



KPMG Taseer Hadi & Co.
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The Chief Executive Officer
Next Capital Limited
2nd Floor, Imperial Court
Ziauddin Ahmed Road
Karachi

Our ref KA-AQ-1149

Contact Muhammad Taufiq

16 February 2021

Dear Sir,

Net Capital Balance as at 31 December 2020

We are pleased to enclose the reviewed statement of net capital balance as at 31 December 2020, 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 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.

This report has been prepared to meet the requirements of SECP in accordance with the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2(d) of the SEC Rules, 1971 issued by the SECP. As a result, this statement may not be suitable for any other purpose. Our report 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



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Next Capital Limited

Net Capital Balance as at 31 December 2020

16 February 2021

(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 review.

Yours faithfully,

Kamran Khan - 1



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INDEPENDENT AUDITOR'S REVIEW REPORT ON STATEMENT OF NET CAPITAL BALANCE

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

Introduction

We have reviewed 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 2020 (together 'the Statement').

Management is responsible for the preparation and presentation of this Statement 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). Our responsibility is to express a conclusion on this Statement of Net Capital Balance based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements 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.

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 conclusion is not modified in respect of this matter.



KPMG Taseer Hadi & Co.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Statement is not prepared, in all material respects, in accordance with the requirements of Second Schedule of the Regulations.

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

Date: 16 February 2021

Karachi

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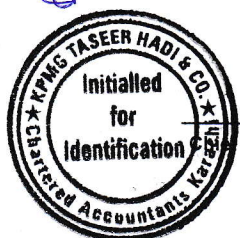
**KPMG Taseer Hadi & Co.
Chartered Accountants**

Next Capital Limited
Statement of Net Capital Balance
As at 31 December 2020

(Excess of Current Assets over Current Liabilities determined in accordance with the requirements of the second Schedule of 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
Current Assets				
Cash in hand and bank balances	As per book value	2		394,371,299
Cash deposited as margin with Pakistan Stock Exchange Limited (PSX) and National Clearing Company of Pakistan Limited (NCCPL)	As per book value	3		212,195,342
Listed TFCs / Corporate Bonds of not less than BBB grade assigned by credit rating company in Pakistan	At market value Less: Marked to market less 10% discount	4	4,009,645 (400,965)	3,608,681
Trade debts	As per book value Less: Overdue for more than 14 days	5	252,879,670 (31,503,093)	221,376,577
Total Current Assets		A		831,551,899
Current Liabilities				
Trade payables	As per book value Less: Overdue for more than 30 days	6	368,848,937 (49,408,011)	319,440,926
Short term borrowing	As per book value			149,996,346
Other liabilities	As per book value	7		124,005,449
Total Current Liabilities		B		593,442,721
Net Capital Balance as at 31 December 2020		A - B		238,109,178

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



Executive Officer



Chief Financial Officer

Next Capital Limited
Notes to the Statement of Net Capital Balance
For the year ended 31 December 2020
1. STATEMENT OF COMPLIANCE

The statement of net capital balance of the Company ("the Statement") of the Next Capital Limited ("the Company") has been prepared in accordance with Rule 2 (d) of the Third Schedule to the Securities and Exchange Rules, 1971 and in accordance with the clarifications / guidelines issued by Securities and Exchange Commission of Pakistan (SECP). All figures have been obtained from the audited financial information of the Company for the period ended 31 December 2020.

- 1.1 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.
Listed TFCs	Marked to market less 10% 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.
Short term borrowing	As per book value
Other liabilities	As classified under the generally accepted accounting principles.

2 CASH IN HAND AND BANK BALANCES

	Note	31 December 2020 (Rupees)
Cash in hand		44,500
Bank balances pertaining to:		
- Next Capital Limited		
- Current account		1,774,605
- Profit and loss sharing account		21,305,337
- Clients - current account and profit and loss sharing account	2.1	371,246,857
		<u>394,371,299</u>

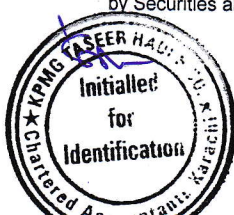
3 CASH DEPOSITED AS MARGIN WITH PSX AND NCCPL

- Deposit against exposure margin	3.1	196,210,777
- Deposit against Marginal Trading Services	3.2	15,984,565
		<u>212,195,342</u>

3.1 This represents margin deposit with NCCPL consist of amounting Rs. 36.95 million against Futures Market, Rs.159.2 million against Regular T+2 market and Rs. 0.057 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).






NEXT CAPITAL

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4 LISTED TFCs / CORPORATE BONDS OF NOT LESS THAN BBB GRADE ASSIGNED BY CREDIT RATING COMPANY IN PAKISTAN

	Quantity	Rate	
Soneri Bank Limited - Term Finance Certificates	802	4,999.6	4,009,645
Less: Listed TFCs marked to market less 10% discount			(400,965)
			<u>3,608,681</u>

5 TRADE DEBTS

These are valued at cost less debts outstanding for more than 14 days

	Note	31 December 2020 (Rupees)
Total receivable	5.1	252,879,670
Less: Receivables other than brokerage business	5.2	-
Total trade receivables		<u>252,879,670</u>
Less: Over due for more than 14 days		(31,503,093)
Balance generated within 14 days and / or not yet due		<u>221,376,577</u>

5.1 The break up of total receivable is as follows:

- Purchases of shares on behalf of clients		212,587,677
- Investments in Marginal Financing System	5.3	27,919,047
- Brokerage commission on equity		12,372,946
		<u>252,879,670</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) of 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	31 December 2020 (Rupees)
As per book value		
- Trade payables overdue for more than 30 days		49,408,011
- Accrued expenses and others	7.1	74,597,438
		<u>124,005,449</u>



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

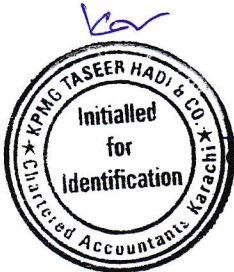
- Payable to NCCPL	20,205,476
- Unclaimed Dividend	3,055,446
- Accrued commission to traders	17,410,823
- Accrued salaries and other expenses	6,302,350
- Auditor's remuneration	475,000
- Tax deducted at source	6,520,088
- Commission payable	78,251
- Markup payable	4,053,180
- Other payables	4,366,500
- Current portion of lease liabilities	10,463,657
- Contract Liabilities	1,666,667
	74,597,438

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
16 FEB 2021

This statement is being issued on _____



Chief Executive Officer



Chief Financial Officer