

**BHAYANI SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**3.5 Financial assets**

**3.5.1** The Company classifies its financial assets in the following categories: at cost, at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**a) Investment**

All investments are initially recognised at fair value, being the cost of consideration given including transaction cost associated with the investment. 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 recognised on settlement date basis.

**Investment in subsidiary**

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiaries are carried at cost in accordance with IAS-27-'Consolidated and Separate Financial Statements'.

**b) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

**c) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, other receivables in the balance sheet.

**d) 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 of the investments within twelve months from the balance sheet date.

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**e) Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has intention and ability to hold till maturity are classified as held to maturity.

**3.5.2** All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognized on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

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 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 fair value of quoted equity instruments are based on current market prices. Subsequent to initial measurement equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment in value, if any.

**3.5.3** 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.

When available, the Company measures the fair value of an instrument using quoted prices 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 transactions on an arm's length basis.

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**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 life of the reverse repo agreement.

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.

**BHAYANI SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**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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**NOTES TO THE ACCOUNTS**

**4 PROPERTY AND EQUIPMENT**

	Office equipments (Rupees)	Furniture and fixtures (Rupees)	Computer (Rupees)	Motor vehicle (Rupees)	Total (Rupees)
<b>Net carrying value basis</b>					
<b>Year ended June 30, 2018</b>					
Opening net book value (NBV)	1,149,758	1,021,781	391,894	402,418	2,965,851
Additions (at cost)	-	-	-	-	-
Disposals (at NBV)	-	-	-	-	-
Depreciation charge	(172,464)	(153,267)	(117,568)	(60,363)	(503,662)
Closing net book value (NBV)	977,294	868,514	274,326	342,055	2,462,189
<b>Gross carrying value basis</b>					
<b>As at June 30, 2018</b>					
Cost	5,075,887	4,830,706	5,592,866	1,629,480	17,128,939
Accumulated depreciation	(4,098,593)	(3,962,192)	(5,318,540)	(1,287,425)	(14,666,750)
Net book value (NBV)	977,294	868,514	274,326	342,055	2,462,189
<b>Net carrying value basis</b>					
<b>Year ended June 30, 2017</b>					
Opening net book value (NBV)	1,352,656	1,202,095	333,528	473,433	3,361,712
Additions (at cost)	-	-	226,320	-	226,320
Disposals (at NBV)	-	-	-	-	-
Depreciation charge	(202,898)	(180,314)	(167,954)	(71,015)	(622,181)
Closing net book value (NBV)	1,149,758	1,021,781	391,894	402,418	2,965,850
<b>Gross carrying value basis</b>					
<b>As at June 30, 2017</b>					
Cost	5,075,887	4,830,706	5,592,866	1,629,480	17,128,939
Accumulated depreciation	(3,926,129)	(3,808,925)	(5,200,972)	(1,227,062)	(14,163,088)
Net book value (NBV)	1,149,758	1,021,781	391,894	402,418	2,965,850
Depreciation rates (%)	15	15	30	15	

**BHAYANI SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

Notes	Rupees 2018	Rupees 2017
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**5 INTANGIBLE ASSETS**

Trading Right Entitlement Certificate - Pakistan Stock Exchange Limited  
Less: Impairment loss

5.1	2,500,000	5,000,000
	-	(2,500,000)
	<u>2,500,000</u>	<u>2,500,000</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.

**6 LONG TERM INVESTMENTS**

Available for sale - quoted

Investments in :

Shares of Pakistan Stock Exchange Limited  
Transfer to short term investments

	41,163,838	21,818,000
	(13,398,771)	-
	27,765,067	21,818,000
	(6,411,486)	19,345,838
6.1	<u>21,353,582</u>	<u>41,163,838</u>

- 6.1 This represents the investment in ordinary shares of Pakistan Stock Exchange Limited (PSX) received by the Company in pursuance of the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The total number of shares received by the Company were 4,007,383 out of which 60% shares were held in a separate blocked account in the Central Depository Company of Pakistan Limited (CDC) to restrict the sale of such shares by the members of PSX. In March 2017, the Company disposed off 1,602,953 shares (i-e 40%) under the share purchase agreement between PSX and an Anchor investor and additional 801,477 shares (i-e 20%) under Initial Public Offering in June 2017 at Rs. 28 per share. Further, as per Section 5(2) of Public Offering Regulations, 2017, the Company is required to retain not less than 25% of the total paid up capital for a period of not less than three financial years from the last date for the public subscription. Given the above, the investment to the extent of 1,081,194 shares has been classified as long term investment while the remaining investment in PSX has been classified under short term investment.

**7 LONG TERM ADVANCES & DEPOSITS**

Pakistan Stock Exchange Limited  
National Clearing Company of Pakistan Limited  
Deposit against Base Minimum Capital Requirement  
Deposit against office  
Tenancy deposit

600,000	100,000
1,000,000	1,000,000
2,000,000	18,000,000
10,000	10,000
30,000	30,000
<u>3,640,000</u>	<u>19,140,000</u>

**BHAYANI SECURITIES (PRIVATE) LIMITED**  
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Notes	Rupees 2018	Rupees 2017
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**8 TRADE RECEIVABLES**

Considered good	11,250,762	69,644,648
Considered doubtful	-	-
	<b>11,250,762</b>	<b>69,644,648</b>
Provision for doubtful debts	-	-
	<b>11,250,762</b>	<b>69,644,648</b>
From clearing house	4,997,255	
	<b>16,248,017</b>	<b>69,644,648</b>

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	9,806,438	31,899,639
Value of listed shares (collateral) after applying haircut on the basis of VAR	40,154,694	741,693,379
Amount receivable from clients exceeding the collateral held from such customers	-	-

8.2 No provision is required as per sub-clause h (i) of clause 34 of Securities Brokers (Licensing and Operations) Regulations 2016 in the financial statements as the Company recovered majority of the amount subsequent to the year end.

**9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Exposure deposit	86,699,995	33,700,000
Advance payment of tax	4,945,239	4,824,574
Advance to staff	316,700	302,200
Receivable from PSX against disposal of shares	-	4,488,268
	<b>91,961,934</b>	<b>43,315,042</b>

9.1 This represents deposit with National Clearing Company of Pakistan Limited against the exposure margin in respect of trade in future and ready market.

**10 SHORT TERM INVESTMENTS**

**Investments at fair values through profit & loss**

**Listed equity securities**

Listed equity securities	56,086,666	37,348,599
Unrealized gain / (loss) as a result of measurement at market value	464,888	(3,417,645)
<b>Market value</b>	<b>56,551,554</b>	<b>33,930,954</b>

**BHAYANI SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

Notes	Rupees 2018	Rupees 2017
<b>11 CASH AND BANK BALANCES</b>		
Cash in hand	84,229	1,195
Cash at bank		
<i>in current accounts</i>	4,351,546	54,016,299
<i>in savings accounts</i>	37,169,064	11,535,202
<b>11.1</b>	<b>41,604,839</b>	<b>65,552,696</b>

**11.1** The return on these balances is 3.75% to 4.6% (2017: 3.75% to 4.1% ) per annum on daily product basis.

**11.2** 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>24,441,648</u>	<u>50,554,135</u>
Customer assets held in the Central Depository Company	<u>51,291,651</u>	<u>889,171,118</u>
Securities pledged with financial institution	<u>-</u>	<u>-</u>

**12 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

2018	2017		2018	2017
<b>Number of shares</b>				
357,500	357,500	Ordinary shares of Rs. 100 each fully paid in cash	35,750,000	35,750,000
844,500	844,500	Ordinary shares of Rs. 100 each issued for consideration other than in cash.	84,450,000	84,450,000
<u>1,202,000</u>	<u>1,202,000</u>		<u>120,200,000</u>	<u>120,200,000</u>

**12.1** 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.

**13 ACCRUED EXPENSES & OTHER LIABILITIES**

Accrued expenses	730,185	771,631
Short term loan	-	2,000,000
	<u>730,185</u>	<u>2,771,631</u>

**BHAYANI SECURITIES (PRIVATE) LIMITED**  
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Notes	Rupees 2018	Rupees 2017
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**14 CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as on June 30, 2018 (2017: Nil).

**15 OPERATING REVENUE**

Brokerage commission	13,987,225	31,914,135
Dividend income	916,289	563,062
	<b>14,903,514</b>	<b>32,477,197</b>

**15.1 Share turnover**

Turnover during the period comprises of the following:

	Turnover in Value	Turnover in Value
Institution	335,414,262	3,464,950,843
Retail	14,676,976,945	22,608,781,671
Proprietary	16,182,387,898	16,865,802,606
<b>Total</b>	<b>31,194,779,105</b>	<b>42,939,535,120</b>

**16 ADMINISTRATIVE EXPENSES**

Salaries, wages and other benefits		6,640,600	6,518,725
Directors' remuneration	16.1	6,000,000	6,000,000
Entertainment		170,590	227,808
Travelling and conveyance		14,705	30,435
Rent, rates and taxes		1,190,949	1,203,151
Repairs and maintenance		635,309	607,838
Utility charges		286,833	278,946
Audit fees	16.2	200,000	200,000
Telephone and communication charges		322,425	344,484
Dealer's commission		1,161,087	3,103,108
Legal and professional charges		270,200	265,000
Insurance		43,980	47,430
Newspaper and periodicals		8,190	11,674
Service and transaction charges		3,009,313	4,257,087
Fee and subscriptions		49,950	97,500
Vehicle running expenses		137,702	137,638
Printing and stationery		14,500	31,100
Postage and courier		8,640	21,810
Depreciation		503,662	622,182
Other expenses		131,057	111,134
		<b>20,799,691</b>	<b>24,117,050</b>

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**16.1 Remuneration of Chief Executive and Director**

	2018		2017	
	Chief Executive	Directors	Chief Executive	Directors
Managerial remuneration	1,800,000	4,200,000	1,800,000	4,200,000
Company's contribution to the Provident Fund	-	-	-	-
Fees	-	-	-	-
Bonus	-	-	-	-
Housing and utilities	-	-	-	-
	<b>1,800,000</b>	<b>4,200,000</b>	<b>1,800,000</b>	<b>4,200,000</b>
Number of persons (including those who worked part of the year)	<b>1</b>	<b>4</b>	<b>1</b>	<b>4</b>

Notes	Rupees 2018	Rupees 2017
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**16.2 Auditors' remuneration**

	Rupees 2018	Rupees 2017
<b>Audit services</b>		
Annual audit fee	100,000	100,000
Certifications	100,000	100,000
	<b>200,000</b>	<b>200,000</b>
<b>Non-audit services</b>		
Other services	-	-
	<b>200,000</b>	<b>200,000</b>

**17 FINANCE COST**

	Rupees 2018	Rupees 2017
Bank charges	70,343	74,373
Mark-up on short term borrowings	-	22,611
	<b>70,343</b>	<b>96,984</b>

**18 OTHER CHARGES**

	Rupees 2018	Rupees 2017
Impairment loss on Trading Right Entitlement Certificate	-	2,500,000
	<b>-</b>	<b>2,500,000</b>



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Notes	Rupees 2018	Rupees 2017
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**19 OTHER INCOME**

**From financial assets**

Recoveries	355,377	760,417
Profit on savings accounts	2,682,732	1,031,215
IPO commission	399	150
Profit on money retained by PSX	254,328	-
Profit on exposure deposit	1,520,784	1,557,324
	<b>4,813,621</b>	<b>3,349,106</b>

**From non-financial assets**

Reversal of provision for Workers' Welfare Fund	-	137,222
	-	<b>137,222</b>

<b>4,813,621</b>	<b>3,486,328</b>
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**20 TAXATION**

Current	6,771,268	5,865,708
	<b>6,771,268</b>	<b>5,865,708</b>

**20.1 Relationship between income tax expense and accounting profit**

Profit before taxation	7,536,370	56,137,714
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Tax at the applicable tax rate of 30% (2017 : 31%)	2,260,911	17,402,691
Tax effect of income taxed at lower tax rates	(532,662)	(15,699,050)
Tax effect of exempt income	-	(42,539)
Tax effect of non deductible expenses	5,182,485	3,145,135
Others	(139,466)	1,059,470
	<b>6,771,268</b>	<b>5,865,708</b>

**20.2** Income tax returns of the company have been finalized upto and including the tax year 2017, which are deemed to be assessment order under provisions of Income Tax Ordinance 2001.

**21 EARNINGS SHARE - BASIC & DILUTED**

**21.1 Earnings per share**

Profit after taxation	765,102	50,272,006
Number of shares issued up to the end of the year	1,202,000	1,202,000
	<b>0.64</b>	<b>41.82</b>

**21.2 Diluted earnings per share**

There is no dilutive effect on the basic earnings per share of the Company, since there are no convertible instruments in issue as at June 30, 2018 which would have any effect on the earnings per share if the option to convert is exercised.

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**22 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**22.1 Financial instruments by category**

**22.1.1 Financial assets**

	2018				Total
	At fair value through profit or loss - held for trading	Available for sale	Loans and receivables	Other financial assets	
Long term investment	-	21,353,582	-	-	21,353,582
Long term loans, advances & deposits	-	-	3,640,000	-	3,640,000
Short term investments	56,551,554	-	-	-	56,551,554
Trade debts - unsecured	-	-	16,248,017	-	16,248,017
Short term deposits, advances & other receivabl	-	-	91,961,934	-	91,961,934
Cash and bank balances	-	-	-	41,604,839	41,604,839
	<u>56,551,554</u>	<u>21,353,582</u>	<u>111,849,952</u>	<u>41,604,839</u>	<u>231,359,926</u>

	2017				Total
	At fair value through profit or loss - held for trading	Available for sale	Loans and receivables	Other financial assets	
Long term investment	-	41,163,838	-	-	41,163,838
Long term loans, advances & deposits	-	-	19,140,000	-	19,140,000
Short term investments	33,930,954	-	-	-	33,930,954
Trade debts - unsecured	-	-	69,644,648	-	69,644,648
Short term deposits, advances & other receivabl	-	-	43,315,042	-	43,315,042
Cash and bank balances	-	-	-	65,552,696	65,552,696
	<u>33,930,954</u>	<u>41,163,838</u>	<u>132,099,690</u>	<u>65,552,696</u>	<u>272,747,179</u>

**22.1.2 Financial liabilities**

	2018	
	Amortised cost	At fair value through profit or loss
Trade payables	-	21,358,905
Accrued expenses & other liabilities	-	730,185
	<u>-</u>	<u>22,089,090</u>

	2017	
	Amortised cost	At fair value through profit or loss
Trade payables	-	49,264,946
Accrued expenses & other liabilities	-	2,771,631
	<u>-</u>	<u>52,036,577</u>

**BHAYANI SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**23 FINANCIAL RISK MANAGEMENT**

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Market Risk
- Liquidity Risk
- Credit Risk
- Operational Risk

**23.1 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

**(i) Interest rate risk**

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company is exposed to such risk mainly in respect of short-term borrowings. Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Company's loss by Rs. Nil/- and a 1% decrease would result in a decrease in the Company's loss by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

**(ii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Company does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

**(iii) Equity price risk**

Equity price risk is the risk of volatility in share price resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. Management of the Company estimates that a 10% increase in the overall equity prices in the market with all other factors remaining constant would increase the Company's profit by Rs. 5,655,155/- and a 10% decrease would result in a decrease in the Company's profit by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

**23.2 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market options due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available. The following are the contractual maturities of financial liabilities.

	2018					
	Carrying amount	Contractual cash flows	Six month or less	Six to twelve months	One to two years	Two to five years
	(Rupees)					
<b>Financial liabilities</b>						
Trade payables	21,358,905	21,358,905	-	21,358,905	-	-
Accrued expenses & other liabilities	730,185	730,185	-	730,185	-	-
	<b>22,089,090</b>	<b>22,089,090</b>	<b>-</b>	<b>22,089,090</b>	<b>-</b>	<b>-</b>

**BHAYANI SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

2017

Carrying amount	Contractual cash flows	Six month or less	Six to twelve months	One to two years	Two to five years
(Rupees)					
Financial liabilities					
Trade payables	49,264,946	49,264,946	-	49,264,946	-
Accrued expenses & other liabilities	2,771,631	2,771,631	-	2,771,631	-
	<u>52,036,577</u>	<u>52,036,577</u>	<u>-</u>	<u>52,036,577</u>	<u>-</u>

**23.3 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfill their obligations.

**Exposure to credit risk**

Credit risk of the Company arises principally from the trade debts, short term investments, loans and advances, deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines approved by the Board of Directors. In addition, credit risk is also minimised due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions are settled / paid for upon delivery. The Company does not expect to incur material credit losses on its financial assets. The maximum exposure to credit risk at the reporting date is follows:

	Rupees 2018	Rupees 2017
Long term investment	21,353,582	41,163,838
Long term loans, advances & deposits	3,640,000	19,140,000
Short term investments	56,551,554	33,930,954
Trade debts - unsecured	16,248,017	69,644,648
Short term deposits, advances & other receivables	91,961,934	43,315,042
Cash and bank balances	41,604,839	65,552,696
	<u>231,359,926</u>	<u>272,747,179</u>

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate exposure is significant in relation to the Company's total exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

**BHAYANI SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**23.4 Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for Investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas.

- requirements for appropriate segregation of duties between various functions, roles and responsibility;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

**23.5 Fair value of financial instruments**

The carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair value. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

**Level 1 :** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2 :** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3 :** Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

**BHAYANI SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

Fair value of the financial assets that are traded in active markets are based on quoted market prices or dealer prices quotations.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

**Financial assets at fair value through profit and loss**

	2018			Total
	Level 1	Level 2	Level 3	
Listed securities	56,551,554	-	-	56,551,554
	<u>56,551,554</u>	<u>-</u>	<u>-</u>	<u>56,551,554</u>
<b>Available for sale</b>				
Investment in shares of Pakistan Stock Exchange Limited	21,353,582	-	-	21,353,582
	<u>21,353,582</u>	<u>-</u>	<u>-</u>	<u>21,353,582</u>

**Financial assets at fair value through profit and loss**

	2017			Total
	Level 1	Level 2	Level 3	
Listed securities	33,930,954	-	-	33,930,954
	<u>33,930,954</u>	<u>-</u>	<u>-</u>	<u>33,930,954</u>
<b>Available for sale</b>				
Investment in shares of Pakistan Stock Exchange Limited	41,163,838	-	-	41,163,838
	<u>41,163,838</u>	<u>-</u>	<u>-</u>	<u>41,163,838</u>

During the year ended June 30, 2017, investment in shares of Pakistan Stock Exchange Limited were transferred from level 3 to level 1 after it's listing.

**23.6 Capital management**

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structure in order to ensure ample availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company finances its operations through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

**BHAYANI SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE ACCOUNTS**

**24 RELATED PARTY TRANSACTIONS**

Related parties comprise of group companies (the parent company, fellow subsidiaries and the subsidiaries). Key management personnel of the Company and directors and their close family members, major shareholders of the Company and staff provident fund. Transaction with related parties are on arm's length basis. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of the chief executive, directors and executive is disclosed in relevant note to the financial statements. No significant transaction with related party during the year.

**25 NUMBER OF EMPLOYEES**

Total employees of the Company at the year end  
Average employees of the Company during the year  
Employees working in the Company at the year end  
Average employees working in Company's factory during the year

	2018	2017
	16	15
	16	15
	16	15
	16	15

**26 PATTERN OF SHAREHOLDING**

Number of Shares	Name of shareholders	June 30, 2018 Percentage of Holding
1,151,498	Kausar Abbas Bhayani	95.7985%
50,500	Kaneez Zainab Bhayani	4.2013%
2	Individuals	0.0002%
<u>1,202,000</u>		<u>100%</u>

**27 CAPITAL ADEQUACY LEVEL**

Total Assets  
Less: Total Liabilities  
Less: Revaluation Reserves (Created upon revaluation of Fixed Assets)  
Capital Adequacy Level

June 30, 2018

236,322,115
(22,089,090)
-
<u>214,233,025</u>

27.1

27.1 While determining the value of the total assets of the TREC Holder, notional value of the TRE certificate held by the company as at June 30, 2018, as determined by Pakistan Stock Exchange has been considered.

**28 AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue by the Board of Directors of the Company on

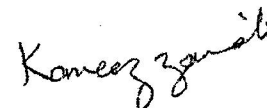
**25 OCT 2018**

**29 GENERAL**

29.1 Figures have been re-arranged and re-classified wherever necessary, for the purpose of better presentation. No major reclassifications were made in these financial statements.

29.2 Figures have been rounded off to the nearest rupee.

  
Chief Executive

  
Director

