



HALF YEARLY  
REPORT  
DECEMBER 2015

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## 1. COMPANY INFORMATION

<b>Board of Directors</b>	Mr. Muhammad Najam Ali Mrs. Hanna Khan Mr. Zulqarnain Mahmood Khan Mr. Muhammad Zubair Ellahi Mr. Kashif Rafi Mr. Hassan Shahnawaz Mr. Umer Habib	Chief Executive Officer, Executive Director Non-Executive Director, Chairperson Non-Executive Director Non-Executive Director Chief Operating Officer, Executive Director Non-Executive /Independent Director Non-Executive Director
<b>Audit Committee</b>	Mr. Zulqarnain Mahmood Khan Mrs. Hanna Khan Mr. Hassan Shahnawaz Mr. Zubair Ellahi Mr. Syed Khurrum Ali	Member Member Member / Chairman Member Secretary
<b>Human Resource &amp; Remuneration Committee</b>	Mr. Zubair Ellahi Mr. Muhammad Najam Ali Mr. Zulqarnain Mahmood Khan (The Company Secretary is the Secretary of the Committee)	Member/ Chairman Member Member
<b>CFO &amp; Company Secretary</b>	Mr. Muhammad Arshad	
<b>Chief Operating Officer</b>	Mr. Kashif Rafi	
<b>Head of Internal Audit</b>	Mr. Syed Khurrum Ali	
<b>Associated Company</b>	Next Advisors Limited.	
<b>Auditor</b>	KPMG Taseer Hadi & Co., Chartered Accountants Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi	
<b>Bankers</b>	Askari Bank Limited Bank Al Falah Limited Bank of Punjab Habib Metropolitan Bank Limited JS Bank Limited MCB Bank Limited Meezan Bank Limited	
<b>Tax Advisors</b>	Junaidy, Shoaib, Asad & Co. Chartered Accountants 1/6-P, Block 6, PECHS, Mohtama Laeeq Begum Road Off Shakra-e-Faisal, Near Nursery Flyover Karachi.	
<b>Legal Advisors</b>	Mohsin Tayebaly & Co. Barristers & Advocates 2 <sup>nd</sup> Floor Dime Centre, BC-4 Block 9 KDA Scheme 5, Clifton, Karachi.	
<b>Share Registrar</b>	Technology Trade (Pvt.) Ltd 241-C, Block-2, PECHS, Karachi	
<b>Registered Office</b>	8 <sup>th</sup> Floor Horizon Tower, Plot No. 2/6 Block III, Clifton, Karachi	

## 2. DIRECTORS' REPORT

### Economic Review:

In the 2QFY16 international oil prices have plummeted by 35% helping Pakistan achieve significant macroeconomic stability. During the same period local HSD and Mogas prices have actually increased by Rs.2-3/liter as the government tries to meet their fiscal deficit requirements. Despite the increase, inflation has averaged 2.5% during 2QFY16 vs. the 2QFY15 average of 4.7%. The SBP however decided to keep the policy rate at 6% in both its November and January monetary policy statements which may be a signal for a bottoming out of interest rates and a potential for a reversal going forward. Furthermore, decline in oil prices have also helped reduce the current account deficit in 1HFY16 which stood at US\$ 1,267 million versus current account deficit of US\$ 2,463 million for 1HFY15. A combination of lower current account deficit, international borrowing and higher remittances have helped to increase the foreign exchange reserves of SBP US\$ 20.8 billion (1<sup>st</sup> Jan, 2016) vs. US\$ 18.7 billion (3<sup>rd</sup> July).

In the quarters ahead we expect inflation to remain low, with demand for consumer durables to increase given the low interest rate environment. The benefit of an increase in disposable income will have a key role to play in this increase in consumption.

However, challenges continue to remain with regards to the fiscal deficit and overvaluation of the exchange rate. Last year the fiscal deficit target of 5% of GDP was missed by 0.4% of GDP and this year target of 4.3% of GDP seems unlikely to be met. Additionally, as per the REER data provided by the SBP, the exchange rate is overvalued by 22%. The effect of the overvaluation has been felt on the exports as they have declined by 14% YoY during 1HFY16. Going forward we expect a gradual devaluation of the exchange rate as the SBP has enough reserves to manage the exchange rate.

### Capital Market Review:

KSE-100 index closed the year at 32,816 points which is a gain of 0.2% during 2QFY16. The gains could have been higher for the market, however, downward pressure was witnessed due to foreign outflows in this period amounting to US\$ 138 million as global markets declined due to worries about sustainability of global growth, especially the GDP growth related to China. Mutual funds and Companies however cushioned the downward pressure with buying of US\$ 70 million during 2QFY16. Volume for the KSE-100 index remained fairly low as average volume of shares daily traded were 86 million for December 2015 versus last 6 month average of 120 million shares.

### Performance Overview:

During 1HFY16 the Company made a loss of PKR 16.4 million vs. a profit of PKR 0.1 million in 1HFY15. A YoY increase of 36% was seen in the revenue along with capital gains on investments. However, as the company is continuing to invest in quality human resources for future sustainable growth, administrative expenses saw an increase of 60%, and thus a loss for the period. However, the management is confident that this continuing investment in human resources will help ensure a sustainable and growing future profitability for the firm.

### Rights Issue:

The Board of Directors in their meeting held on September 29, 2015 decided to raise Rs. 200 million capital by issuing 25 million right shares at discount of Rs. 2 per share i.e. issue share at Rs. 8 per share subject to the approval of shareholders and Securities and Exchange Commission of Pakistan (SECP). The funds generated from the right issue will be utilized towards increasing capital market related services, working capital, human resource development and enhancing overall business offerings to both local and foreign investors.

For and on behalf of the Board of Directors  
Date: February 29, 2016



Chairperson  
Hanna Khan

### **3. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF CONDENCED INTERIM FINANCIAL INFORMATION**

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#### *Introduction*

We have reviewed the accompanying condensed interim balance sheet of **Next Capital Limited** ("the Company") as at 31 December 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

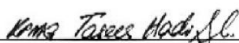
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

#### *Other matters*

The figures for the quarter ended 31 December 2015 and 31 December 2014 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed by us and we do not express a conclusion on them.

**Date: 29 February 2016**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Mazhar Saleem**

#### 4. CONDENSED INTERIM BALANCE SHEET, AS AT 31 DECEMBER, 2015

	Note	Unaudited 31 December 2015	Audited 30 June 2015
<b>------(Rupees)-----</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipments	6	12,215,937	12,054,466
Intangible assets	7	21,215,060	21,145,612
Investment in shares of Pakistan Stock Exchange Limited	8	40,073,830	40,073,830
Investment in associate	9	9,378,357	9,786,472
Long term deposits		3,501,450	3,501,450
Deferred tax asset	10	23,798,946	18,893,145
		<b>110,183,580</b>	<b>105,454,975</b>
<b>Current assets</b>			
Trade debts - considered good	11	78,072,235	119,753,156
Investments	12	36,543	-
Advances, deposits, prepayments and other receivables	13	117,469,209	58,580,293
Income tax refundable		16,437,118	14,453,501
Cash and bank balances		109,842,010	141,584,340
		<b>321,857,115</b>	<b>334,371,290</b>
<b>Total assets</b>		<b>432,040,695</b>	<b>439,826,265</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserve</b>			
Authorised capital			
50,000,000 (30 June 2015: 30,000,000) ordinary shares of Rs. 10 each		<b>500,000,000</b>	<b>300,000,000</b>
Issued, subscribed and paid-up capital		<b>200,000,000</b>	<b>200,000,000</b>
Accumulated losses		<b>(38,151,864)</b>	<b>(21,763,591)</b>
		<b>161,848,136</b>	<b>178,236,409</b>
<b>Non-current liabilities</b>			
Long term loans	14	120,465,402	108,592,232
<b>Current liabilities</b>			
Short term loan - unsecured	15	42,381,669	4,123,680
Current portion of liabilities against assets subject to finance lease		48,090	48,090
Trade and other payables	16	107,297,398	148,825,854
		<b>149,727,157</b>	<b>152,997,624</b>
<b>Total equity and liabilities</b>		<b>432,040,695</b>	<b>439,826,265</b>
Contingencies and commitments	17		

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.



**Chief Executive**




**Director**

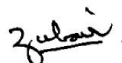
**5. CONDENSED INTERIM PROFIT AND LOSS ACCOUNT- (UNAUDITED) , FOR THE SIX MONTHS  
ENDED 31 DECEMBER, 2015**

		Six Months ended 31 December		Quarter ended 31 December	
	Note	2015	2014	2015	2014
(Rupees)					
Operating revenue	18	66,315,370	48,738,828	27,810,558	27,277,972
Capital gain on sale of investments		1,124,471	2,396,690	(5,500,418)	2,028,043
Unrealised gain / loss in the value of shares classified as at 'fair value through profit or loss'		1,593	459,958	541,933	(277,342)
Operating expenses	19	(46,601,922)	(29,186,593)	(22,302,156)	(16,708,492)
Administrative expenses	20	(34,495,653)	(21,954,591)	(20,394,647)	(12,022,141)
Financial charges		(10,235,871)	(5,474,248)	(5,141,725)	(2,831,231)
		(23,892,012)	(5,019,956)	(24,986,455)	(2,533,191)
Other income		7,426,802	5,507,054	5,094,607	2,573,593
Share of loss from associate	9	(408,115)	(597,420)	(564,302)	(597,420)
Net loss before taxation		(16,873,325)	(110,322)	(20,456,150)	(557,018)
Taxation	21	485,052	212,784	1,028,846	414,195
Net (loss) / income for the period		(16,388,273)	102,462	(19,427,304)	(142,823)
Earnings per share - basic and diluted	22	(0.82)	0.01	(0.97)	(0.0071)

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.



Chief Executive

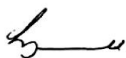


Director

**6. CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME-(UNAUDITED), FOR THE SIX MONTHS ENDED 31 DECEMBER, 2015**

	Six Months ended 31 December		Quarter ended 31 December	
	2015	2014	2015	2014
	----- (Rupees) -----			
Net (loss) / income for the period	(16,388,273)	102,462	(19,427,304)	(142,823)
<b><u>Other comprehensive income:</u></b>				
<i>Items that are or may be reclassified subsequently to profit and loss account</i>				
Surplus on revaluation of available-for-sale investments transferred to income statement on disposal - net of deferred tax	-	(14,587)	-	(14,587)
Total comprehensive income for the period	<u>(16,388,273)</u>	<u>87,875</u>	<u>(19,427,304)</u>	<u>(157,410)</u>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.



Chief Executive



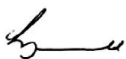
Director



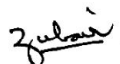
**7. CONDENSED INTERIM CASH FLOW STATEMENT-(UNAUDITED), FOR THE SIX MONTHS  
ENDED 31 DECEMBER, 2015**

	<b>Six months ended</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>------(Rupees)-----</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss before taxation	(16,873,325)	(110,322)
<b>Adjustments for:</b>		
- Depreciation	2,300,337	2,671,152
- Amortisation	130,552	64,425
- Gain on sale of investments	(1,124,471)	(2,396,690)
- Unrealised gain in the value of shares classified as at 'fair value through profit or loss'	(1,593)	(459,958)
- Share of loss from associate	408,115	597,420
- Return on bank deposits	(5,045,178)	4,905,946
- Dividend Income	(2,381,624)	-
- Provision for Sales Tax	1,251,270	-
- Financial charges	10,235,871	5,474,248
	<b>5,773,279</b>	<b>10,856,543</b>
Cash (used in) / generated from operating activities before working capital changes	<b>(11,100,046)</b>	<b>10,746,221</b>
<b>(Increase) / decrease in current assets</b>		
Trade debts	41,680,921	(20,726,041)
Advances, deposits, prepayments and other receivables	(58,888,916)	48,780,560
	<b>(17,207,995)</b>	<b>28,054,519</b>
<b>(Decrease) / increase in current liabilities</b>		
Trade and other payables	(37,159,685)	15,888,699
	<b>(65,467,726)</b>	<b>54,689,439</b>
Financial charges paid	(10,235,871)	(5,474,248)
Taxes paid	(12,024,407)	(3,840,147)
Net cash (used in) / generated from operating activities	<b>(87,728,004)</b>	<b>45,375,044</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(2,461,808)	(805,225)
Investment in associate	-	(10,000,000)
Investments made during the period	1,089,521	(233,686,850)
Investments disposed off during the period	-	236,111,639
Purchase of intangible assets	(200,000)	-
Return received on bank deposits	5,045,178	(4,905,946)
Dividend income	2,381,624	-
Net cash generated from / (used in) investing activities	<b>5,854,515</b>	<b>(13,286,382)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term loans received	107,563,191	26,140,119
Short term loans repaid	(69,305,202)	(16,075,480)
Long term loans received	14,129,885	-
Long term loans repaid	(2,256,715)	-
Lease repayments made	-	(252,500)
Net cash generated from financing activities	<b>50,131,159</b>	<b>9,812,139</b>
Net (decrease) / increase in cash and cash equivalents	<b>(31,742,330)</b>	<b>41,900,801</b>
Cash and cash equivalents at beginning of the period	<b>141,584,340</b>	<b>3,008,584</b>
Cash and cash equivalents at end of the period	<b>109,842,010</b>	<b>44,909,385</b>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.



**Chief Executive**

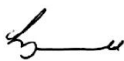


**Director**

**8. STATEMENT OF CHANGES IN EQUITY-(UNAUDITED), FOR THE SIX MONTHS ENDED  
31 DECEMBER, 2015**

	Issued, subscribed and paid-up capital	Accumulated losses	Unrealized appreciation on available for sale investments	Total
	----- (Rupees) -----			
Balance as at 1 July 2014	200,000,000	(30,626,304)	14,587	169,388,283
Total comprehensive income for the period				
Net profit for the period	-	102,462	-	102,462
Transfer of unrealised gain to income statement on disposal of available-for-sale investments - net of deferred tax	-	-	(14,587)	(14,587)
Balance as at 31 December 2014	<u>200,000,000</u>	<u>(30,523,842)</u>	<u>-</u>	<u>169,476,158</u>
Balance as at 1 July 2015	200,000,000	(21,763,591)	-	178,236,409
<b>Total comprehensive income for the period</b>				
Net profit / (loss) for the period	-	(16,388,273)	-	(16,388,273)
Transfer of unrealised gain to income statement on disposal of available-for-sale investments - net of deferred tax	-	-	-	-
Balance as at 31 December 2015	<u>200,000,000</u>	<u>(38,151,864)</u>	<u>-</u>	<u>161,848,136</u>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.



**Chief Executive**



**Director**

**9. NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION-(UNAUDITED), FOR THE SIX MONTHS ENDED 31 DECEMBER, 2015**

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**1. STATUS AND NATURE OF BUSINESS**

Next Capital Limited ("the Company") was incorporated as a public limited company in Pakistan on 14 December 2009 under Companies Ordinance, 1984. The Company has obtained corporate membership from Pakistan Stock Exchange Limited ("the Exchange") on 2 February 2010 and was listed on the said Exchange on 27 April 2012.

The Company is a TREC holder of Pakistan Stock Exchange Limited and a member of Pakistan Mercantile Exchange Limited and is accredited broker by Financial Market Association of Pakistan. The Company is principally engaged in brokerage of shares, stocks, equity and debt securities, commodities, forex and other financial instruments and consultancy services. Further, the Company is engaged in trading in equity and debt securities on its own account through ready, spot and forward counters of the stock exchange. The registered office of the Company is situated at 8th floor, Horizon Tower, Block III Clifton, Karachi.

**2. BASIS OF PREPARATION**

- 2.1** This Condensed interim financial information of the Company for the six months period ended 31 December 2015 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and the provisions of and directives issued under Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 2.2** This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements of the company as at and for the year ended 30 June 2015.
- 2.3** This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulation of Pakistan Stock Exchange.
- 2.4** This condensed interim financial information is presented in Pakistan Rupees which is the Company's functional currency.
- 2.5** The comparative balance sheet presented in this condensed interim financial information as at 31 December 2015 has been extracted from the audited financial statements of the Company for the year ended 30 June 2015, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, and the condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the six months period ended 31 December 2014.

**3. ACCOUNTING POLICIES**

- 3.1** The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are same as those applied in the preparation of the financial statements for the year ended 30 June 2015, except for the following standards, which became effective during the period:

### 3.2 New, amended and revised Standards and Interpretations of IFRSs

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurements'. These standards became applicable from 1 January 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial information of the Company.

IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial information of the Company, except certain additional disclosures which are disclosed in the note 24.

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. However, actual results may differ from these estimates.

The significant judgments made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2015.

## 5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2015.

## 6. PROPERTY AND EQUIPMENTS

	<b>Unaudited 31 December 2015</b>	<b>Audited 30 June 2015</b>
	<b>----- (Rupees) -----</b>	
Opening written down value	<b>12,054,466</b>	12,868,124
Additions during the period / year - at cost		
- Lease hold improvement	<b>63,156</b>	947,400
- Furniture and fixtures	<b>987,976</b>	83,995
- Vehicles - owned	<b>-</b>	2,314,600
- Computers and related accessories	<b>1,410,676</b>	1,220,718
	<b>2,461,808</b>	4,566,713
Written down value of deletions during the period / year	<b>-</b>	-
Depreciation for the period / year	<b>(2,300,337)</b>	(5,380,371)
	<b>(2,300,337)</b>	(5,380,371)
Closing written down value	<b>12,215,937</b>	12,054,466

7. INTANGIBLE ASSETS	Note	Unaudited 31 December 2015	Audited 30 June 2015
		----- (Rupees) -----	
Pakistan Mercantile Exchange - Membership card		<b>950,000</b>	950,000
Trading Right Entitlement Certificate (TREC)	7.1	<b>19,926,170</b>	19,926,170
Software	7.2	<b>338,890</b>	269,442
		<b><u>21,215,060</u></b>	<b><u>21,145,612</u></b>

- 7.1 This represents TREC acquired on surrender of Stock Exchange Membership Card. For details please refer Note 8.

According to the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Upto December 31, 2019, a Stock Exchange shall offer for issuance, 15 TRE Certificates each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificates. The Company has marked lien on TRE certificate in favour of the PSEL to fulfil the requirement of Base Minimum Capital.

7.2 *Net carrying value basis*

Opening net book value	<b>269,442</b>	177,220
Additions	<b>200,000</b>	200,000
Amortisation charge	<b>(130,552)</b>	(107,778)
Closing net book value	<b><u>338,890</u></b>	<b><u>269,442</u></b>

*Gross carrying value*

Cost	<b>3,090,000</b>	2,890,000
Accumulated amortisation	<b>(2,751,110)</b>	(2,620,558)
Net book value	<b><u>338,890</u></b>	<b><u>269,442</u></b>
Amortisation rate	<b><u>33%</u></b>	<b><u>33%</u></b>

**8. INVESTMENT IN SHARES OF PAKISTAN STOCK EXCHANGE LIMITED - Available-for-sale**

Investment in shares of Pakistan Stock Exchange Limited	<b><u>40,073,830</u></b>	<b><u>40,073,830</u></b>
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- 8.1 This represents shares of Pakistan Stock Exchange Limited (PSEL) acquired in pursuance of corporatization and demutualization of PSEL as a public company limited by shares. As per the arrangements the authorized and paid-up capital of PSEL is Rs. 10,000,000,000 and Rs. 8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of PSEL is equally distributed among 200 members (termed as "initial shareholders" of the exchange after corporatization) of PSEL by issuance of 4,007,383 shares to each initial shareholder in the following manner:

- 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account - CDC of each initial shareholder;

2. 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under PSEL's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions.

Right to receive distributions and sale proceeds against 60% shares in the blocked account shall vest in the initial shareholder, provided that bonus and right shares (if any) shall be transferred to blocked account and disposed off with the blocked shares.

Right to vote against blocked shares shall be suspended till the time of sale.

The shares of PSEL shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of PSEL.

The above shares and TRE Certificate were received against surrender of Stock Exchange Membership Card. As the fair value of both the asset transferred and asset obtained can not be determined with reasonable accuracy, the above investment has been recorded at the carrying value of Stock Exchange Membership Card in Company's books. The par value of shares received by the Company has been recognised as available for sale investment and the excess of value of shares over the carrying value of membership card is recognised as trading right. No gain or loss has been recorded on the exchange. The Company has pledged the shares with PSEL to fulfil the requirement of Base Minimum Capital.

## 9. INVESTMENT IN ASSOCIATE - equity accounted for

### Unquoted

Next Advisors Limited

1,000,000 ordinary shares of Rs. 10 each (30 June 2015: 1,000,000 ordinary shares of Rs. 10 each)

	<b>31 December 2015</b>	30 June 2015
	<b>(Rupees)</b>	
Cost of investment	<b>10,000,000</b>	10,000,000
Less: Share of loss from associate since 10 July 2014	<b>(213,528)</b>	-
Balance at beginning of the period / year	<b>9,786,472</b>	10,000,000
Share of loss for the period / year	<b>(408,115)</b>	(213,528)
Balance at end of the period / year	<b>9,378,357</b>	9,786,472
Equity held	<b>28.57%</b>	28.57%

- 9.1 Next Advisors Limited (NAL) is a public limited company which has obtained the license of providing "Investment Advisory Services" from the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules). The NAL is principally engaged in the business of investment advisory, portfolio management and business and economic research services.

- 9.2 Share of loss after acquisition is recognised based on reviewed interim financial information as at and for the period ended 31 December 2015. The summarised financial information of the equity accounted investee based on interim financial information is as follows:

	<i>Note</i>	<b>31 December 2015</b>	30 June 2015
		<b>(Rupees)</b>	
Assets		<u><b>33,009,827</b></u>	<u>35,879,445</u>
Liabilities		<u><b>185,609</b></u>	<u>1,626,804</u>
Net Assets		<u><b>32,824,218</b></u>	<u>34,252,641</u>
Total Revenue		<u><b>3,288,936</b></u>	<u>18,606,109</u>
Loss after taxation for the period/year		<u><b>(1,428,423)</b></u>	<u>(747,359)</u>

- 9.3 The Board of Directors in their meeting held on 6 August 2015 have authorized the Company to explore the feasibility of a potential merger of the Company and NAL. For this purpose the Company has also been authorized to appoint advisors and consultants for evaluating the feasibility, including due diligence and evaluation, for consideration and approval by the Board of Directors of the Company.

#### 10. DEFERRED TAX ASSET

*Deductible / (taxable) temporary difference arising in respect of:*

Accelerated depreciation / amortisation	<b>(5,160,033)</b>	(5,255,691)
Investment in associate	-	68,329
Liability subject to finance lease	-	15,389
Carry forward losses	<u><b>28,958,979</b></u>	<u>24,065,118</u>
	<u><b>23,798,946</b></u>	<u>18,893,145</u>

#### 10.1 Reconciliation of deferred tax

Balance as at 1 July 2015	<b>18,893,145</b>	21,181,585
Recognised in profit and loss account	<b>4,905,801</b>	(2,296,294)
Recognised in equity	-	7,854
Balance as at 31 December 2015	<u><b>23,798,946</b></u>	<u>18,893,145</u>

#### 11. TRADE DEBTS - considered good

*Receivable from clients on account of:*

- Purchase of shares on behalf of clients	<i>11.1</i>	<b>18,992,248</b>	69,328,756
- Brokerage commission		<b>10,869,894</b>	11,392,047
- Consultancy fee		<b>831,250</b>	29,895,000
- Receivable from National Clearing Company of Pakistan Limited		<u><b>47,378,843</b></u>	<u>9,137,353</u>
		<u><b>78,072,235</b></u>	<u>119,753,156</u>

- 11.1 This includes trade debts of Rs. 0.068 million (30 June 2015: 0.620 million) receivable from related parties.



12. INVESTMENT	Note	31 December 2015	30 June 2015					
		(Rupees)						
Designated at fair value through profit or loss - quoted equity security	12.1	<u>36,543</u>	<u>-</u>					
<b>12.1 Designated at fair value through profit or loss - quoted equity securities</b>								
		As at 01 July 2015	Purchased during the period	Sold during the period	As at 31 December 2015	Purchase cost	Market Value as at 31 December 2015	Market value as at 30 June 2015
		(Rupees)			(Shares)		(Rupees)	
Pakistan Petroleum Limited		-	8,800	8,500	300	34,950	36,543	-
13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	31 December 2015		30 June 2015				
		(Rupees)						
Advance against salary	13.1	268,044	160,394					
Deposit against Marginal Trading Services	13.2	17,683,597	16,255,670					
Deposit against Exposure Margin	13.3	91,465,665	36,181,095					
Prepaid expenses		3,757,298	1,672,403					
Sales tax receivables		-	2,674,649					
Advance against development of software (Margin Finance System)		98,500	-					
Other receivables and advances		4,196,105	1,636,082					
		<u>117,469,209</u>	<u>58,580,293</u>					
<b>13.1 This includes advance against salary amounting to Rs. 0.039 million (31 December 2014: Rs. 0.199 million) due from Chief Executive Officer.</b>								
<b>13.2 This represents deposit with National Clearing Company of Pakistan Limited against the Financing Participation Ratio (FPR) and sustained losses to date on Marginal Trading Services.</b>								
<b>13.3 This represents deposit with Karachi Stock Exchange Limited against the exposure margin against trade in future and ready market.</b>								
<b>14. LONG TERM LOAN</b>								
Long term loan	14.1	<u>120,465,402</u>	<u>108,592,232</u>					
<b>14.1 This includes loans obtained from related parties amounting to Rs. 87.142 million (2015: 104.254 million) and from others amounting to Rs. 33.324 million (2015: 4.338 million) respectively. These loans carry mark-up rate 11.50% to 11.99% (2015: 11.83% to 12.98%) per annum.</b>								
<b>15. SHORT TERM LOAN - unsecured</b>								
Loan at beginning of the period / year		4,123,680	58,500,000					
Additions during the period / year	15.1	107,563,191	248,848,956					
Repayments of the loan during the period / year	15.1	(69,305,202)	(303,225,276)					
Balance at end of the period / year		<u>42,381,669</u>	<u>4,123,680</u>					
<b>15.1 This includes loans obtained from related parties amounting to Rs. 102.932 million (2015: 204.076 million) out of which Rs. 69.114 million (2015: 290.953 million) was repaid during the period and Rs. 37.942 million (2015: Rs. 4.124 million) is outstanding at period end. These loans carry mark-up rate 11.50% to 11.99% (2015: 11.83% to 15.27%) per annum.</b>								



<b>16. TRADE AND OTHER PAYABLES</b>	<i>Note</i>	<b>31 December 2015</b>	<b>30 June 2015</b>
		<b>(Rupees)</b>	
Trade creditors	16.1	71,210,594	124,810,306
Payable to directors		30,000	30,000
Advance from customers	16.2	26,447,219	-
Payable to National Clearing Company of Pakistan Limited		356,163	-
Accrued commission to traders		1,673,995	3,163,674
Accrued salaries and other expenses		455,710	128,572
Auditor's remuneration		533,800	245,970
Tax deducted at source		1,803,030	7,423,071
Provision for sales tax		3,811,333	2,560,063
Provision for Worker's Welfare Fund		461,886	461,886
Payable to Next Advisor Limited	19.1	-	9,247,592
Other payables		513,668	754,720
		<b>107,297,398</b>	<b>148,825,854</b>

**16.1** This includes trade payable of Rs. 13.97 million (30 June 2015: Rs. 1.169 million) payable to related parties.

**16.2** This includes amount received from customer which is payable to NCCPL on his behalf for the settlement of purchase of shares by the customer amounting to Rs. 25.53 million.

## **17. CONTINGENCIES AND COMMITMENTS**

**17.1** The Sindh Revenue Board (SRB) passed an Order for recovery of sindh sales tax on advisory services amounting to Rs. 871,581 for the tax period July 2011 to June 2012. The Company filed appeal before the Commissioner Appeals (SRB) against the said order. The Commissioner Appeals (SRB) passed the final order dated 21 November 2014 for recovery of assessed amount Rs. 871,581 and default surcharge to be calculated at the time of payment.

The Company filed the petition against the order to the Honourable High Court of Sindh ("The Court") and the Court granted an interim order dated 28 November 2014 and restrained the SRB from demanding any payment till further orders by the Court. The Court via its order dated 28 August 2015 disposed off the said petition and directed the Company to pursue the appeal before the SRB-Tribunal.

The management is of the view that such services were not taxable under the Sindh Sales Tax Act, 2011 and the Company was duly paying Sindh Sales Tax on brokerage services and filing Sindh Sales Tax accordingly. The Company is confident of a favorable outcome of the same, therefore, no provision has been made in this regard.

**17.2** For income tax contingencies, refer note 21.1.

### **17.3 Commitments**

For sale of quoted securities under future contracts against  
counter commitments

<b>12,727,225</b>	<b>259,710</b>
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For purchase of quoted securities under future contracts  
against counter commitments

<b>164,912,825</b>	<b>77,841,790</b>
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		Six months ended 31 December		Quarter ended 31 December	
	Note	2015	2014	2015	2014
		(Unaudited)		(Unaudited)	
		(Rupees)		(Rupees)	
<b>18. OPERATING REVENUE</b>					
Brokerage income	18.1	57,739,156	41,295,127	25,171,844	21,849,489
Advisory / consultancy fee		8,576,214	7,443,701	2,638,714	5,428,483
		<u>66,315,370</u>	<u>48,738,828</u>	<u>27,810,558</u>	<u>27,277,972</u>
<b>18.1</b>	This includes brokerage earned from related parties amounting to Rs. 1.207 million (31 December 2014: 1.176 million).				
<b>19. OPERATING EXPENSES</b>					
Salaries, wages and other benefits		20,375,261	9,735,000	12,778,205	5,138,400
Consultancy fee	19.1 & 19.2	7,521,317	8,144,329	6,221,317	5,030,174
Commission and referral fee	19.3	9,470,900	8,121,337	(456,240)	4,871,244
Service and transaction charges		4,297,051	2,700,074	1,421,083	1,473,821
Fees and subscription		4,937,393	485,853	2,337,791	194,853
		<u>46,601,922</u>	<u>29,186,593</u>	<u>22,302,156</u>	<u>16,708,492</u>
<b>19.1</b>	This includes consultancy fee of Rs. nil (31 December 2014: 5.079 million) in respect of consultancy services rendered by Next Advisor Limited relating to money market department, Rs. 2.779 million (31 December 2014: Nil) in respect of consultancy services rendered by Next Advisors Limited relating to corporate deals, Rs. 0.4 million (31 December 2014: 1 million) on account of daily market research. This amount also includes Rs. 0.75 million paid to a director in respect of appointment as an agent of the Company for its new office.				
<b>19.2</b>	This includes consultancy fee to the directors of the Company amounting to Rs. 1.99 million (31 December 2014: Rs. 1.2 million).				
<b>19.3</b>	This includes commission to the directors of the Company amounting to Rs. 8.133 million (31 December 2014: 6.919 million) and referral fee to Next Advisor Limited amounting to Rs. 0.109 million (31 December 2014: Rs. 0.636) respectively.				
<b>20. ADMINISTRATIVE EXPENSES</b>					
Salaries, wages and other benefits	20.1	16,024,284	6,367,055	9,808,511	3,178,160
Telephone and communication charges		1,987,529	852,788	1,004,300	407,799
Rent expense		4,190,027	2,020,400	2,450,315	832,344
Utility charges		1,241,335	1,453,696	650,678	666,575
Vehicle running expenses		1,010,047	1,328,443	593,032	724,005
Depreciation		2,300,337	2,671,152	1,024,493	1,447,505
Amortisation		130,552	64,425	108,330	40,258
Legal and professional charges		207,920	860,564	53,770	664,374
Auditor's remuneration		641,230	450,600	599,230	333,000
Insurance		254,136	202,259	113,159	103,593
Printing, stationery and postage charges		497,941	472,838	280,243	316,420
Office supplies		238,319	181,535	144,877	77,333
Office repair and maintenance		643,682	684,704	403,429	252,040
Branch office maintenance		48,010	276,232	48,010	276,232
Fees and subscription		627,397	876,330	560,499	525,759
Travelling and entertainment charges		1,892,900	1,526,099	1,362,409	1,254,514
Advertisement expenses		376,860	87,731	160,950	-
Security expense		984,600	1,022,175	502,650	539,475
Miscellaneous expenses		1,198,547	555,565	525,762	382,755
		<u>34,495,653</u>	<u>21,954,591</u>	<u>20,394,647</u>	<u>12,022,141</u>
<b>20.1</b>	This includes remuneration to Chief Executive Officer amounting to Rs. 4.5 million (2014: Rs. 4.5 million).				
<b>21. TAXATION</b>					
Current		3,015,943	847,085	4,326,642	585,094
Prior		1,404,806	-	1,404,806	-
Deferred		(4,905,801)	(1,059,869)	(6,760,294)	(999,289)
		<u>(485,052)</u>	<u>(212,784)</u>	<u>(1,028,846)</u>	<u>(414,195)</u>

## 21.1 Current status of tax assessments

There is no change in the status of the current tax assessment as referred in note 24.3 of financial statements for the year ended 30 June 2015.

## 22. EARNINGS PER SHARE - BASIC AND DILUTED

	Six months ended		Quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	----- (Un-audited) -----			
	----- (Rupees) -----			
- Loss for the period	(16,388,273)	102,462	(19,427,304)	(142,823)
	----- (Numbers) -----			
- Weighted average number of ordinary shares in issue during the period	20,000,000	20,000,000	20,000,000	20,000,000
	----- (Rupees) -----			
<b>Earnings per share basic &amp; diluted</b>	<b>(0.82)</b>	<b>0.01</b>	<b>(0.97)</b>	<b>(0.0071)</b>

22.1 Diluted earnings per share has not been presented as the company has not issued any instrument which would have an impact on earnings per share when exercised.

22.2 The Company with the approval of shareholders by way of special resolution in general meeting held on 13 September 2011 has entered into a Stock Option Agreement dated 7th October, 2011 with the Chief Executive (CEO), whereby the CEO has been granted Options to subscribe for the ordinary shares of the Company. Issuance of shares by the Company against exercise of the Options is, however, subject to the approval of the Securities & Exchange Commission of Pakistan (the Commission) under section 86 of Companies Ordinance, 1984. The number of share options granted are up to 2 million shares with consideration in cash having an exercise price of Rs. 10 per share. The exercise period is five years and six months after one year from the date of listing of the Company. However, the option is yet to be approved by the Securities and Exchange Commission of Pakistan (SECP). Further the value of option is considered to be nil in view of the fact that the market value of the share of the Company is significantly less than the face value and its exercise price.

## 23. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of associated companies, directors, key management personnel and close family members of the directors and key management personnel. Transactions with related parties may be carried out at negotiated rates. Remuneration and benefits to executives of the Company are in accordance with the terms of their employment.

Details of transactions and balances with related parties, other than those which have been specifically disclosed elsewhere in this financial information are as follows:

**23.1 Short term loan from related parties**

Un-audited 31 December 2015	Audited 30 June 2015
-----------------------------------	----------------------------

(Rupees)

Opening balance	4,123,680	55,000,000
Received during the period / year	102,932,123	240,076,421
Repayments during the period / year	(69,113,520)	(290,952,741)
Interest accrued during the period / year	3,166,515	10,652,644
Interest paid during the period / year	-	(10,652,644)
Closing balance	41,108,798	4,123,680

**Long term loan from related parties**

Opening balance	82,157,151	-
Received during the period / year	4,984,451	104,253,645
Interest accrued during the period / year	4,985,557	1,246,301
Interest paid during the period / year	-	(1,246,301)
Closing balance	92,127,159	104,253,645

**Transactions with Next Advisors Limited (NAL)**
*Payments / (receipts) with respect to*

- consultancy services relating to money market department	-	5,079,329
- consultancy services relating to corporate deals	2,779,167	9,026,985
- daily market research	400,000	3,400,000
- referral fee on equity clients	109,769	1,099,795
- reimbursement of expenses incurred on behalf of NAL	-	(3,590,235)
Payable to NAL	-	9,247,592

**23.2 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in the financial statements for remuneration, including certain benefits to the chief executive, directors and executives of the Company is as follows:

	Chief Executive		Directors		Executives	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	(Rupees)					
Managerial remuneration	3,000,000	3,000,000	1,400,000	520,003	10,711,889	4,526,023
House rent allowance	1,200,000	1,200,000	560,000	208,001	4,284,756	1,810,409
Medical	300,000	300,000	140,000	52,000	1,071,189	452,602
Commission and consultancy fee	-	-	10,874,754	8,119,683	1,173,422	-
	4,500,000	4,500,000	12,974,754	8,899,687	17,241,256	6,789,034

**23.3** The Company provides the chief executive and certain executives with the Company maintained cars as per their terms of employment.

## 24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in arm's length transaction. The table below analyses financial instruments carried at fair value, by valuation method. The different levels (methods) have been defined as follows:

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).

Fair value of the financial assets that are traded in active markets are based on quoted market prices. Since investment in Pakistan Stock Exchange Limited (PSEL) is not listed on any stock exchange, a quoted market price is not available and the fair value of such investment can not be determined with reasonable accuracy. The following table shows fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for investment in PSEL and financial assets and financial liabilities not measured at fair value. These financial assets and financial liabilities, except investment in PSEL, are short term and their fair value approximates their carrying value.

### On balance sheet financial instruments

	31 December 2015				
	Carrying value	Fair value			Total
		Level 1	Level 2 (Rupees)	Level 3	
<b>Financial assets measured at fair value</b>					
- Investments					
- Designated at fair value through profit or loss - quoted equity security	36,543	36,543	-	-	36,543
<b>Financial assets not measured at fair value</b>					
- Investment in shares of Pakistan Stock Exchange Limited	40,073,830	-	-	-	-
- Investment in associate	9,378,357	-	-	-	-
- Long term deposits	3,501,450	-	-	-	-
- Trade debts - considered good	78,072,235	-	-	-	-
- Advances, deposits and other receivables	113,613,411	-	-	-	-
- Cash and bank balances	109,842,010	-	-	-	-
	354,517,836	36,543	-	-	36,543
<b>Financial liabilities not measured at fair value</b>					
- Long term loans	120,465,402	-	-	-	-
- Short term loan - unsecured	42,381,669	-	-	-	-
- Current portion of liabilities against assets subject to finance lease	48,090	-	-	-	-
- Trade and other payables	103,024,179	-	-	-	-
	265,919,340	-	-	-	-
	88,598,496	36,543	-	-	36,543

### On balance sheet financial instruments

	30 June 2015				
	value	Fair value			Total
		Level 1	Level 2 (Rupees)	Level 3	
<b>Financial assets measured at fair value</b>					
- Investments					
- Designated at fair value through profit or loss - quoted equity security	-	-	-	-	-
<b>Financial assets not measured at fair value</b>					
- Investment in shares of Pakistan Stock Exchange Limited	40,073,830	-	-	-	-
- Investment in associate	9,786,472	-	-	-	-
- Long term deposits	3,501,450	-	-	-	-
- Trade debts - considered good	119,753,156	-	-	-	-
- Advances, deposits and other receivables	54,233,241	-	-	-	-
- Cash and bank balances	18,893,145	-	-	-	-
	246,241,294	-	-	-	-
<b>Financial liabilities not measured at fair value</b>					
- Long term loans	108,592,232	-	-	-	-
- Short term loan - unsecured	4,123,680	-	-	-	-
- Current portion of liabilities against assets subject to finance lease	48,090	-	-	-	-
- Trade and other payables	146,265,791	-	-	-	-
	259,029,793	-	-	-	-
	(12,788,499)	-	-	-	-

**25. RIGHT SHARES**


The Company in their Annual General Meeting held on 28 October 2015 decided to raise Rs. 200 million capital by issuing 25 million right shares at discount of Rs. 2 per share i.e. issue share at Rs. 8 per share. The Securities and Exchange Commission of Pakistan (SECP) has granted its approval in this respect on 11 January 2016 subject to the compliance of the requirements of Companies (Issue of Capital) Rules, 1996, as amended via SRO 34/2016 dated 19 January 2016.

**26. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial information was authorised for issue by the Board of Directors of the Company in their meeting held on February 29, 2016.



Chief Executive



Director



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