



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

The Chief Executive Officer  
Next Capital Limited  
8th Floor, Horizon Tower  
Plot # 2/6, Block III, Clifton  
Karachi

Our ref KA-ZS-298  
Contact Muhammad Taufiq

13 September 2018

Dear Sir,

**Net Capital Balance Certificate for the year ended 30 June 2018**

We are pleased to enclose the statement of net capital balance as at 30 June 2018, as required by Securities and Exchange Commission of Pakistan (SECP), under Rule 2(d) of the Third Schedule to the Securities and Exchange Rules, 1971, and the Securities Brokers (licensing and Operations) Regulations, 2016 (Regulations) together with our report thereon. The statement of net capital balance has been initialled by us for identification purpose only.

Management is responsible for the preparation of statement of net capital balance in accordance with the definition prescribed under Rule 2(d) of the Third Schedule to the Securities and Exchange Rules, 1971 the Securities Brokers (licensing and Operations) Regulations, 2016 (Regulations) and the Clarifications issued by Securities Exchange Commission of Pakistan (SECP) under SEC Rules, 1971. We further confirm that the above mentioned net capital balance of the Company is calculated by the management on the basis of annual audited financial statement for the year ended 30 June 2018.

We would like to draw your attention to SECP's guidelines dated 03 July, 2013 which requires brokerage houses to have client wise break up of bank balances pertaining to clients. The brokerage houses are also required to ensure that corresponding liability in respect of each such client has been reported in trade payables as on that reporting date for Net Capital Balance, client bank balance shall not exceed the corresponding trade payable client wise and / or overall basis as reported in Net Capital Balance. We consider that the client wise cash balances in client accounts should be maintained in the system.



KPMG Taseer Hadi & Co.

**Next Capital Limited**

*Net Capital Balance Certificate for the year ended 30 June  
2018*

*13 September 2018*

This report has been prepared to meet the requirements of SECP. As a result, this certificate may not be suitable for any other purpose. Our certificate is intended solely for the information and use by the management of the Company, Securities Exchange Commission of Pakistan (SECP), Pakistan Stock Exchange Limited (PSX) and the National Clearing Company of Pakistan Limited (NCCPL) and should not be distributed to parties other than the Company, SECP, PSX and NCCPL without our prior written consent.

Finally, we wish to place on record our appreciation for the co-operation and courtesy extended to us by the staff of the Company during the course of our certification.

Yours faithfully,

*KPMG Taseer Hadi & Co.*



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

## **INDEPENDENT AUDITORS REPORT ON STATEMENT OF NET CAPITAL BALANCE**

**To the Chief Executive Officer of Next Capital Limited (the Securities Broker)**

### **Opinion**

We have audited the Statement of Net Capital Balance of Next Capital Limited ("the Securities Broker") and notes to the Statement of Net Capital Balance as at 30 June 2018 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker, as at 30 June 2018 is prepared, in all material respects, in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the statement* section of our report. We are independent of the Securities Broker in accordance with the ethical requirements that are relevant to our audit of the statement in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter - Basis of Accounting and Restriction on Distribution**

We draw attention to Note 1 to the statement, which describes the basis of accounting. The statement is prepared to assist Next Capital Limited (the Securities Broker) to meet the requirements of the SECP, Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL). As a result, the statement may not be suitable for another purpose. Our report is intended solely for Next Capital Limited (the Securities Broker), SECP, PSX and NCCPL and should not be distributed to parties other than Next Capital Limited (the Securities Broker), the SECP, PSX or NCCPL. Our opinion is not modified in respect of this matter.





KPMG Taseer Hadi & Co.

### **Responsibilities of Management and Those Charged with Governance for the statement**

Management is responsible for the preparation of the statement in accordance with the Regulations and the SEC Rules 1971, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Those charged with governance is responsible for overseeing the Securities Broker's financial reporting process.

### **Auditor's Responsibilities for the Audit of the statement**

Our objectives are to obtain reasonable assurance about whether the statement is free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Securities Broker's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.



KPMG Taseer Hadi & Co.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

**Date: 13 September 2018**

**Karachi**

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

**Next Capital Limited**  
**Statement of Net Capital Balance**  
*As at 30 June 2018*

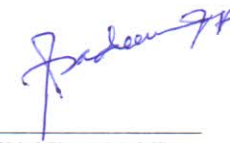
(Excess of Current Assets over Current Liabilities determined in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2 (d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP).

DESCRIPTION	VALUATION BASIS	Note	Sub Total (Rupees)	Total
<b><u>CURRENT ASSETS</u></b>				
Cash in hand, bank balances	As per book value	2		117,912,417
Cash deposited as margin with Pakistan Stock Exchange Limited (PSX) and National Clearing Company of Pakistan Limited (NCCPL)	As per book value	3		201,626,210
Investment in listed securities in the name of broker	At market value	4	12,094,500	
	Less: Securities not in exposure list		-	
			12,094,500	
	Less: Securities in exposure list marked to market less 15% discount		(1,814,175)	
				10,280,325
Trade receivables	As per book value	5	189,985,366	
	Less: Overdue for more than 14 days		(20,380,995)	
				169,604,371
<b>Total Current Assets</b>		<b>A</b>		<b>499,423,323</b>
<b><u>CURRENT LIABILITIES</u></b>				
Trade payables	As per book value	6	110,177,587	
	Less: Overdue for more than 30 days		(33,418,883)	
				76,758,704
Other liabilities	As per book value	7		210,198,942
<b>Total Current Liabilities</b>		<b>B</b>		<b>286,957,646</b>
<b>Net Capital Balance as at 30 June 2018</b>		<b>A - B</b>		<b>212,465,677</b>

The annexed notes, from 1 to 8, form an integral part of the statement.

  
Chief Executive Officer



  
Chief Financial Officer





**Next Capital Limited****Notes to the Statement of Net Capital Balance***For the year ended 30 June 2018***1. STATEMENT OF COMPLIANCE**

- 1.1 The statement of net capital balance ("the Statement") has been prepared in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2 (d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP).
- 1.2 The accounting policies and methods of computation used in the preparation of the statement of net capital balance are disclosed in the financial statements for the year ended 30 June 2018. Therefore this statement should be read in conjunction with the aforesaid financial statements.
- 1.3 The valuation of current assets and current liabilities for the purpose of net capital balance has been determined on the basis of the following:

Description	Valuation Basis
Cash in hand or in bank	As per book value
Cash deposited as margin with Pakistan Stock Exchange Limited (PSX) and National Clearing Company of Pakistan Limited (NCCPL)	As per book value
Trade receivables	Book value less those overdue for more than fourteen days.
Investment in listed securities in the name of broker	Securities on the exposure list marked to market less 15% discount.
Any other assets as specified by the Commission	As per the valuation basis as determined by the Commission.
Trade payables	Book value less those overdue for more than 30 days.
Other liabilities	As classified under the generally accepted accounting principles.

**2. CASH IN HAND, BANK BALANCES**

	30-Jun 2018 (Rupees)
Cash in hand	3,000
Bank balances pertaining to:	
- Next Capital Limited	
- Current account	11,765,347
- Profit and loss sharing account	2,316,961
- Clients - current account and profit and loss sharing account	2. / 103,827,109
	<u>117,912,417</u>

**Lahore Branches:**

- 2.1 The client's bank account balance amounting to Rs. 112,898,544 has been restricted to overall trade payables balance for the purpose of Net Capital Balance in accordance with clause 1.5 and clause 1.6A of clarification / guidelines issued by SECP on 03 July 2013 and on 08 September 2016 respectively, as follows:

Clients' Account Bank Balance as at 30 June 2018	112,898,544
Trade payable as at 30 June 2018	110,177,587
Less: Accrual of trade payable for T+2 transactions	(6,350,477)
Net Trade payable as at 30 June 2018	103,827,109
Excess Balance in Clients' Account Bank Balance as at 30 June 2018	<u>9,071,435</u>

### 3. CASH DEPOSITED AS MARGIN WITH PSX AND NCCPL

- Deposit against exposure margin	3.1	192,949,164
- Deposit against Marginal Trading Services	3.2	8,677,046
		<u>201,626,210</u>

- 3.1 This represents margin deposit with NCCPL consist of amounting Rs. 39.664 million against Futures Market, Rs. 153 Million against Regular T+2 market, Rs. 0.285 Million against Bonds Automated Trading System (BATS) market.

- 3.2 This represents deposit with National Clearing Company of Pakistan Limited against Marginal Trading System and Margin Financing.

- 3.3 Deposits held with PSX and NCCPL as basic deposits have not been included as per the clarifications issued by Securities and Exchange Commission of Pakistan (SECP).

### 4. INVESTMENT IN LISTED SECURITIES IN THE NAME OF BROKER

	Quantity	Rate	Amount
Pakistan Stock Exchange Limited	600,000	19.75	11,850,000
Meezan Bank Limited	3,000	81.50	244,500
			<u>12,094,500</u>
Less: Securities in exposure list marked to market less 15% discount			(1,814,175)
			<u>10,280,325</u>

### 5. TRADE RECEIVABLES

These are valued at cost less bad and doubtful debts (if any) and debts outstanding for more than 14 days

		30-Jun 2018 (Rupees)
Total receivable	5.1	189,985,366
Less: Receivables other than brokerage business	5.2	-
Total trade receivables		189,985,366
Less: Over due for more than 14 days and bad and doubtful debts		(20,380,995)
Balance generated within 14 days and/or not yet due		<u>169,604,371</u>



Lahore Branches:



5.1 The break up of total receivable is as follows:

- Purchases of shares on behalf of clients		113,685,650
- Investments in Marginal Financing	5.3	65,217,082
- Brokerage commission on equity		11,082,634
		<u>189,985,366</u>

5.2 Amount receivable other than brokerage business is not included for the purpose of Net Capital Balance in accordance with clause 2.7 of clarification/guidelines issued by SECP dated 03 July 2013.

5.3 This amount is given as a Margin Financing System (MFS) to clients through National Clearing Company of Pakistan Limited. This amount is secured against securities of clients held in House accounts under pledged status. The Company is financing on Financing Participation Ratio (FPR) upto maximum 75% and charging markup at the rate of 1 month KIBOR + 8%.

6. **TRADE PAYABLES**

These represents balances due to customers in respect of trading of shares less trade payable balances overdue for more than 30 days which have been included in other liabilities.

7. **OTHER LIABILITIES**

These represents current liabilities, and trade payable which are overdue for more than 30 days. Other liabilities are stated at book value.

The break up is as follows:

	Note	30-Jun-18 (Rupees)
As per book value		
- Trade payables overdue for more than 30 days		33,418,882
- Payable to National Clearing Company of Pakistan Limited		96,487,559
- Loan from Directors		41,256,011
- Loan from Others		18,953,742
- Accrued expenses and others	7.1	<u>20,082,748</u>
		<u>210,198,942</u>



**7.1** The break up of accrued expenses and others is as follows:

- Unclaimed Dividend	3,051,638
- Accrued commission to traders	2,290,544
- Accrued salaries and other expenses	268,803
- Auditor's remuneration	800,000
- Tax deducted at source	2,503,163
- Commission payable	7,717,309
- Accrued expenses	1,195,479
- Other payables	1,039,360
- Accrued markup	1,216,451
	<u><u>20,082,748</u></u>

**8. GENERAL**

**8.1 Restriction on distribution of statement**

This statement is prepared to meet the requirements of the Securities & Exchange Commission of Pakistan (SECP), Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL). Therefore, this statement may not be suitable for any other purpose and should not be distributed to parties other than Next Capital Limited (the Securities Broker), SECP, PSX or NCCPL.

**8.2 DATE OF ISSUANCE**

This statement is being issued on 13 SEP 2018

  
\_\_\_\_\_  
Chief Executive Officer



  
\_\_\_\_\_  
Chief Financial Officer

