

MARGALLA FINANCIAL (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

Baker Tilly Mehmood Idrees Qamar

Chartered Accountants

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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, 2021**, 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, 2021** 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.



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



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.**

Date: October 8, 2021

Place: Peshawar

Baker Tilly Mehmood Idrees Qamar

BAKER TILLY MEHMOOD IDREES QAMAR
Chartered Accountants



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.

MARGALLA FINANCIAL (PRIVATE) LIMITED
BALANCE SHEET
AS AT 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,460	4,460
Intangible assets	5	2,500,000	2,500,000
Long term investment	6	50,890,292	46,884,616
Long term advances and deposits	7	500,000	500,000
		53,894,752	49,889,076
Current assets			
Short term investment	8	7,322,942	6,195,694
Advances, Deposits, Prepayments and Other receivables	9	5,988,043	3,272,595
PSX exposure deposit		50,000	50,000
Cash and bank balances	10	194,417	393,624
		13,555,402	9,911,913
		67,450,154	59,800,989
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)		20,848,949	13,362,834
Deposit for shares issue		25,000,000	25,000,000
Unrealised gain on available for sale investment		11,346,030	11,346,030
Total equity		67,194,979	59,708,864
Current liabilities			
Accrued and other payables	11	255,175	92,125
Contingencies and commitments			
	12		
TOTAL EQUITY AND LIABILITIES		67,450,154	59,800,989

The annexed notes 1 to 20 form an integral part of these financial statements.



Chief Executive Officer





Director

**MARGALLA FINANCIAL (PRIVATE) LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 Rupees	2020 Rupees
Revenue	13	4,540,733	1,420,491
Administrative expenses	14	<u>(676,057)</u>	<u>(488,413)</u>
OPERATING PROFIT/(LOSS)		3,864,676	932,079
Impairment loss on TREC	5	-	-
Financial expenses		-	-
PROFIT /(LOSS) BEFORE TAXATION		<u>3,864,676</u>	<u>932,079</u>
Taxation		(384,237)	(167,609)
PROFIT/ (LOSS) AFTER TAXATION		<u><u>3,480,439</u></u>	<u><u>764,470</u></u>

The annexed notes 1 to 20 form an integral part of these financial statements.

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Madhuan

Chief Executive Officer

Janu Khan

Director

MARGALLA FINANCIAL (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) for the year before taxation	3,864,676	932,079
Adjustments for non-cash charges and other items		
Realised (Gain) / loss on investment	(1,613,427)	(224,088)
Depreciation	-	-
Unrealised (Gain) / loss on investment	(1,688,602)	(253,088)
Impairment loss on TREC	-	-
Cash flows before working capital changes	562,647	454,903
Working capital changes		
(Increase) / decrease in current assets:		
Long Term Advances and deposits	-	100,000
Advances, Deposits, Prepayments and Other receivables	(2,715,448)	(219,980)
Increase / (decrease) in current liabilities:		
Accrued and other payables	163,050	(7,875)
	<u>(2,552,398)</u>	<u>(127,855)</u>
Cash generated from operations	(1,989,751)	327,048
Finance cost		
Taxes paid	(384,237)	(167,609)
Net cash from operating activities	<u>(2,373,988)</u>	<u>159,439</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure		
Investment in Marketable Securities	2,174,781	(416,425)
Net cash used in investing activities	<u>2,174,781</u>	<u>(416,425)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Share Deposit Money	-	-
Loan from director	-	-
Net cash from financing activities	<u>-</u>	<u>-</u>
Net cash decrease in cash and cash equivalents	(199,207)	(256,986)
Cash and cash equivalent at the beginning of the year	393,624	650,610
Cash and cash equivalent at the end of the year	<u>194,417</u>	<u>393,624</u>

The annexed notes 1 to 20 form an integral part of these financial statements.



Chief Executive Officer




 Director

MARGALLA FINANCIAL (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
PROFIT/(LOSS) AFTER TAXATION		3,480,439	764,470
Items that may be classified to the Profit and loss:		-	-
Items that may not be classified to the Profit and loss:			
Gain on ISE REIT Management shares		4,005,676	16,538,586
Other comprehensive income for the year		4,005,676	16,538,586
TOTAL COMPREHENSIVE (LOSS)/INCOME		<u>7,486,115</u>	<u>17,303,056</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

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Ahmad Khan

Chief Executive Officer

Jasim Khan

Director

MARGALLA FINANCIAL (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Issued Subscribed & Paid up Capital	Un- appropriate profit/(loss)	Share deposit money	Unrealized surplus / (deficit) on re- measurement of investments measured at	Un-realised gain on Available For Sale Investment	Total
(RUPEES)						
Balance as at June 30, 2017	10,000,000	642,358	23,000,000		11,346,030	44,988,388
Introduced during the year	-	-	-		-	-
Comprehensive income / (loss) for the year ended June 30, 2018	-	(678,478)	-		-	-
Balance as at June 30, 2018	<u>10,000,000</u>	<u>(36,120)</u>	<u>23,000,000</u>	<u>-</u>	<u>11,346,030</u>	<u>44,309,910</u>
Introduced during the year	-	-	2,000,000		-	-
Comprehensive income / (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>-</u>	<u>11,346,030</u>	<u>42,405,808</u>
Introduced during the year						
Comprehensive income / (loss) for the year ended June 30, 2020	-	764,470	-	16,538,586	-	-
Balance as at June 30, 2020	<u>10,000,000</u>	<u>(3,175,752)</u>	<u>25,000,000</u>	<u>16,538,586</u>	<u>11,346,030</u>	<u>59,708,864</u>
Introduced during the year						
Comprehensive income / (loss) for the year ended June 30, 2021		3,480,439		4,005,676		
Balance as at June 30, 2021	<u>10,000,000</u>	<u>304,687</u>	<u>25,000,000</u>	<u>20,544,262</u>	<u>11,346,030</u>	<u>67,194,979</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

B. Singh

Madhuan

Chief Executive Officer

Jagan Chandra

Director

MARGALLA FINANCIAL (PRIVATE) LIMITED

Notes to the financial statements

For the year ended June 30, 2021

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 accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprises of: - International Financial Reporting Standards (IFRS Standards) 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 issued 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



MARGALLA FINANCIAL (PRIVATE) LIMITED

Notes to the financial statements

For the year ended June 30, 2021

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 depreciation is significant.

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 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, amortised 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.



MARGALLA FINANCIAL (PRIVATE) LIMITED

Notes to the financial statements

For the year ended June 30, 2021

Financial assets that meet the following conditions are subsequently measured at amortised 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 amortised 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 investments 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 recognised in other comprehensive income/ (loss).

ii) Financial assets and liabilities at amortized cost

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

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the statements of profit and loss and other comprehensive income. Realised 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 amortised cost and FVTOCI at an amount equal to lifetime ECLs except for the financial assets in which there is no significant increased 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 again sale of property
- Bank balances
- Loss allowance for receivables from clients are always measured at an amount equal to life time ECLs.
- Life time 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.



MARGALLA FINANCIAL (PRIVATE) LIMITED

Notes to the financial statements

For the year ended June 30, 2021

- 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.

Derecognition

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 substantially all the associated risks and reward of

ii) Financial liabilities

The Company derecognises financial liabilities when its obligation under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any noncash assets transferred or liabilities assumed, is recognised 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 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.

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

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.



MARGALLA FINANCIAL (PRIVATE) LIMITED

Notes to the financial statements

For the year ended June 30, 2021

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-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.

3.11 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 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 30.06.2021
	As on 01.07.2020	Additions/ (Deletions)	As on 30.06.2021		As on 01.07.2020	For the year	As on 30.06.2021	
Computers & Accessories	44,600	-	44,600	30%	40,140	-	40,140	4,460
Rupees (2021)	44,600		-		40,140			
Rupees (2020)	44,600		44,600		40,140			

Note: During the year management has decided the residual value of Computer and Accessories is PKR 4,460.

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MARGALLA FINANCIAL (PRIVATE) LIMITED**Notes to the financial statements****For the year ended June 30, 2021**

	Rupees 2021	Rupees 2020
5 Intangible assets		
Opening Balance Trading Right Entitlement Certificate	2,500,000	2,500,000
Impairment	-	-
	<u>2,500,000</u>	<u>2,500,000</u>

- 5 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

50,890,29246,884,616

- 6 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
- 6 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.
- 6 In the absence of an active market for these shares, the company has taken/ valued them at Rs. 16.77/share as per audited financials of 2021 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 interest.



MARGALLA FINANCIAL (PRIVATE) LIMITED
Notes to the financial statements
For the year ended June 30, 2021

	Rupees 2021	Rupees 2020
7 Long term advances and deposits		
CDC deposit	100,000	100,000
NCCPL deposit	200,000	200,000
ISE Clearing House deposit	100,000	100,000
PSX clearing deposit	100,000	100,000
	<u>500,000</u>	<u>500,000</u>
8 Investment in marketable securities		
Investment in marketable securities	7,322,942	6,195,694
	<u>7,322,942</u>	<u>6,195,694</u>
9 Advances, Deposits, Prepayments and Other receivables		
Income tax refundable	10,301	10,301
Director Current account	5,966,934	3,246,934
Dividend Warrants in hand	10,808	15,360
	<u>5,988,043</u>	<u>3,272,595</u>
10 Cash and bank balances		
Cash at banks:		
Current accounts	194,417	393,624
	<u>194,417</u>	<u>393,624</u>
Cash in hand	<u>194,417</u>	<u>393,624</u>
11 Accrued and other payables		
Audit Fee Payable	55,813	51,063
ACCRUED EXPENSES NCCPL	3,071	
CGT payable	196,291	
Legal & Professional Charges Payable	-	41,063
	<u>255,175</u>	<u>92,125</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	1,236,881	938,365
Gain on investment in Marketable Securities	1,613,427	224,088
NCCPL profit on deposit	1,821	4,950
Un-realised gain / (loss) on Marketable Securities	1,688,602	253,088
Profit on PSX Deposit	2	-
	<u>4,540,733</u>	<u>1,420,491</u>

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MARGALLA FINANCIAL (PRIVATE) LIMITED

Notes to the financial statements

For the year ended June 30, 2021

	Rupees 2021	Rupees 2020
14 Administrative Expenses		
CDC Charges	109,280	5,100
NCCPL Charges	57,690	57,688
PSX Office Registration Annual Fee	10,000	-
PSX Annual Fee	-	10,000
PSX Laga Charges	1,000	-
SECP Filing Fee	-	-
Audit Fee	55,813	45,000
Legal and Professional Charges	115,000	96,937
Annual Fee SECP	50,025	50,000
Misc. Expenses	51,252	-
PSX IT Annual Charges	42,994	39,923
Internet Charges	77,712	59,846
LSEFL Back Office	105,291	-
LSEFL Support Programme	-	123,919
Depreciation	-	-
	<u>676,057</u>	<u>488,413</u>

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MARGALLA FINANCIAL (PRIVATE) LIMITED

15 FINANCIAL INSTRUMENTS BY CATEGORY

2021			
Amortized cost	FVOCI	FVTPL	Total
Rupees			

ASSETS

Non-current assets

Long term deposits	500,000	-	-	500,000
Long term investment	-	50,890,292	-	50,890,292

Current assets

Short-term investments	-	-	6,195,694	6,195,694
Deposits, prepayments and other receivable	5,988,043	-	-	5,988,043
Cash and bank balances	194,417	-	-	194,417

LIABILITIES

Current liabilities

Account payables	-	-	-	-
Accrued and Other Liabilities	255,175	-	-	255,175

2020			
Amortized cost	FVOCI	FVTPL	Total
Rupees			

ASSETS

Non-current assets

Long-term deposits	500,000	-	-	500,000
Long term investment	46,884,616	-	-	46,884,616

Current assets

Short-term investments	-	-	6,195,694	6,195,694
Deposits, prepayments and other receivable	3,272,595	-	-	3,272,595
Cash and bank balances	393,624	-	-	393,624

LIABILITIES

Current liabilities

Account payables	-	-	-	-
Accrued and Other Liabilities	92,125	-	-	92,125

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MARGALLA FINANCIAL (PRIVATE) LIMITED

16 COMPUTATION OF LIQUID CAPITAL BALANCE

Under Regulation 6(4) of Third Schedule of Securities Brokers (Licensing and Operations) Regulations, 2016 (The Regulations) issued by Securities and Exchange Commission of Pakistan as on 30-06-2020.

16.1 Basis of Preparation

The liquid capital balance has been prepared on the basis of Securities Brokers (Licensing and operations) Regulations, 2016 (The Regulations) issued by Securities and Exchange Commission of Pakistan.

16.2 Computation of liquid Capital

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	4,460	100.00%	-
1.2	Intangible Assets	2,500,000	100.00%	-
1.3	Investment in Govt. Securities	-	-	-
1.4	Investment in Debt. Securities			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	5.00%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.50%	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10.00%	-
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15.00%	-
1.5	Investment in Equity Securities			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	7,322,942	1,299,806	6,023,136
	ii. If unlisted, 100% of carrying value.	50,890,292	100.00%	-
	iii. Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	-	0.00%	-
	iv. 100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)		100.00%	
1.6	Investment in subsidiaries	-	100.00%	-
1.7	Investment in associated companies/undertaking			
	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	500,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.	50,000	-	50,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	-	100.00%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc. (Nil)	-	-	-
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivables.	10,808	-	10,808
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (<i>Securities purchased under repo arrangement shall not be included in the investments.</i>)	-	-	-
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months			
	ii. Receivables other than trade receivables	-	100.00%	-
1.16	Receivables from clearing house or securities exchange(s)			
	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	claims on account of entitlements against trading of securities in all markets including MtM gains.			
1.17	Receivables from customers			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i>	-	-	-
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i>	-	5.00%	-

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, iii. Net amount after deducting haircut	-	-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. iv. Balance sheet value	-	-	-
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. v. Lower of net balance sheet value or value determined through adjustments	-	-	-
	vi. 100% haircut in the case of amount receivable form related parties.	-	100.00%	-
1.18	Cash and Bank balances			
	i. Bank Balance-proprietary accounts	190,397	-	190,397
	ii. Bank balance-customer accounts	4,020	-	4,020
	iii. Cash in hand	-	-	-
1.19	Total Assets	61,472,919		6,278,361
2. Liabilities				
2.1	Trade Payables			
	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	-	-	-
2.2	Current Liabilities			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	-	-	-
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	255,175	-	255,175
2.3	Non-Current Liabilities			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial instituion: Long term portion of financing obtained from a financial institution including amount due against finance lease			
	b. Other long-term financing			
	ii. Staff retirement benefits	-	-	-
	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Boad of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.			
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.4	Subordinated Loans			
	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.	-	100%	-
	ii. Subordinated loans which do not fulfill the conditions specified by SECP			
2.5	Total Liabilities	255,175		255,175
3. Ranking Liabilities Relating to :				
3.1	Concentration in Margin Financing			
	The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
3.2	Concentration in securites lending and borrowing			
	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
3.3	Net underwriting Commitments			
	(a) in the case of right issue : if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting	-	-	-
	(b) in any other case : 12.5% of the net underwriting commitments	-	-	-
3.4	Negative equity of subsidiary			
	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	Foreign exchange agreements and foreign currency positions			
	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
3.7	Repo adjustment			
	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received ,less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	Concentrated proprietary positions			
	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position,then 10% of the value of such security	-	-	-
3.9	Opening Positions in futures and options			
	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/pledged with securities exchange after applying VaR haircuts	-	-	-
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met	-	-	-
3.10	Short sell positions			
	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	Total Ranking Liabilities	-	-	-
		61,217,744	Liquid Capital	6,023,186

Calculations Summary of Liquid Capital

(i) Adjusted value of Assets (serial number 1.19)	6,278,361
(ii) Less: Adjusted value of liabilities (serial number 2.5)	(255,175)
(iii) Less: Total ranking liabilities (series number 3.11)	-
	Liquid Capital (Rs) 6,023,186

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MARGALLA FINANCIAL (PRIVATE) LIMITED

Notes to the financial statements

For the year ended June 30, 2021

17 CALCULATION OF CAPITAL FOR THE PURPOSE OF RULE 2(d) OF SECURITIES AND EXCHANGE RULES, 1971

		2021
	Notes	(Rupees)
CURRENT ASSETS		
Cash and Bank Account balance	17.2	194,417
Trade Receivables	17.3	-
Investment in Listed Securities in the name Of Broker	17.4	6,224,501
Securities purchased for Clients		-
Listed TFCs/Corporate Bonds not less Than BBB Grade		-
PIBs		-
Treasury Bills		
Any Other Current Asset- Margin Deposit with NCCPL Dividend warrants in hand		50,000 10,808
		<u>6,479,726</u>
CURRENT LIABILITIES		
Trade Payables	17.5	-
Other Liabilities	17.6	255,175
		<u>255,175</u>
NET CAPITAL BALANCE		<u><u>6,224,551</u></u>
17.1	The net capital balance has been prepared on the basis of Securities Exchange Commission (SEC) Rules,	
17.2	Cash and Bank account balance	
	a- Cash in hand	-
	b- Bank Balance Pertaining to brokerage house	190,397
	c- Bank Balance Pertaining to clients	4,020
		<u>194,417</u>
17.3	Trade Receivable	
	Book Value	-
	Less: Overdue for more than 14 days	-
		<u>-</u>

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	Notes	2021 (Rupees)
17.4 Investment in listed securities in the name of brokerage house		
Investment at market value		7,322,942
Less: Discount at 15%		1,098,441
		<u>6,224,501</u>
17.5 Trade Payables		
Book Value		-
Less: Overdue for more than 30 days		-
		<u>-</u>
17.6 Other liabilities		
Trade Payable overdue for more than 30 days		
FED Payable		
Lease liabilities		
Accrued Liabilities		255,175
		<u>255,175</u>

18 CAPITAL ADEQUACY

Total Assets	18.1	67,450,154
Less: Total Liabilities		255,175
Less: Revaluation Reserves (created upon revaluation of fixed assets)		-
Capital Adequacy Level		<u>67,194,979</u>

18.1 While determining the value of the total assets of the Company, the notional value as at June 30, 2021 of the TREC held by the Company has been considered.

19 Number of employees Nil

20 General and date of authorization

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

20.2 These financial statements have been authorized for issue by the board of directors of the company on October 8, 2021.





Chief Executive Officer



Director