



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

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 31 December 2017 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker, as at 31 December 2017 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.

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.

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.

Date: 15 March 2018

Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

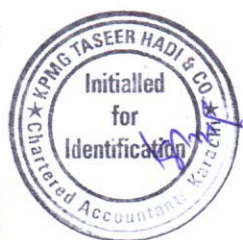
Next Capital Limited
Statement of Net Capital Balance
As at 31 December 2017

(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) and 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
Current Assets				
Cash in hand and bank balances	As per book value	2		161,677,688
Cash deposited as margin with National Clearing Company of Pakistan	As per book value	3		109,300,520
Trade Receivables	As per book value Less: Overdue for more than 14 days	4	119,869,697 (22,293,005)	97,576,692
Investment in listed securities in the name of broker	At market value Less: Securities in exposure list marked to market less 15% discount	5	120,014,560 (18,002,184)	102,012,376
		A		<u>470,567,276</u>
Current Liabilities				
Trade payables	As per book value Less: Overdue for more than 30 days	6	238,946,781 (51,014,283)	187,932,498
Other liabilities	As per book value - Trade payables overdue for more than 30 days - Loan from directors - Loan from others - Accrued expenses and others	7	51,014,283 13,773,579 44,933,506 28,182,563	137,903,931
		B		<u>325,836,429</u>
Net Capital Balance as at 31 December 2017		A - B		<u>144,730,847</u>

The annexed notes 1 to 9 form an integral part of the statement.


Chief Executive Officer




Chief Financial Officer

Next Capital Limited
Notes to the Statement of Net Capital Balance
As at 31 December 2017

1. STATEMENT OF COMPLIANCE

The statement of net capital balance ("the Statement") has been prepared in accordance with the requirements of the Third Schedule read with Rule 2(d) of the Securities Exchange Commission Rules, 1971 ("SEC 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. All figures have been obtained from the un-audited condensed financial information of the Company for the half year ended 31 December 2017.

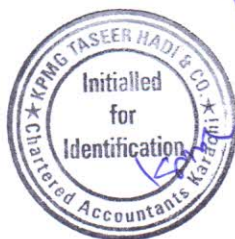
1.1 Basis of accounting

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
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.
Securities purchased for customer	Securities purchased for customers and held by the broker where the payment has not been received within fourteen days.
SBP Treasury Bill	At market value
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 AND BANK BALANCES

	31 December 2017 (Rupees)
Cash in hand	30,277
Bank balances pertaining to:	
- Next Capital Limited	
- Current account	25,382,189
- Profit and loss sharing account	4,600,708
- Clients - current account and profit and loss sharing account	2.1 133,430,712
- Excess balance in Clients' bank account	(1,766,198)
	<u>161,677,688</u>



- 2.1 The client's bank account balance amounting to Rs. 133,430,712 has been restricted to overall trade payables balance for the purpose of Net Capital Balance in accordance with clause 1.5 of clarification/guidelines issued by SECP on July 03, 2013, and clause 1.6A of the clarifications / guidelines issued by SECP on 03 July 2013 and on 08 September 2016 respectively.

	31 December 2017 (Rupees)
Clients' Account Bank Balance as at December 31, 2017	133,430,712
Trade payable as at December 31, 2017	220,246,781
Less: Accrual of trade payable for T+2 transactions	(88,582,267)
Net Trade payable as at December 31, 2017	131,664,514
Excess Balance in Clients' Account Bank Balance as at December 31, 2017	<u><u>1,766,198</u></u>

3. CASH DEPOSITED AS MARGIN WITH NATIONAL CLEARING COMPANY OF PAKISTAN

- Deposit against exposure margin	3.1 97,281,119
- Deposit against Marginal Trading Services	3.2 12,019,401
	<u><u>109,300,520</u></u>

- 3.1 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. TRADE RECEIVABLES

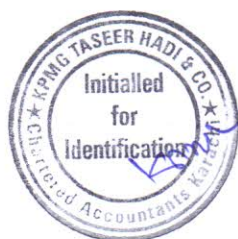
These are valued at cost less bad and doubtful debts (if any) and debts outstanding for more than 14 days

	31 December 2017 (Rupees)
Total receivable	4.1 119,869,697
Less: Receivables other than brokerage business	4.2 (12,948,519)
Total trade receivables	106,921,178
Less: Over due for more than 14 days	(22,293,005)
Balance generated within 14 days and/or not yet due	<u><u>97,576,693</u></u>

- 4.1 The break up of total receivable from clients is as follows:

- Purchases of shares on behalf of clients	4.3 68,650,799
- Brokerage commission on equity shares, money market and forex	14,907,297
- Consultancy fee	4.2 12,948,519
- Receivables from client under Marginal Financing	4.4 23,363,082
	<u><u>119,869,697</u></u>

- 4.2 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.



- 4.3 These represent value of shares appearing in clients respective sub account to the extent of overdue balances for more than 14 days or value of securities, whichever is less in accordance with the clarifications /guidelines issued by SECP.
- 4.4 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) of maximum 75% and charging markup at the rate of 1 month KIBOR + 8%.

5. INVESTMENT IN LISTED SECURITIES IN THE NAME OF BROKER

31 December 2017

Number of shares	Name of investee
14,536,057	The Bank of Punjab
5,000	Pak Electron Limited

31 December 2017

Carrying amount	Market Value
(Rupees)	
173,673,264	119,777,110
366,537	237,450
174,039,801	120,014,560

6. This 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, other than trade payable which are due within 30 days and the amount classified as loan account. Other liabilities are stated at book value.

The break up is as follows:

	31 December 2017
	(Rupees)
Accrued commission to traders	2,363,436
- Accrued salaries and other expenses	1,880,018
- Auditor's remuneration	735,000
- Tax deducted at source	6,087,787
- Provision for sales tax	2,560,063
- Provision for Worker's Welfare Fund	1,522,779
- Commission payable	1,513,980
- Unclaimed Dividend	9,636,332
- Markup payable	1,422,531
- Other payables	460,637
	28,182,563

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 (Private) Limited (the Securities Broker), its clients, SECP, PSX or NCCPL.

9. DATE OF ISSUANCE

This statement is being issued on **15 MAR 2018**


Chief Executive Officer




Chief Financial Officer

Karachi Branch:

93-95, 2/F, Stock Exchange Building off I.I. Chundrigar Road, Karachi. Ph: 021-32468856-66, Fax: 021-32468867

Lahore Branch:

House No. 43-A/S, Zafar Ali Road, Aziz Avenue, Gulberg 5, Lahore Tel: 92-42-35791281-88, Fax: 92-42-35791289, Url: www.nextcapital.com.pk