

**28 FINANCIAL INSTRUMENTS BY CATEGORY**

*Financial assets*

	2023			Total
	At fair value through profit or loss - held for trading	At fair value through other comprehensive income	At amortized cost	
Long term advances & deposits	-	-	3,259,600	3,259,600
Trade Receivables	-	-	159,665,647	159,665,647
Advances, deposits, prepayments and other receivables	-	-	44,960,720	44,960,720
Short term investment	15,865	-	-	15,865
Cash and bank balances	-	-	7,064,417	7,064,417
	<b>15,865</b>	<b>-</b>	<b>214,950,384</b>	<b>214,966,249</b>

	2022			Total
	At fair value through profit or loss - held for trading	At fair value through other comprehensive income	At amortized cost	
Long term advances & deposits	-	-	3,259,600	3,259,600
Trade Receivables	-	-	235,682,364	235,682,364
Advances, deposits, prepayments and other receivables	-	-	4,893,827	4,893,827
Short term investment	1,222,687	22,314,328	-	23,537,015
Cash and bank balances	-	-	332,094	332,094
	<b>1,222,687</b>	<b>22,314,328</b>	<b>244,167,886</b>	<b>267,704,901</b>

*Financial liabilities*

	2023		
	Amortized cost	At fair value through profit or loss	Total
Long term loan	-	-	-
Short term borrowings	11,130,750	-	11,130,750
Trade payables	85,094,380	-	85,094,380
Accrued expenses & other liabilities	2,862,356	-	2,862,356
	<b>99,087,486</b>	<b>-</b>	<b>99,087,486</b>

	2022		
	Amortized cost	At fair value through profit or loss	Total
Long term loan	11,130,750	-	11,130,750
Short term borrowings	19,675,137	-	19,675,137
Trade payables	98,171,632	-	98,171,632
Accrued expenses & other liabilities	13,042,733	-	13,042,733
	<b>142,020,253</b>	<b>-</b>	<b>142,020,253</b>

**28.1 Fair values of financial assets and liabilities**

- (a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

- (b) Fair Value Estimation

The Company discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy:

<b>Level 1:</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
<b>Level 2:</b>	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).
<b>Level 3:</b>	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

**29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

The company has exposures to the following risks from its use of financial instruments.

- 29.1 Credit risk  
29.2 Liquidity risk  
29.3 Market risk  
29.4 Operational risk

The board of directors has overall responsibility for the establishment and oversight of company's risk management framework. The board is also responsible for developing and monitoring the company's risk management policies.

**29.1 Credit risk**

**29.1.1 Exposure to credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. Credit risk of the Company arises from deposits with banks, trade debts, loans and advances and other receivables. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings.

Carrying values of financial assets exposed to credit risk and which are neither past due nor impaired are as under:

Financial Assets	Note	2023	2022
		Rupees	Rupees
Long term advances & deposits	8	3,259,600	3,259,600
Trade Receivables	9	159,665,647	235,682,364
Advances, deposits, prepayments and other receivables	10	44,960,720	4,893,827
Short term investment	11	15,865	23,537,015
Cash and bank balances	12	7,064,417	332,094
		<b>214,966,249</b>	<b>267,704,901</b>

**29.1.2 Trade Receivables**

The aging of Trade receivables and related movement in Expected Credit loss has been disclosed in note 9.1.1 of these financial statements.

**29.2 Liquidity risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2023					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
<b>Non - derivative Financial liabilities</b>						
Long term loan	-	-	-	-	-	-
Short term borrowings	11,130,750	11,130,750	11,130,750	-	-	-
Trade payables	85,094,380	85,094,380	85,094,380	-	-	-
Accrued expenses & other liabilities	2,862,356	2,862,356	2,862,356	-	-	-
	<u>99,087,486</u>	<u>99,087,486</u>	<u>99,087,486</u>	-	-	-
	2022					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
<b>Non - derivative Financial liabilities</b>						
Long term loan	11,130,750	11,370,750	-	-	11,370,750	-
Short term borrowings	19,675,137	19,675,137	19,675,137	-	-	-
Trade payables	98,171,632	98,171,632	98,171,632	-	-	-
Accrued expenses & other liabilities	13,042,733	13,042,733	13,042,733	-	-	-
	<u>142,020,253</u>	<u>142,260,253</u>	<u>130,889,503</u>	-	<u>11,370,750</u>	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at June 30. The rates of mark up have been disclosed in relevant notes to these financial statements.

**29.3 Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Under market risk, the Company is exposed to currency and price risk.

**(a) Currency risk management**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions entered in foreign currencies. The Company is exposed to foreign currency risk on sales and purchase which are entered in a currency other than Pak Rupees.

**(b) Price risk**

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or 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 traded in the market. Currently, the Company does not hold any financial instrument that expose it to price risk.

**29.4 Operational risks**

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 activities, 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 operation 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 while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- 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; and
- operational and qualitative track record of the plant and equipment supplier and related service providers.

**30 CAPITAL RISK MANAGEMENT**

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns to shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

	Note	2022 Rupees	2021 Rupees
Borrowings		11,130,750	61,080,439
Total equity		213,911,068	264,445,301
Total capital employed		<u>225,041,818</u>	<u>325,525,740</u>
Gearing ratio		<u>4.95%</u>	<u>18.76%</u>

**AZEE SECURITIES (PRIVATE) LIMITED.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**31 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprises of associated companies, directors and key management personnel. Amounts due to related parties are shown in the relevant notes to the financial statements. The company continues to have a policy whereby all transactions with related parties are not on arm's length basis.

**32 Pattern of Shareholding**

Name of Shreholders	2023	2022	2023	2022
	Number of Shares		Percentage of Holdings	
Amir Zia	29,561,770	8,835,000	97.80%	93.00%
Tahmina Amir	664,999	664,999	2.20%	7.00%
Aneela Ashraf	1	1	0.00%	0.00%
	<b>30,226,770</b>	<b>9,500,000</b>	<b>100%</b>	<b>100%</b>

**33 Capital Adequacy level**

	Note	2022	2021
		Rupees	Rupees
Total Assets		319,624,929	374,938,368
Less: Total Liabilities		(105,713,861)	(149,321,563)
<b>Capital Adequacy Level</b>	<b>33.1</b>	<b>213,911,067</b>	<b>225,616,805</b>

33.1 While determining the value of total assets of the TREC Holder, Notional value of the TRE certificate held by the company as at June 30, 2023, as determined by Pakistan Stock Exchange has been considered.

**34 Net Capital Balance**

Net Capital Balance of the Company, as at June 30, 2023, in accordance with the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 and the guidebook issued by the Securities and Exchange Commission of Pakistan is **Rs. 31,505,403/-**.

Description	30-Jun-23
<b>CURRENT ASSETS</b>	
Cash in hand or in bank	195,850
<b>Bank balances</b>	
Bank balances pertaining to brokerage house	82,758
Bank balances pertaining to clients	6,785,810
Other Cash deposit	3,216,841
<b>Trade Receivables</b>	
Book value	262,212,177
Less: Overdue for more than 14 days	(260,917,799)
<b>Securities purchased for client</b>	107,873,017
<b>Investment in listed securities in the name of broker</b>	
Securities on the exposure list	15,865
Less: 15% adjustment (as required)	2,380
<b>Treasury Bill</b>	-
	<b>A</b>
	<b>119,462,139</b>
<b>CURRENT LIABILITIES</b>	
<b>Trade Payables</b>	
Book value	85,094,380
Less: Overdue for more than 30 days	(82,160,961)
<b>Other liabilities</b>	
Accrued expenses and other liabilities	85,023,317
<b>Total Current Liabilities</b>	<b>B</b>
	<b>87,956,736</b>
<b>NET CAPITAL BALANCE</b>	<b>(A-B)</b>
	<b>31,505,403</b>

**35 Liquid Capital Balance**

Liquid Capital Balance of the Company, as at June 30, 2023, in accordance with the Third Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 is **Rs.14,124,109**.

S.No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>1. Assets</b>				
1.1	Property & Equipment	101,143,680	100.00%	-
1.2	Intangible Assets	3,515,000	100.00%	-
1.3	Investment in Govt. Securities	-	-	-
<b>Investment in Debt Securities</b>				
<b>If listed than:</b>				
i. 5% of the balance sheet value in the case of tenure upto 1 year.				
ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.				
iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.				
<b>If unlisted than:</b>				
i. 10% of the balance sheet value in the case of tenure upto 1 year.				
ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.				
iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.				
<b>Investment in Equity Securities</b>				
i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher. (Provided that if any of these securities are pledged with the securities exchange for base minimum capital requirement, 100% haircut on the value of eligible securities to the extent of minimum required value of Base minimum capital.				
ii. If unlisted, 100% of carrying value.				
1.5		15,865	2,380	13,485
1.6	Investment in subsidiaries	-	100.00%	-
<b>Investment in associated companies/undertaking</b>				
i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.				
ii. If unlisted, 100% of net value.				
1.7		-	100.00%	-
<b>Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.</b>				
1.8	(i) 100% of net value, however any excess amount of cash deposited with securities exchange to comply with requirements of base minimum capital may be taken in the calculation of LC	3,259,600	100%	-
1.9	Margin deposits with exchange and clearing house.	3,216,841	-	3,216,841
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	-	100.00%	-
Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)				
1.12	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivables.	-	-	-
Amounts receivable against Repo financing.				
1.14	Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.)	-	-	-
<b>Receivables other than trade receivables</b>				
(i) No haircut may be applied on the short term loan to employees provided these loans are secured and due for repayments within 12 months.				
(ii) No haircut may be applied to the advance tax to the extent it is netted with provision of taxation .				
(iii) In all other cases 100% of net value				
1.15		1,372,838	-	1,372,838
<b>Receivables from clearing house or securities exchange(s)</b>				
1.16	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	100.00%	-
<b>Receivables from customers</b>				
i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut.				
ii. Lower of net balance sheet value or value determined through adjustments.				
iii. In case receivables are against margin trading, 5% of the net balance sheet value.				
iv. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract.				
v. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.				
vi. Balance sheet value				
vii. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts.				
viii. Lower of net balance sheet value or value determined through adjustments				
ix. 100% haircut in the case of amount receivable from related parties.				
1.17		297,372	-	297,372
<b>Cash and Bank balances</b>				
i. Bank Balance-proprietary accounts				
ii. Bank balance-customer accounts				
iii. Cash in hand				
1.18		82,758	-	82,758
<b>Subscription money against investment in IPO/ offer for sale (asset)</b>				
(i) No haircut may be applied in respect of amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.				
(ii) In case of Investment in IPO where shares have been allotted but not yet credited in CDS Account, 25% haircuts will be applicable on the value of such securities.				
(iii) In case of subscription in right shares where the shares have not yet been credited in CDS account, 15% or VAR based haircut whichever is higher, will be applied on Right Shares.				
1.19		-	-	-
1.20	<b>Total Assets</b>	<b>381,836,099</b>		<b>119,837,971</b>

**AZEE SECURITIES (PRIVATE) LIMITED.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**2. Liabilities**

	<b>Trade Payables</b>			
2.1	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	85,094,380	-	85,094,380
	<b>Current Liabilities</b>			
2.2	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	2,862,356	-	2,862,356
	iii. Short-term borrowings	11,130,750	-	11,130,750
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	2,198,436	-	2,198,436
	<b>vi. Deferred Liabilities</b>			
2.2	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	742,488	-	742,488
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
	<b>Non-Current Liabilities</b>			
2.3	i. Long-Term financing	3,685,452	-	3,685,452
	ii. Staff retirement benefits	-	-	-
	iii. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.4	<b>Subordinated Loans</b>			
	100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted	-	-	-
2.5	<b>Advance against shares for increase in capital of securities broker</b> 100% Haircut may be allowed in respect of advance against shares if : (a) The existing authorized share capital allows the proposed enhanced share capital (b) Board of Directors of the company has approved the increase in capital (c) Relevant Regulatory approvals have been obtained (d) There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed (e) Auditor is satisfied that such advance is against the increase of capital	-	-	-
2.6	<b>Total Liabilities</b>	<b>105,713,861</b>		<b>105,713,861</b>

**3. Ranking Liabilities Relating to :**

3.1	<b>Concentration in Margin Financing</b> The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
3.2	<b>Concentration in securities lending and borrowing</b> The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	<b>Net underwriting Commitments</b> <b>(a) in the case of right issue :</b> if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting <b>(b) in any other case :</b> 12.5% of the net underwriting commitments	-	-	-
3.4	<b>Negative equity of subsidiary</b> The amount by which the total assets of the subsidiary ( excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary.	-	-	-
3.5	<b>Foreign exchange agreements and foreign currency positions</b> 5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	<b>Repo adjustment</b> Amount Payable under REPO	-	-	-
3.7	<b>Repo adjustment</b> <b>In the case of financier/purchaser</b> the total amount receivable under Repo less the 110% of the market value of underlying securities. <b>In the case of financee/seller</b> the market value of underlying securities after applying haircut less the total amount received ,less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	<b>Concentrated proprietary positions</b> If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position,then 10% of the value of such security	-	-	-
3.9	<b>Opening Positions in futures and options</b> i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met	-	-	-
3.10	<b>Short sell positions</b> i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	<b>Total Ranking Liabilities</b>	-	-	-

**Calculations Summary of Liquid Capital**

(i) Adjusted value of Assets (serial number 1.20)	381,836,099	119,837,971
(ii) Less: Adjusted value of liabilities (serial number 2.6)	(105,713,861)	(105,713,861)
(iii) Less: Total ranking liabilities (series number 3.11)	-	-
<b>LIQUID CAPITAL BALANCE</b>	<b>276,122,238</b>	<b>14,124,109</b>

**36 CORRESPONDING FIGURES**

Comparative information has been rearranged and reclassified, wherever necessary, for better presentation and comparison.

**37 NUMBER OF EMPLOYEES**

Number of employees as on June 30  
Average number of employees during the year

2023	2022
6	6
6	6

**38 RECLASSIFICATION**

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions of the purposes of comparison.

**39 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on \_\_\_\_\_ by the board of directors of the company.

**40 GENERAL**

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR