

Zahid Latif Khan Securities (Pvt) Ltd
Audited Financial Statements
As at
June 30, 2016



NASIR JAVAID MAQSOOD IMRAN
Chartered Accountants

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Zahid Latif Securities (Private) Limited** ("the Company") as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the "Approved Accounting Standards" and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the Auditing Standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) In our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and

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CPAA (ii)

the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved Accounting Standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Other matter paragraph

The prior year financial statements of the company were audited by another firm of chartered accountants who expressed an unqualified opinion thereon on October 03, 2015.

Date: 10 October 2016

Place: Islamabad


Nasir Javaid Maqsood Imran
Chartered Accountants
IMRAN UL HAQ, FCA



Zahid Latif Khan Securities (Private) Limited
Directors Report to the Shareholders

Asalam-o-Alaikum

Dear Shareholders on behalf of the Board of Directors I am pleased to present the Annual Report for the financial year ended June 30, 2016, together with the audited financial statements and auditor's report thereon.

The country most of the challenges prevalent last year, including i) energy shortages, ii) dismal law and order situation, iii) low private sector investment. Despite challenges, improving macros and sound policies enabled the country to churn out a respectable GDP growth rate of 4.71% YoY during FY16.

During the year Islamabad, Lahore and Karachi Stock Exchanges merged into a Single Pakistan Stock Exchange (PSX). Resultantly we were provided trading rights in PSX. Now brokerage houses have better platform to execute their transactions. Hopefully this will result better future prospect for brokerage houses.

Despite market-related challenges and country's economic condition, the company is focused on maintaining its growth momentum in the long run. Management is acutely monitoring its resources to reap the maximum benefits for its shareholders. This involves optimizing revenue generation from brokerage and fee based operations whilst at the same time rationalizing our cost base.

Financial Results

The company earned net income of Rs. 14.757 million from its operations viz a viz net income of Rs. 46.784 million in the comparative last year.

Future Outlook

In the short run, the company make efforts to regain its due market share from the securities market of the country. The company has now arrived at a critical conclusion that owning a trade and allied system is of paramount importance for the company and the management is now weighing different options in this regard.

The future prospectus of your company look outstanding on account of growing market volumes with our increasing market share. We are targeting to generate better volumes from our existing clients on account of our increasing relationship with fund managers and broker dealers. We are confident that the investment portfolio will keep delivering better results going forward as the market is still offering opportunities. Steps are also being taken to provide excellent research services to our clients to improve our business and reflect our brand's strong performance

Auditors

The present auditors of the company M/s Nasir Javaid Maqsood Imran Chartered Accountants retired and offer themselves for re-appointment for the year ending June 30, 2017. The board has suggested the re-appointment of the current auditors as auditors of the company for the ensuing year.

Acknowledgement

We would like to express our sincerest appreciation to our employees, clients and to our shareholders for the confidence they have entrusted on us.

We pray to Allah for the continued success of your company.

Karachi
October 3, 2015



(Ajmal Sultan)
Director

Zahid Latif Khan Securities (Private) Limited
Balance Sheet as at June 30, 2016

<u>Equity and liabilities</u>	<u>Note</u>	<u>2016</u> <u>(Rupees)</u>	<u>2015</u> <u>(Rupees)</u>
Share capital and reserves			
Share capital	4	55,000,000	30,000,000
TREC value reserve		1,000,000	-
Unappropriated profit		101,603,040	89,672,904
		157,603,040	119,672,904
Current liabilities			
Trade payables		103,773,288	237,712,125
Short term bank borrowings	5	24,283,610	-
Accrued and other liabilities	6	6,142,406	56,497,458
Provision for taxation		2,764,153	2,413,077
		136,963,456	296,622,660
Contingencies and commitments	7	-	-
		294,566,496	416,295,564
Assets			
Non - current assets			
Property and equipment	8	49,217,299	2,691,905
Long term deposits	9	520,000	710,000
Intangible assets	10	5,000,000	4,000,000
Current assets			
Short term investment	11	63,896,030	272,150,195
Trade receivables	12	57,371,565	74,424,560
Loan and advances	13	5,724,230	605,900
Deposits, prepayments and other receivables	14	16,830,376	13,286,871
Cash and bank balances	15	96,006,995	48,426,131
		239,829,196	408,893,657
		294,566,496	416,295,564

The annexed notes 1 to 27 form an integral part of these financial statements.



Chief Executive


Director

Zahid Latif Khan Securities (Private) Limited
Profit and Loss Account
For the year ended June 30, 2016

	<u>Note</u>	<u>2016</u> (Rupees)	<u>2015</u> (Rupees)
Commission income	16	29,337,895	33,950,665
Unrealized (loss)/gain on remeasurement of investment at fair-value through profit or loss - held for trading (net)	17	(1,940,000)	28,674,596
		<u>27,397,895</u>	<u>62,625,261</u>
Operating expenses	18	26,199,123	31,939,785
Profit from operations		1,198,771	30,685,476
Financial charges	19	1,425,239	1,693,724
		(226,468)	28,991,752
Other income	20	14,984,332	17,792,344
Profit before taxation		14,757,864	46,784,096
Taxation	21	2,827,728	2,477,339
Profit after taxation		<u>11,930,136</u>	<u>44,306,757</u>

The annexed notes 1 to 27 form an integral part of these financial statements.


Chief Executive


Director

Zahid Latif Khan Securities (Private) Limited
Statement of Comprehensive Income
For the year ended June 30, 2016

	<u>Note</u>	<u>2016</u> (Rupees)	<u>2015</u> (Rupees)
Profit for the year		11,930,136	44,306,757
Other comprehensive income		-	-
Items that may be classified to profit and loss			
Gain on remeasurement of TREC		1,000,000	-
Total comprehensive income for the year		<u>12,930,136</u>	<u>44,306,757</u>

The annexed notes 1 to 27 form an integral part of these financial statements.


Chief Executive


Director

Zahid Latif Khan Securities (Private) Limited
Cash Flow Statement
For the year ended June 30, 2016

	<u>Note</u>	<u>2016</u> (Rupees)	<u>2015</u> (Rupees)
Cash flow from operating activities			
Net profit before tax		14,757,864	46,784,096
Adjustments for:			
Depreciation		380,749	408,849
Unrealized gain on short term investment		1,940,000	(28,674,596)
		<u>2,320,749</u>	<u>(28,265,746)</u>
Operating profit before working capital changes		17,078,613	18,518,349
(Increase)/decrease in :			
Short term investment-Listed Companies		206,314,165	(117,890,835)
Trade receivables		17,052,995	2,428,372
Loan and advances		(5,118,330)	(246,500)
Deposits, prepayments and other receivables		(2,286,538)	18,462,506
		215,962,292	(97,246,457)
(Decrease)/Increase in current liabilities		<u>(184,293,889)</u>	<u>114,769,780</u>
		31,668,402	17,523,323
Cash generated from operating activities		48,747,015	36,041,672
Income tax paid		<u>(3,543,619)</u>	<u>(2,360,331)</u>
		(3,543,619)	(2,360,331)
Net cash (used)/generated from operating activities		45,203,396	33,681,341
Cash flow from investing activities			
Fixed capital expenditure		<u>(46,906,144)</u>	<u>-</u>
Net cash used in investing activities		<u>(46,906,144)</u>	<u>-</u>
Cash flow from financing activities			
Issuance of share capital		25,000,000	-
Proceeds from short term borrowings		24,283,610	-
Net cash inflow from financing activities		<u>49,283,610</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		47,580,862	33,681,341
Cash and cash equivalent at the beginning of the year		48,426,131	14,744,790
Cash and cash equivalent at the end of the year	15	<u>96,006,995</u>	<u>48,426,131</u>

The annexed notes 1 to 27 form an integral part of these financial statements.


Chief Executive


Director

Zahid Latif Khan Securities (Private) Limited
Statement of Changes in Equity
For the year ended June 30, 2016

	Share Capital	Accumulated profit /(losses)	TREC Value Reserve	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Balance as at June 30, 2014	30,000,000	45,366,147	-	75,366,147
Issuance of share capital	-	-	-	-
Profit for the year	-	44,306,757	-	44,306,757
Other comprehensive income for the year	-	-	-	-
Balance as at June 30, 2015	30,000,000	89,672,904	-	119,672,904
Issuance of share capital	25,000,000	-	-	25,000,000
Profit for the year	-	11,930,136	-	11,930,136
Other comprehensive income for the year	-	-	1,000,000	1,000,000
Balance as at June 30, 2016	55,000,000	101,603,040	1,000,000	157,603,040

The annexed notes 1 to 27 form an integral part of these financial statements.


 Chief Executive


 Director

Zahid Latif Khan Securities (Private) Limited
Notes to the financial statements
For the year ended June 30, 2016

1. The Company and its operations

The company was incorporated in Pakistan on May 06, 1999 under the Companies Ordinance, 1984 as a private limited company. The company is a Trading Right Entitlement Certificate (TREC) holder of Pakistan Stock Exchange Limited and duly registered with the Securities and Exchange Commission of Pakistan (SECP). It started its commercial activities with effect from July 06, 1999.

The main object of the company is to carry on the business of broker in stocks, shares, securities under license or with the foreign permission or approval of any recognized association, authority, stock exchange, or other market in Pakistan or abroad. The registered office of the company is situated at Room No. 624-627, 6th Floor, Stock Exchange Building, Stock Exchange Road, Karachi.

2. Basis of preparation of financial statements

2.1) 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 (IASB) 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.

2.2) Basis of measurement

These accounts have been prepared under the historical cost convention, without any adjustments for the effects of inflation or current values except for financial assets which are taken over on fair value basis.

2.3) Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the company's financial currency.

2.4) Use of significant estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgment, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.



Zahid Latif Khan Securities (Private) Limited
Notes to the financial statements
For the year ended June 30, 2016

2.5) New and amended standards and interpretations

2.5.1) Standards that became effective and adopted:

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard does not have significant impact on these financial statements, except for certain additional disclosures.

2.5.2) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual reporting periods beginning on or after) July 1, 2016
IFRS 5	Non-current Assets Held for Sale and Discontinued	July 1, 2016
IFRS 7	Financial Instruments: Disclosures (Amendments)	July 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2016
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2016
IAS 19	Employee Benefits (Amendments)	January 1, 2016
IAS 27	Separate Financial Statements (Amendments)	January 1, 2016
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2016
IAS 34	Interim Financial Reporting (Amendments)	January 1, 2016
IAS 38	Intangible Assets (Amendments)	January 1, 2016
IAS 41	Agriculture (Amendments)	January 1, 2016

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/ disclosures.

2.5.3) There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

Zahid Latif Khan Securities (Private) Limited
Notes to the financial statements
For the year ended June 30, 2016

3. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below:

3.1) Taxation

The provision for current taxation is based on taxable income at the current rates of taxation. Company provides for the deferred taxation, if any, using the liability method. However no provision is made if it is estimated that this would not reverse in the foreseeable future.

3.2) Property and equipment

- i) These are stated at cost less accumulated depreciation and impairment losses, if any;
- ii) Depreciation on operating assets is charged on reducing balance method. A full month's depreciation is charged in the month of addition and no depreciation is charged in the month of disposal;
- iii) Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized;
- iv) Gain and losses on disposal of fixed assets, if any, included in profit and loss account currently;
- v) The Company reviews the useful lives and residual value of its assets on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

3.3) Impairment of non-financial assets

Assets that are subject to depreciation/amortization are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. As impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original costs of the asset.

3.4) Intangible assets

An intangible asset is recognized as an asset if it is probable that the economic benefits attributable to the assets will flow to the company and cost of the asset can be measured reliably. Trading Right Entitlement Certificate (TREC) which is granted by Pakistan Stock Exchange (PSX) in lieu of membership cards are valued initially at prescribed value by PSX.

3.5) Investments

All investments are initially recognized at fair value, being the cost of the consideration given including transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the profit and loss account.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sale an asset.

The management determines the appropriate classification of the investment made by the Company in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of purchase.

The Company classifies its investments in the following categories:

Zahid Latif Khan Securities (Private) Limited
Notes to the financial statements
For the year ended June 30, 2016

Financial assets 'at fair value through profit or loss - held for trading'

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss - held for trading'. Subsequent to initial recognition, these investments are marked-to-market and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the profit and loss account.

Held-to-maturity investments

Investments with a fixed maturity where the Company has the intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any accumulated impairment losses.

Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in market prices, are classified as 'available-for-sale'. Subsequent to initial measurement, available-for-sale investments are re-measured to fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity through comprehensive income. However, any premium or discount on acquisition of debt securities is amortized and taken to the profit and loss account over the life of the investment using the effective interest rate method. When securities are disposed of or impaired, the related fair value adjustments previously taken to equity are transferred to the profit and loss account.

Fair value for listed securities are the quoted prices on stock exchange on the date it is valued. Fair value of Term Finance Certificates, units of open end Mutual Funds and Government Securities are determined on the basis of rates notified by Mutual Fund Association of Pakistan for Term Finance Certificates, relevant redemption prices for the open-end Mutual Funds and quotations obtained from the PKRV sheets for Government Securities respectively. Unquoted securities are valued at cost.

3.6) Staff retirement benefits

The company operates a non-contributory, unapproved and unfunded gratuity scheme for its permanent employees, who have completed minimum period of five year service. No provision has been recorded for in these accounts as no permanent employee fulfill the minimum length of service

3.7) Revenue recognition

Brokerage and commission is recognized as and when such services are provided.

3.8) Trade debts

These are stated at net of provision for doubtful debts. Full provision is made against the debts considered doubtful.

3.9) Cash and cash equivalents

Cash in hand and at banks are carried at cost.

3.10) Financial instrument

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The company derecognizes the financial assets and liabilities when it ceases to be party to such contractual provisions of the instruments. Financial instrument mainly comprise investments, trade and other receivables, cash and bank balances, deposits, borrowings, trade and other payables, accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Zahid Latif Khan Securities (Private) Limited
Notes to the financial statements
For the year ended June 30, 2016

	<u>Note</u>	<u>2016</u> (Rupees)	<u>2015</u> (Rupees)
4. <u>Share capital and reserves</u>			
Authorized:			
300,000 ordinary shares of Rs. 100/= each		-	30,000,000
600,000 ordinary shares of Rs. 100/= each		<u>60,000,000</u>	
Issued, subscribed and paid up:			
300,000 ordinary shares of Rs. 100/= each		-	30,000,000
550,000 ordinary shares of Rs. 100/= each		<u>55,000,000</u>	
5. <u>Short term bank borrowings</u>			
MCB Bank Limited		24,283,610	-
		<u>24,283,610</u>	-

The facility is available with MCB Bank Limited to the tune of Rs. 45.000 million against the running finance - I (RF-I) and running finance-II (RF-II) of Rs. 20.000 million respectively at a mark up listed below...

- RF - I & II TPMR (3Months Kibor + 2.75% p.a.)
- SMR (TPMR + 5%) (which ever is higher)

These facilities are secured by way of:

Running Finance - I

- Personal guarantees of all the directors covering the entire exposure;
- Pledge of activity traded shares in marketable lots (trading at not less than par value) of eligible listed companies registered with CDC as per MCB's eligible list for financing against shares.

Running Finance - II

- Existing 1st exclusive charge of Rs.35M to be enhanced up to Rs. 65M over current assets of the
- Hypothecation of receivables of the company.

Collateral

- Personal guarantees of all the directors covering aggregate exposure must be held;
- Token registration mortgage of Rs. 0.100 million and rest against equitable mortgage of residential property bearing plot No. 07 & 09, Street No. 13, Sector C, Phase - I, admeasuring 1000 sq. yds. situated at Defense Housing Authority Islamabad owned by chief executive of the company valuing Rs. 65.462 million (FSV: Rs. 55.643 million) as per valuation report of M/s Danish Enterprises dated

These facilities shall expire on January 31, 2017.

Zahid Latif Khan Securities (Private) Limited

Notes to the financial statements

For the year ended June 30, 2016

	<u>Note</u>	<u>2016</u> <u>(Rupees)</u>	<u>2015</u> <u>(Rupees)</u>
6. <u>Accrued and other liabilities</u>			
Other liabilities		5,039,769	217,744
Sales tax payable		234,920	210,709
Utilities		159,432	140,020
CDC bill payable		159,264	147,261
FED payable		131,548	239,130
Commission payable		128,307	1,545,049
Audit fee		100,000	100,000
Payable to Islamabad Stock Exchange Limited/NCCPL		96,545	256,797
Income tax payable		92,620	-
Due to director	(6.1)	-	50,940,748
Directors remuneration payable		-	1,800,000
Staff salary payable		-	900,000
		<u>6,142,406</u>	<u>56,497,458</u>

6.1) Due to director

This is unsecured, interest free and repayable at the convenience of the company.

7. Contingencies and commitments

a) Contingencies:

Currently there are no contingencies against the company in foreseeable future.

b) Commitments:

Currently there are no commitments against the company in foreseeable future.

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Zahid Latif Khan Securities (Private) Limited
Notes to the financial statements
For the year ended June 30, 2016

8. Property and equipment

Property and equipment
 Advance for Purchases of building

Note	2016 (Rupees)	2015 (Rupees)
	2,569,688	2,691,905
	46,647,612	-
	49,217,299	2,691,905

	Office Building	Furniture and Fixtures	Air Conditioners	Office Equipments	Motor cycle	Electronic Equipment	Computers	Generators	Telephonic Installation	Motor Vehicle-Owned	Total
Rupees											
As at 30 June 2014											
Cost	2,575,000	830,924	223,487	48,990	167,925	117,420	869,543	19,100	64,618	2,299,084	7,216,091
Accumulated depreciation	(725,770)	(615,919)	(160,018)	(48,344)	(123,293)	(90,012)	(628,225)	(15,516)	(38,090)	(1,670,151)	(4,115,338)
Net book value	<u>1,849,230</u>	<u>215,005</u>	<u>63,469</u>	<u>646</u>	<u>44,632</u>	<u>27,408</u>	<u>241,318</u>	<u>3,584</u>	<u>26,528</u>	<u>628,933</u>	<u>3,100,753</u>
Year ended 30 June 2015											
Opening net book value	1,849,230	215,005	63,469	646	44,632	27,408	241,318	3,584	26,528	628,933	3,100,753
Additions during the year	(184,923)	(32,251)	(9,520)	(97)	(6,095)	(4,111)	(72,295)	(538)	(3,979)	(94,340)	(408,849)
Depreciation charge											
Closing net book value	<u>1,664,307</u>	<u>182,754</u>	<u>53,949</u>	<u>549</u>	<u>37,937</u>	<u>23,297</u>	<u>168,923</u>	<u>3,046</u>	<u>22,549</u>	<u>534,593</u>	<u>2,691,905</u>
At 30 June 2015											
Cost	2,575,000	830,924	223,487	48,990	167,925	117,420	869,543	19,100	64,618	2,299,084	7,216,092
Accumulated depreciation	(910,693)	(648,170)	(169,538)	(48,441)	(129,988)	(94,123)	(700,620)	(16,054)	(42,069)	(1,764,491)	(4,524,187)
Net book value	<u>1,664,307</u>	<u>182,754</u>	<u>53,949</u>	<u>549</u>	<u>37,937</u>	<u>23,297</u>	<u>168,923</u>	<u>3,046</u>	<u>22,549</u>	<u>534,593</u>	<u>2,691,905</u>
Year ended 30 June 2016											
Opening net book value	1,664,307	182,754	53,949	549	37,937	23,297	168,923	3,046	22,549	534,593	2,691,905
Additions during the year							258,532				258,532
Depreciation charge	(166,431)	(27,413)	(8,092)	(82)	(5,691)	(3,495)	(85,517)	(457)	(3,382)	(80,189)	(380,749)
Closing net book value	<u>1,497,876</u>	<u>155,341</u>	<u>45,856</u>	<u>467</u>	<u>32,247</u>	<u>19,802</u>	<u>341,938</u>	<u>2,589</u>	<u>19,166</u>	<u>454,404</u>	<u>2,569,688</u>
At 30 June 2016											
Cost	2,575,000	830,924	223,487	48,990	167,925	117,420	1,128,075	19,100	64,618	2,299,084	7,474,624
Accumulated depreciation	(1,077,124)	(675,583)	(177,631)	(48,523)	(135,678)	(97,618)	(786,137)	(16,511)	(45,452)	(1,844,680)	(4,904,936)
Net book value	<u>1,497,876</u>	<u>155,341</u>	<u>45,856</u>	<u>467</u>	<u>32,247</u>	<u>19,802</u>	<u>341,938</u>	<u>2,589</u>	<u>19,166</u>	<u>454,404</u>	<u>2,569,688</u>
Annual rate of depreciation (% per annum)	10	15	15	15	15	15	30	15	15	15	

9. Long term deposits

Security deposits with:
 National Clearing Company of Pakistan Limited
 Islamabad Stock Exchange Limited
 Mobile phones

Note	2016 (Rupees)	2015 (Rupees)
	300,000	300,000
	200,000	390,000
	20,000	20,000
	520,000	710,000

10. Intangible assets

Trading Right Entitlement Certificate (TREC)

Note	2016 (Rupees)	2015 (Rupees)
(11.1)	5,000,000	4,000,000
	5,000,000	4,000,000

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Zahid Latif Khan Securities (Private) Limited
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For the year ended June 30, 2016

	<u>Note</u>	<u>2016</u> (Rupees)	<u>2015</u> (Rupees)
11. Short term investment			
Held for trading			
Islamabad Stock Exchange Limited	(11.1)	30,346,030	30,346,030
Investment in quoted equity securities	(17)	33,550,000	241,804,165
		<u>63,896,030</u>	<u>272,150,195</u>

11.1) Pursuant to promulgation of the Stock Exchange (Corporatization, demutualization and Integration Act), 2012 "Act" the ownership in a Stock Exchange has been segregated from the right to trade on the Exchange. Accordingly the Company has received equity shares of ISEL and Trading Right entitlement Certificate (TREC) in lieu of membership card of ISE. The company entitlement in respect of ISEL shares is determined on the basis of valuation of assets and liabilities of ISE as approved by SECP and the Company has been allotted 3,034,603 shares of the face value of Rs. 10/- each. These include 60 % shares if ISEL, held in separate CDC blocked account to restrict the sale of these shares by the members whereas stock exchange will dispose of these shares under the provisions of this Act, however the proceeds of these shares and right to dividend/bonus are vested with the company whereas voting rights attached to these shares are suspended.

In absence of an active market for TREC, the company has taken the cost of TREC at Rs. 5.000 million, which is the value approved by the Board of Directors of PSX and intimated to SECP for the base minimum capital. This fact indicates an acceptable level of value for TREC which is also used by the stock exchange for risk management and to safeguard investors' interest.

During the period, a memorandum of understanding was signed between Karachi Stock Exchange (KSE), the Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE) for integration of all three stock exchanges in Pakistan as envisaged in the Stock Exchanges (Corporatization, Demutualization) Act, 2012 (XV of 2012) vide SECP's order 01/2016 dated 11 January 2016. As a consequence of the integration scheme, the business model of ISE and KSE would carry the same business as Stock Exchange under the name of Pakistan Stock Exchange Limited.

The company as per policy, carried out the valuation of the aforementioned entities after considering the latest available financial information, recent market development, effect of integration and new scope of business to be carried by ISE Towers REIT Management Company Limited. Management estimates that current fair value of shares of aforementioned entities is approximate to that of 30 June 2015 as the information of observable inputs is not available yet.

The company has recorded a surplus of Rs. 30.746 million on conversion of membership card of ISE to shares and TREC in the equity through profit and loss account.

12. **Trade receivables**
 These are unsecured and considered good by the management.

13. **Loan and advances**
Advances - unsecured & considered good
 To staff against salary

	<u>Note</u>	<u>2016</u> (Rupees)	<u>2015</u> (Rupees)
		5,724,230	605,900
		<u>5,724,230</u>	<u>605,900</u>

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Zahid Latif Khan Securities (Private) Limited
Notes to the financial statements
For the year ended June 30, 2016

	<u>Note</u>	<u>2016</u> <u>(Rupees)</u>	<u>2015</u> <u>(Rupees)</u>
14. Deposits, prepayments and other receivables			
Deposits			
Advance tax		3,309,356	2,242,389
Security deposit - Office premises		60,000	60,000
Security deposit - Pakistan Stock Exchange Limited		9,600,000	-
Security deposit - Central Depository Company of Pakistan Ltd.		75,000	75,000
		13,044,356	2,377,389
Other receivables			
Due from National Clearing Company of Pakistan Limited		2,225,840	10,900,775
Other receivable		1,560,180	-
Accrued income		-	8,707
		3,786,020	10,909,482
		16,830,376	13,286,871
15. Cash and bank balances			
Cash in hand		313,567	231,363
Cash at bank - current account		95,380,272	8,320,440
- special deposit account		313,155	39,874,328
		95,693,428	48,194,768
		96,006,995	48,426,131
16. Commission income			
This represents brokerage and commission received during the year.			
17. Unrealized gain/(loss) on remeasurement of investment at fair value through profit or loss - held for trading (net)			
Market value of investment in shares		33,550,000	241,804,165
Less: Cost of investment		35,490,000	213,129,570
Net unrealized gain in the value of investment for the year		(1,940,000)	28,674,596
18. Operating expenses			
Staff salaries and benefits		7,702,269	7,451,370
Commission		6,697,395	14,555,331
Directors' remuneration		4,216,137	3,947,400
Utilities		1,977,226	1,788,173
Office rent		1,747,720	1,483,659
Entertainment		1,094,026	130,301
Fee and subscription		578,834	191,045
Miscellaneous		370,727	87,171
Printing and stationary		318,205	322,622
Central Depository Company expense		231,674	134,400
Postage and telegram		216,109	149,336
Travelling & Conveyance		198,792	-
Office repair and maintenance		186,354	171,794
Audit fee		100,000	100,000
Software expenses		98,000	625,000
Newspapers and periodicals		48,906	47,216

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Notes to the financial statements
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	<u>Note</u>	<u>2016</u> (Rupees)	<u>2015</u> (Rupees)
Legal and professional charges		30,000	20,000
ISEL/LSEL/NCCPL trading fee		6,000	57,007
Vehicle running and maintenance		-	269,111
Depreciation		380,749	408,849
		<u>26,199,123</u>	<u>31,939,785</u>
19. Financial charges			
Markup on running finance facility		1,179,657	1,526,911
Bank charges		245,582	166,813
		<u>1,425,239</u>	<u>1,693,724</u>
20. Other income			
Profit on investment in shares		13,655,698	11,166,661
Dividend		966,428	5,090,650
IPO commission		198,100	276,103
Interest on bank deposits		164,106	175,113
Saudi Pak Leasing		-	1,083,817
		<u>14,984,332</u>	<u>17,792,344</u>
21. Taxation			
Normal		582,601	535,869
Full and final taxation		2,181,552	1,877,208
Prior year taxation		63,575	64,262
		<u>2,827,728</u>	<u>2,477,339</u>

22. Financial instruments and related disclosures

22.1) Financial assets

Financial assets as per balance sheet

	At Ammortized Cost		At Fair Value Through Profit & Loss		Available For Sale	
	2016	2015	2016	2015	2016	2015
Long term deposits	520,000	710,000	-	-	-	-
Short term investment	-	-	63,896,030	272,150,195	-	-
Trade debts	57,371,565	74,424,560	-	-	-	-
Deposits, prepayments and other receivables	13,521,020	11,044,482	-	-	-	-
Cash and bank balances	96,006,995	48,426,131	-	-	-	-
	<u>167,419,580</u>	<u>134,605,173</u>	<u>63,896,030</u>	<u>272,150,195</u>	<u>-</u>	<u>-</u>

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Zahid Latif Khan Securities (Private) Limited
Notes to the financial statements
For the year ended June 30, 2016

Financial Liabilities as per balance sheet

	At Ammortized Cost		At Fair Value Through Profit & Loss	
	2016	2015	2016	2015
Trade payables	103,773,288	237,712,125	-	-
Short term bank borrowings	24,283,610	-	-	-
Accrued and other liabilities	6,142,406	56,497,458	-	-
Provision for taxation	2,764,153	2,413,077	-	-
	<u>136,963,456</u>	<u>296,622,660</u>	<u>-</u>	<u>-</u>

22.2) Financial risk management objectives and policies

The companies activities expose it to a variety of financial risk: capital risk , credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/markup rate risk and price risk). The company's overall risk management program focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on financial performance. Overall, risk arising from the company's financial assets and liabilities are limited.

a) Capital risk management

The company's policy is to maintain a strong capital base so as to maintain investor, credit and market confidence and to sustain future development of the business. Additionally, to safeguard the companies ability to continue as a going concern in order to provide returns to share holders and benefit for others stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to the company's approach to capital management during the year and the company is not subject to externally imposed capital requirements.

b) Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. All financial assets except cash in hand, are subject to credit risk. The company believes that it is not exposed to major concentration of credit risk.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and ability to close out market positions due to dynamic nature of the business. The company finances its operations through equity borrowing and the managements of working capital with a view to maintain an appropriate mix between various source of finance to minimize risk. The company's treasury aims at maintaining flexibility in funding by keeping regular committed credit lines. Management closely monitors the company's liquidity and cash flow position.

d) Market risk

Market risk means that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks; foreign exchange or currency risk , interest/mark - up rate risk and price risk. . The market risk associated with the company's business activities are discussed as under.

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Zahid Latif Khan Securities (Private) Limited

Notes to the financial statements

For the year ended June 30, 2016

- **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the company did no transaction in foreign currencies nor have any foreign currency loans.

- **Interest mark-up rate risk**

Interest/mark-up rate risk is the risk that the value of financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark-up rates arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

- **Price risk**

Price risk represents the risk that fair value of future cash flow of financial instrument will fluctuate because of changes in market price (other than those arising from interest mark-up rate risk of currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments trade in the market. The company is not exposed to equity price risk since there are no investments made during the current fiscal year.

e) **Fair value of the financial instruments**

Fair value is the amount for which an asset can be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transactions. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value.

22.3 **Recognized fair value measurement - financial assets**

(i) **Fair value hierarchy**

Judgements and estimates are made for financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial assets into the following three levels:

Recognized fair value measurement - financial assets

As at 30 June 2016	Level 1	Level 2	Level 3
	Rupees.....	
Short term investment	33,550,000		30,346,030
Total financial assets	33,550,000	-	30,346,030

As at 30 June 2015	Level 1	Level 2	Level 3
	Rupees.....	
Short term investment	241,804,165		30,346,030
Total financial assets	241,804,165	-	30,346,030

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The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of assets and liabilities traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There was no transfer between any level during the year.

23. Chief Executive and Executive' remuneration

Description	2016			2015		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
Managerial remuneration	3,000,000	1,216,137	-	1,200,000	924,000	-
	-	-	-	-	-	-
	3,000,000	1,216,137	-	1,200,000	924,000	-
Numbers	1	2	NIL	1	2	NIL

24. Related party transactions and relationships

During the year payment to director was made of Rupees 50,940,748 in lieu of his outstanding balance. Other than this and remuneration to key management as per note 23, no other transaction was made during the year.

25. Number of employees

Total number of employees at year ended June 30, 2016 are 29 (2015: 34). Average for the year: 31 employees (2015: 34).

26. Date of authorization for issue

These financial statements have been authorized for issue on _____ by the board of directors of the company.

27. General

Figures have been rounded off to the nearest rupee.


 Chief Executive


 Director