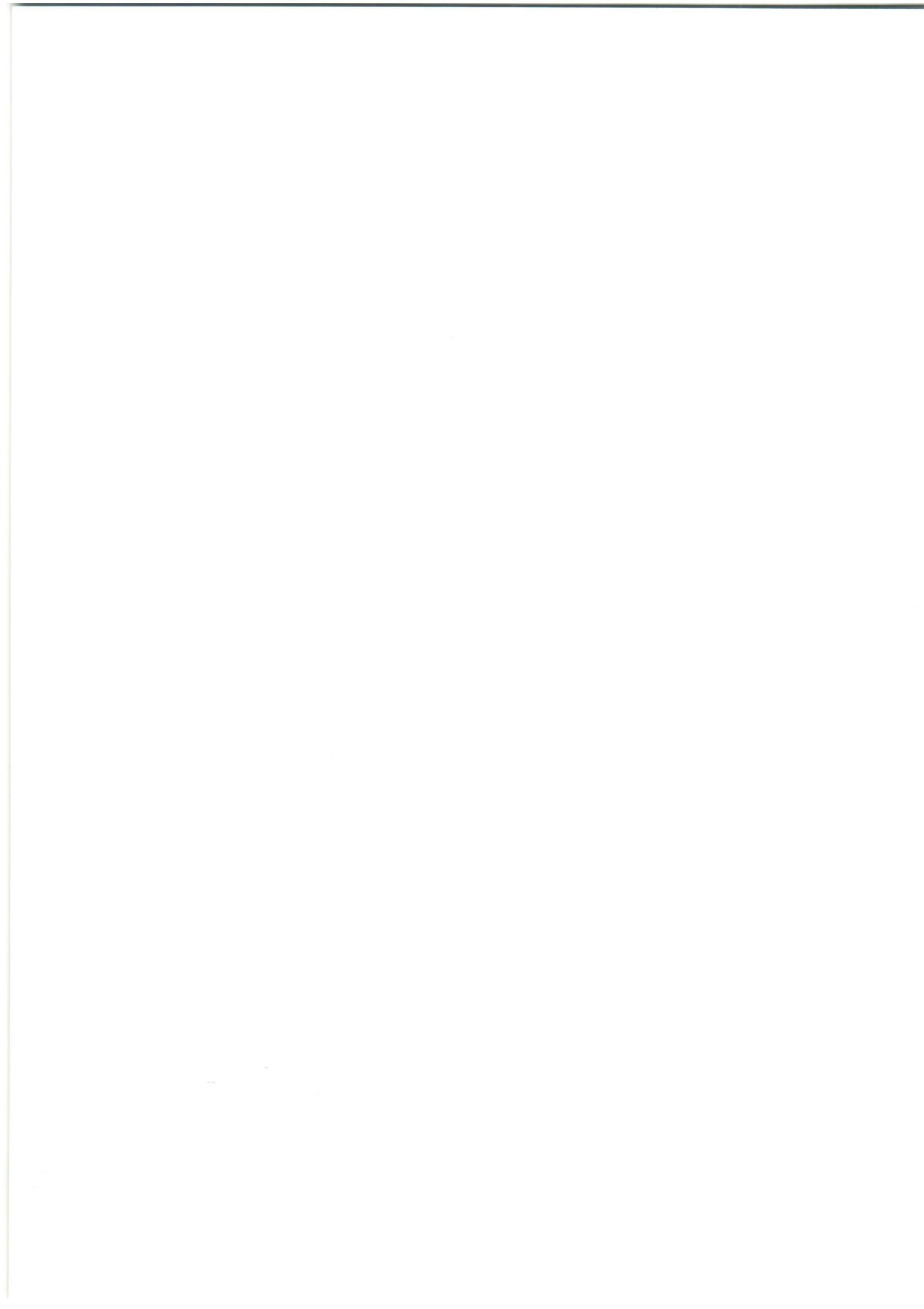
The annexed notes form an integral part of these financial statements



CEO



Director



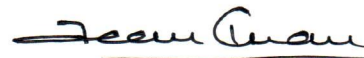


**MARGALLA FINANCIAL (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

	Note	Rupees Dec 2020	Rupees Jun 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) for the year before taxation		2,808,276	932,079
<b>Adjustments for non-cash charges and other items</b>			
Gain on investments at fair value through profit and loss		(2,062,751)	(477,176)
Depreciation			
Finance Cost		-	-
<b>Cash Flows Before Working Capital Changes</b>		<b>745,524</b>	<b>454,903</b>
<b>Working Capital Changes</b>			
<b>(Increase)/Decrease in Current Assets</b>			
Long Term Advances and deposits			100,000
PSX Exposure Deposit		-	-
Advances, Deposits, Prepayments and Other Receivables		(1,720,000)	(219,980)
<b>Increase / (Decrease) in Current Liabilities</b>			
Accrued and Other Payables		(35,301)	(7,875)
		(1,755,301)	(127,855)
<b>Cash Generated from Operations</b>		<b>(1,009,777)</b>	<b>327,048</b>
Finance Cost			
Taxes Paid		(166,879)	(167,609)
<b>Net Cash from Operating Activities</b>		<b>(1,176,656)</b>	<b>159,439</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed Capital Expenditure			
Investment in Marketable Securities - Net		1,478,206	(416,425)
<b>Net Cash Used in Investing Activities</b>		<b>1,478,206</b>	<b>(416,425)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of capital			
long Term Loan		-	-
<b>Net Cash from Financing Activities</b>		<b>-</b>	<b>-</b>
Net Cash Increase/(Decrease) in Cash and Cash Equivalents		301,550	(256,986)
Cash and Cash Equivalents at the beginning of Year		393,624	650,610
Cash and Cash Equivalents at the End of Half Year		695,174	393,624



CEO



Director



**MARGALLA FINANCIAL (PRIVATE) LIMITED**  
STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

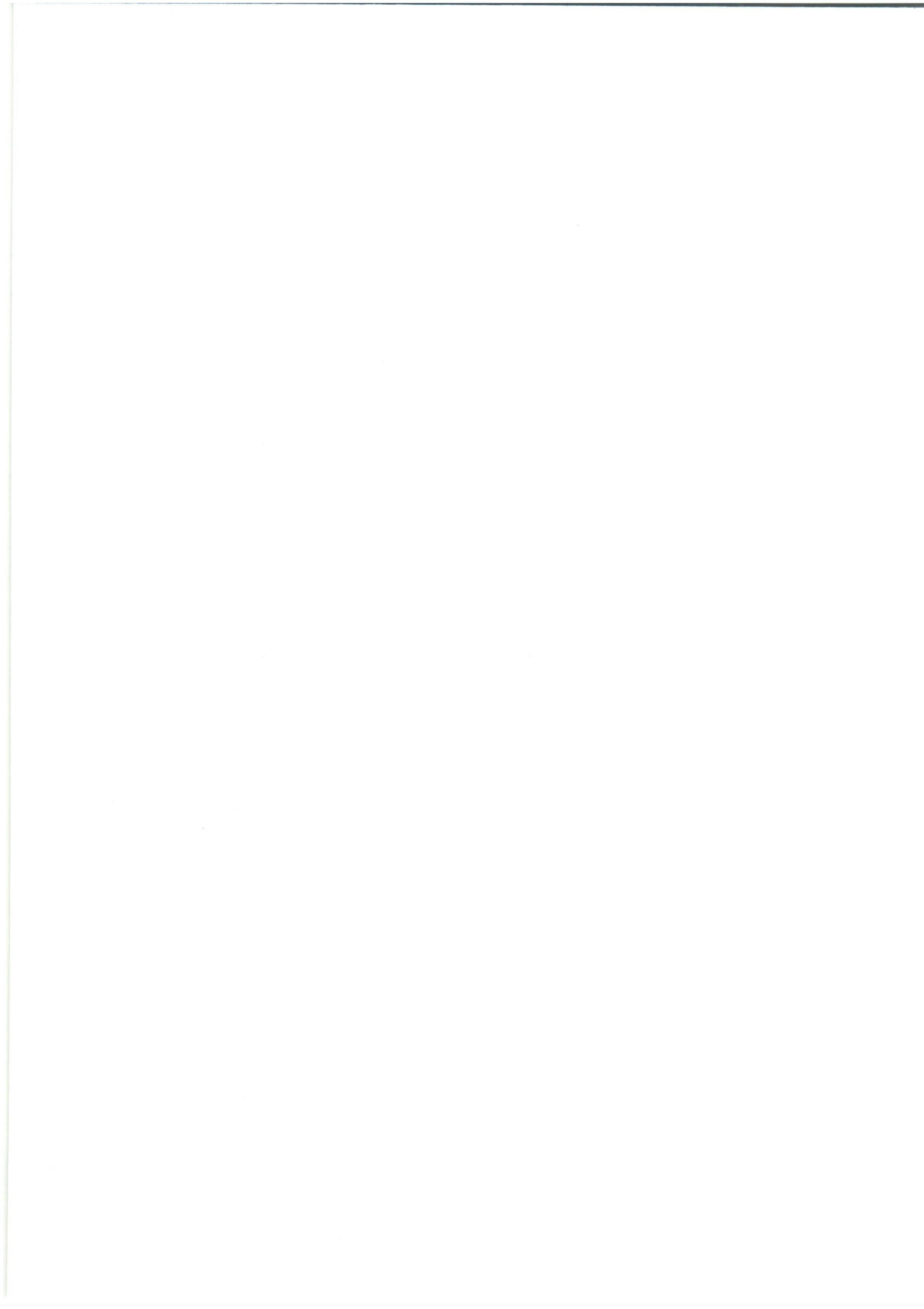
	Issued Subscribed & Paid Up Capital	Un-Appropriated Profit/(Loss)	Share Deposit Money	UnRealized Surplus/(deficit) on remeasurement of investments	Un-realized Gain on Available for Sale Investment	Total
<b>Balance as at June 30,2017</b>	10,000,000	642,358	23,000,000		11,346,030	44,988,388
Introduced during the year						
Comprehensive (Loss) for yr ended Jun 30, 2018		(678,478)				(678,478)
<b>Balance as at June 30,2018</b>	10,000,000	(36,120)	23,000,000		11,346,030	44,309,910
Introduced during the year			2,000,000			2,000,000
Comprehensive (Loss) for yr ended Jun 30, 2019		(3,904,102)				(3,904,102)
<b>Balance as at June 30,2019</b>	10,000,000	(3,940,222)	25,000,000		11,346,030	42,405,808
Introduced during the year						
Comprehensive (Loss) for Year ended Jun 30, 2020		764,470		16,538,586	-	17,303,056
<b>Balance as at Jun 30,2020</b>	10,000,000	(3,175,752)	25,000,000	16,538,586	11,346,030	59,708,864
Introduced during the Half year						
Comprehensive (Loss) for Half Year ended Dec 31, 2020		2,641,397			-	2,641,397
<b>Balance as at Dec 31,2020 - Unaudited</b>	10,000,000	(534,355)	25,000,000	16,538,586	11,346,030	62,350,261

*Shadwan*

CEO

*SeemGuan*

Director



## **MARGALLA FINANCIAL (PRIVATE) LIMITED**

### **Notes to the financial statements**

**For the Half-Year ended December 31, 2020**

#### **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 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 (IPOs) and providing all relative service 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. The accounting and reporting standards as applicable in Pakistan comprise of: -International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act 2017; and

-Provisions of and directives issued under the Companies Act 2017.

The financial statements of the company have been prepared in accordance with the provisions of the repealed Companies Ordinance 1984 as per the directives of Securities and Exchange Commission of Pakistan issued vide Circular No. 17 dated July 20, 2017.

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

#### **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.

#### **c) De-recognition**

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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 asset's 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 Financial Instruments**

#### **Initial Recognition**

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortized cost or cost as the case may be.

#### **Classification of financial assets:**

The Company classifies its financial instruments in the following categories:

- At Fair Value Through Profit and Loss (FVTPL)
- At Amortized Cost

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

The financial asset is held with a business model whose objective is to hold financial assets in order to collect contractual cash flow; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

#### **Classification of financial liabilities:**

The company classifies its financial instruments in the following categories:

-At fair value through Profit and Loss (FVTPL)

-At amortized cost

The financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the company has opted to measure them at FVTPL.

### **Subsequent Measurement**

#### **i) Financial assets at FVTOCI**

Elected instruments in equity instruments at FVTOCI are initially recognized at fair value plus transactions costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income/(Loss).

#### **ii) Financial Assets and Liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost and in case of financial assets less any impairment.

#### **iii) Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recognized at fair value and transaction costs are expensed in the statements of profit and loss and other comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise

### **Impairment of Financial Assets**

- The company recognizes loss allowance for Expected Credit Loss (ECL) on financial assets at amortized cost and FVTOCI at an amount equal to lifetime ECLs except for the financial assets in which there is no significant increase in credit risk since initial recognition or financial assets which are determined to have low credit risk at the reporting date in which case 12 month after the reporting date:
  - Short term deposits and receivables
  - Loan to Director
  - Receivable on gain sale of property
  - Bank Balances
- Loss allowance for receivables from clients are always measure at an amount equal to lifetime ECLs.
- Lifetime ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 month ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.



- ECLs are a probability weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the company expects to receive).
- The gross carrying amount of a financial asset is written off when the company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

#### **De-recognition**

##### **i) Financial Assets**

The company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and subsequently all the associated risks and rewards.

##### **ii) Financial Liabilities**

The company derecognizes financial liabilities when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of Profit or Loss and other comprehensive Income.

### **3.7 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 the 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 such member of any 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.

### **3.8 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.

### **3.9 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.

### **3.10 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-sales securities, if any, is calculated using the effective interest method and is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are 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.

### **3.11 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. PLANT, PROPERTY AND EQUIPMENT

PARTICULARS	COST			Rate (Annual)	Depreciation			W.D.V as on 31.12.19
	As On 01.07.20	Additions/ (Deletions)	As on 31.12.20		As on 01.07.20	For the Half Yr	As on 31.12.20	
Computers and Accessories	44,600	0	44,600	30%	40,140	0	40,140	4,460
Rupees (2020)	44,600		44,600		40,140			4,460
Rupees (2019)	44,600		44,600		26,760	13,380	40,140	4,460

#### 5. INTANGIBLE ASSETS

		Rupees 2020	Rupees 2019
Trading Rights Entitlement Certificate	5.1	2,500,000	4,000,000
Impairment			(1,500,000)
		<u>2,500,000</u>	<u>2,500,000</u>

5.1 This represents Trading Rights Entitlement Certificate (TREC) received from Pakistan Stock Exchange Limited (PSX) in accordance with the requirement of Stock Exchanges (Corporatisation, Demutualization, and Integration) Act 2012 (The Act). The company has also received shares of ISE Towers REIT Management Company after completion of demutualization process. The TREC has been recorded at Rs. 2.50 million (for details refer to note 6.1). The board of directors of PSX have implemented the requirement of creating the charge/hypothecation on TREC in compliance of the regulation 2.1 of the risk management regulation.

#### 6. LONG TERM INVESTMENT

##### Available for Sale

		Rupees 2020	Rupees 201
Shares in ISE Towers REIT	6.1	46,884,616	30,346,030
		<u>46,884,616</u>	<u>30,346,030</u>

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 the Trading Rights Entitlement Certificate (TREC) from ISE which now has become the TREC of Pakistan Stock Exchange Limited after integration of the stock exchanges.

6.2 Accordingly the company has been allocated 3,034,603 shares of ISE with the face value 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 investors, 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 obtained cannot be determined with reasonable accuracy, the investment in shares has been recorded at the face value of PKR 10/- each in the company's books

6.4 In the absence of an active market for these shares, the company has taken/valued them at PKR 15.45/Share as per the audited financials of 2020 of ISE REIT Management Company Limited, which is the value approved by the Board of Directors of PSX and intimated to SECP for the Base Minimum Capital. The fact indicates an acceptable level for ISE REIT shares which is also used by the stock exchange for risk management and to safeguard investor's interests.

#### 7. LONG TERM ADVANCES AND DEPOSITS

	Rupees Dec 2020	Rupees Dec 2019
CDC Deposit	100,000	100,000
NCCPL Deposit	200,000	300,000
PSX Clearing House Deposit	200,000	200,000
	500,000	600,000

#### 8. SHORT TERM INVESTMENTS

	Rupees Dec 2020	Rupees Dec 2019
Investment in Marketable Securities	6,780,240	6,500,943

#### 9. OTHER RECEIVABLES

	Rupees Dec 2020	Rupees Dec 2019
Income Tax Refundable	10,301	10,301
Directors Current Account	4,982,294	3,660,954
Dividend Warrants in Hand	4,992,595	3,671,255

#### 10. CASH AND CASH EQUIVALENTS

	Rupees	Rupees
	Dec 2020	Dec 2019
Cash In Bank		
Current Account	691,154	292,668
Client Account	4,020	4,020
	695,174	296,688
Cash in Hand	0	
	695,174	296,688

#### 11. CURRENT LIABILITIES

	Rupees	Rupees
	Dec 2020	Dec 2019
Nayatel Fee Payable	36,982	0
LSEFL Monthly Charges Payable	17,904	0
	54,886	0

#### 12. ACCRUED AND OTHER PAYABLES

	Rupees	Rupees
	Dec 2020	Dec 2019
Audit Fee Payable	1,938	0
Legal & Pro Charges Payable	0	0
	1,938	0

#### 13. COMMITMENTS AND CONTINGENCIES

The company has pledged/hypothecated TRE Certificate of Pakistan Stock Exchange Limited (PSX) and 1,415,702 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).

#### 14. REVENUE

	Rupees Dec 2020
Commission Income	0
Dividend Income	1,073,093
Realized Gain on Investments	481,937
Unrealized Gain on Investments at fair value	1,580,814
Profit on NCCPL Deposit	930
Bank Profit	0
	<u>3,136,775</u>

#### 15. ADMINISTRATIVE EXPENSES

	Rupees Dec 20
CDC Charges	54,779
NCCPL Charges	54,976
SECP Annual License Fee	50,025
PSX Annual Charges	10,000
PSX Laga Charges	0
Professional Consultancy Fee	0
Misc Expenses	40,037
LSEFL Backoffice Services	61,423
PSX IT Charges	15,355
Nayatel P2P Charges	41,904
Total	<u>328,499</u>

#### 16. NUMBER OF EMPLOYEES

Nil

#### 17. GENERAL

17.1 Figures have been rounded to the nearest rupee, unless stated otherwise.



CEO





Director