

H.P. Byramji & Co. (Private) Limited
Notes to the accounts

3.6 Derivatives

Derivative instruments held by the Company primarily comprise of future contracts in the capital market. These are initially recognized at fair value and are subsequently re-measured at fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealized gains) are included in assets and derivatives with negative market values (unrealized losses) are included in liabilities in the balance sheet. The resultant gains and losses are included in the profit and loss account.

3.7 Securities purchased / sold under resale / repurchase agreements

Transactions of purchase under resale (reverse-repo) of marketable securities including the securities purchased under margin trading system are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resale at a specified future date (reverse-repo) are not recognized in the balance sheet. Amounts paid under these agreements in respect of reverse repurchase transactions are included in assets. The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable transactions / margin trading system and accrued over the

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as finance cost and accrued over the life of the repo agreement.

3.8 Financial liabilities

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently carried at amortized cost using effective interest rate method.

3.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or realize the asset and settle the liability simultaneously.

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3.10 Trade debts and other receivables

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off. Trade Receivables in respect of securities sold on behalf of client are recorded at settlement date of transaction.

3.11 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the Company and accordingly are not included in these financial statements.

3.12 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.13 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.14 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method. Trade payables in respect of securities purchased are recorded at settlement date of transaction.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.15 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

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Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognized using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.17 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expires or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired. Financial instruments carried on the balance sheet include investments, trade debts and other receivables, loans and advances, cash and bank balances, deposits, borrowings, trade and other payables and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when the company has legally enforceable right to offset the recognized amount and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction on the measurement date.

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When available, the Company measures the fair value of an investment using quoted price in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transaction on an arm's length basis.

3.18 Foreign currency transactions and translation

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

3.19 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Brokerage, consultancy, advisory fee and commission etc. are recognized as and when such services are provided.
- Income from bank deposits, reverse repo and margin deposits is recognized at effective yield on time proportion basis.
- Dividend income is recorded when the right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account for the period in which they arise.
- Rental income from investment properties is recognized on accrual basis.
- Other/miscellaneous income is recognized on receipt basis.
- Income on financial assets (including margin financing) is recognised on time proportionate basis taking into account effective / agreed rate of the instrument.
- Unrealised gains / (losses) arising from mark to market of investments classified as 'available for sale' are taken directly to other comprehensive income.
- Gains / (losses) arising on revaluation of derivatives to fair value are taken to profit and loss account under other income / other expenses.

3.20 Borrowing costs

Borrowing costs incurred on short term and long term borrowing are recognized as an expense in the period in which these are incurred.

3.21 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using valuation models, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

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4 PROPERTY AND EQUIPMENT

	Office equipments (Rupees)	Furniture & fixtures (Rupees)	Vehicles (Rupees)	Computers (Rupees)	Total (Rupees)
Net carrying value basis					
Year ended June 30, 2017					
Opening net book value (NBV)	512,230	16,875	590,834	100,558	1,220,497
Additions (at cost)	80,900	-	5,800,000	54,930	5,935,830
Disposals (at NBV)	-	-	-	-	-
Depreciation charge	(88,970)	(2,531)	(958,625)	(46,646)	(1,096,772)
Closing net book value (NBV)	504,161	14,344	5,432,209	108,842	6,059,555
Gross carrying value basis					
As at June 30, 2017					
Cost	936,368	27,773	6,786,744	292,586	8,043,471
Accumulated depreciation	(432,208)	(13,429)	(1,354,535)	(183,744)	(1,983,916)
Net book value (NBV)	504,161	14,344	5,432,209	108,842	6,059,555
Net carrying value basis					
Year ended June 30, 2016					
Opening net book value (NBV)	602,624	19,853	695,099	108,154	1,425,730
Additions (at cost)	-	-	-	35,500	35,500
Disposals (at NBV)	-	-	-	-	-
Depreciation charge	(90,394)	(2,978)	(104,265)	(43,096)	(240,733)
Closing net book value (NBV)	512,230	16,875	590,834	100,558	1,220,497
Gross carrying value basis					
As at June 30, 2016					
Cost	855,468	27,773	986,744	237,656	2,107,641
Accumulated depreciation	(343,238)	(10,898)	(395,910)	(137,098)	(887,144)
Net book value (NBV)	512,230	16,875	590,834	100,558	1,220,497
Annual rates of depreciation (%)	15	15	15	15	30

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Notes to the Accounts

Notes	Rupees 2017	Rupees 2016	
5 INTANGIBLE ASSETS			
Trading Right Entitlement Certificate - Pakistan Stock Exchange Limited	5.1	5,000,000	15,000,000
Less: Impairment in value of Trading Right Entitlement Certificate	5.2	(2,500,000)	(10,000,000)
		<u>2,500,000</u>	<u>5,000,000</u>

5.1 This represents Trading Right Entitlement Certificate (TREC) received from Pakistan Stock Exchange Limited (PSX) in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (The Act). The Company has also received shares of PSX after completion of the demutualization process.

5.2 During the year the Company has measured the Trading Right Entitlement Certificate (TREC) on its fair value of Rs. 2.5 Million on the basis of new membership value fixed by PSX.

6 LONG TERM INVESTMENTS

Available for sale - quoted

Investments in :

Shares of Pakistan Stock Exchange Limited	6.1	16,029,530	-
Unrealised gain on revaluation of available for sale investments		25,134,303	-
		<u>41,163,833</u>	<u>-</u>

6.1 This represents 1,602,953 ordinary shares of Pakistan Stock Exchange Limited (PSX) received by Mr. Rayomund JHP Byramji, the CEO in his personal capacity in pursuance of the promulgation of Stock Exchanges (Corporatization, Demutualization and integration) Act, 2012

On 21 October, 2017 HP Byramji & Co. (Private) Limited bought these shares from Mr. Rayomund JHP Byramji at the face value of Rs 10/- per share. Subsequently on June 23, 2017, SECP approved PSX's application for listing and thereafter, the shares were successfully listed on June 29, 2017. Accordingly, 1,602,953 shares are valued at the closing market rate of Rs. 25.68 per share as of period end.

7 LONG TERM ADVANCES & DEPOSITS

Pakistan Stock Exchange Limited	200,000	200,000
National Clearing Company of Pakistan Limited	200,000	200,000
Central Depository Company of Pakistan Limited	100,000	100,000
Base Minimum Capital - Pakistan Stock Exchange Limited	23,727,968	6,697,968
	<u>24,227,968</u>	<u>7,197,968</u>

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Notes	Rupees 2017	Rupees 2016
8 TRADE RECEIVABLES		
Considered good	83,111,483	51,289,947
Doubtful	-	-
	<u>83,111,483</u>	<u>51,289,947</u>
Provision for doubtful debts	-	-
	<u><u>83,111,483</u></u>	<u><u>51,289,947</u></u>

8.1 Trade debts are recognised initially at invoice amount less provision for doubtful debts, if any. The aging analysis for amount receivable from clients for more than five days is as follows.

Amount due from clients for more than 5 days	<u>77,948,798</u>
Value of listed shares (collateral) after applying haircut on the basis of VAR	<u>69,023,118</u>
Amount receivable from clients exceeding the collateral held from such customers	<u>8,925,680</u>

9 ADVANCES, DEPOSITS, PRE-PAYMENTS & OTHER RECEIVABLES

Exposure deposit	9.1	11,000,000	9,500,000
Other receivables		8,911	-
Advance payment of tax		-	793,900
		<u>11,008,911</u>	<u>10,293,900</u>

9.1 These represent amounts of deposits held at the year end against exposure arising out of the trading in securities in accordance with the regulations of Pakistan Stock Exchange and National Clearing Company Pakistan Limited.

10 CASH AND BANK BALANCES

Cash in hand		7,510	9,380
Cash at bank			
- at current accounts		1,273,323	1,685,755
- at saving accounts	10.2	133,288,824	89,838,360
		<u>134,569,657</u>	<u>91,533,495</u>

10.1 Detail of customer assets held in designated bank accounts and Central Depository Company (CDC) are as follows.

Customer assets held in the designated bank accounts	<u>80,805,949</u>
Customer assets held in the Central Depository Company	<u>2,252,804,977</u>
Securities pledged with financial institution	<u>-</u>

10.2 The return on these balances is 3.75% to 4.1% (2016: 4% to 5%) per annum on daily product basis.

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Notes	Rupees 2017	Rupees 2016
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11 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of shares				
2017	2016			
1,250,000	550,000	Ordinary shares of Rs. 100 each fully paid in cash	125,000,000	55,000,000
150,000	150,000	Ordinary shares of Rs. 100 each issued for consideration other than cash.	15,000,000	15,000,000
1,400,000	700,000		140,000,000	70,000,000

11.1 The shareholders are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.

12 LOAN FROM DIRECTOR

From director	12.1	-	10,000,000
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12.1 The director has provided markup free loan repayable at the discretion of the company.

13 ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses		1,547,842	524,823
Workers' Welfare Fund payable	13.1	-	264,253
		1,547,842	789,076

13.1 During the year ended June 30, 2017, the Honorable Supreme Court of Pakistan vide its order dated September 27, 2016 revoked the amendments made in the Finance Act, 2006 and Finance Act, 2008 that broadened the scope of the obligation on industrial establishments to contribute towards Workers' Welfare Fund. The Honorable Supreme Court of Pakistan revoked the amendments pronouncing that contribution towards Workers' Welfare Fund constitutes a fee and not a tax; hence, the said amendments cannot be made through money bills (i.e. finance acts). Based on the order of the Honorable Supreme Court of Pakistan, the Company has reversed the provision for Workers' Welfare Fund recognized in prior years.

14 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at June 30, 2016 (2015:Nil).

15 OPERATING REVENUE

Brokerage commission	53,274,713	34,332,948
Dividend Income	240,443	-
	53,515,156	34,332,948

15.1 INVESTMENT TURNOVER

Turnover during the period comprises of the following:

During the year ended June 30, 2017

	Turnover in Value
Institution	-
Retail	-
Proprietary	-
Total	-