Annual Report 2014

NEXT CAPITAL LIMITED

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VISION

To become the preferred Financial Services provider in Pakistan, assisting Individuals, Companies and Financial Institutions find optimal Capital Markets related solutions

MISSION

To offer a wide range of products and services in a transparent manner with an emphasis on integrity and client confidentiality

To provide customers with complete and innovative solutions by using the best minds and technology

1. COMPANY INFORMATION

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

2. NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifth Annual General Meeting of Next Capital Limited will be held at The Royal Rodale Auditorium, TC-V, 34th Street, Khayaban-e-Sehar, Phase-V, Ext., D.H.A., Karachi, on Wednesday, October 29, 2014 at 5:00 p.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting (AGM) held on October 29, 2013.

2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.

3. To approve the appointment of the auditors for the year ending June 30, 2015 and fix their remuneration. The retiring auditors Messrs. KPMG TaseerHadi& Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.

Any Other Business

4. To transact such other business as may be placed before the meeting with the permission of the Chairman.

Karachi: October 03, 2014

By order of the Board
Sana Quadri
Company Secretary

NOTES

i. The Share Transfer Books of the Company will remain closed from October 23, 2014 to October 29, 2014 (both days inclusive).

ii. A member entitled to attend and vote at this meeting may appoint another member as his or her proxy to attend and vote. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the time of holding of the meeting.

iii. Beneficial owners of the physical shares and whose shares are deposited with Central Depository Company of Pakistan Limited (CDC), are requested to bring their original computerized National Identity Card (CNIC) along with participant's I.D. number and their account/sub-account number in CDC to facilitate identification at the time of the meeting. In case of proxy, attested copies of proxy's CNIC or passport, account/subaccount and participant's I.D. numbers must be deposited along with the Form of Proxy at the registered office of the Company as per paragraph No. iii above, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the proxy form and attested photocopies of CNIC or the passport of the beneficial owner. In case of proxy for corporate members, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of meeting (unless it has been provided earlier to the Shares Registrar).

iv. Physical transfers and deposit request under Central Depository System received at the close of business on October 22, 2014 by the Company's registrar i.e. Technology Trade (Private) Limited, Dagia House, 241-C, Block2, P.E.C.H.S., Karachi will be treated as being in time for entitlement to attend the meeting.

v. Members are requested to promptly notify the Company of any change in their address.

3. FINANCIAL HIGHLIGHTS

	Year ended				Period ended
	2014	2013	2012	2011	2010
			Rupees in 000s		
Operating Performance					
Operating revenue	121,083	48,939	38,825	41,616	8,952
Operating expenses	(73,689)	(28,751)	(21,682)	(23,238)	-
Capital gain/ Loss	2,393	1,420	(318)	(273)	57
Gain/ loss on sale of 'available for sale investments'	14	104	-	-	-
Administrative expenses	(40,049)	(34,895)	(35,148)	(33,038)	(11,578)
Financial charges	(11,586)	(4,953)	(3,209)	(3,505)	(275)
Other operating income	10,590	7,730	3,205	934	931
Unralised diminution in fair value of investments classified as 'at fair value through profit or loss'	-	-	-	-	(124)
Profit/ loss before tax	8,755	(10,406)	(18,326)	(17,503)	(2,037)
Profit/ loss after tax	7,436	(6,734)	(7,804)	(15,125)	(2,475)
EPS	0.37	(0.34)	(0.63)	(1.51)	(0.25)
Breakup value per share	8.47	8.10	8.43	8.24	10
Financial Position					
Shareholders equity	169,388	161,938	168,672	82,399	97,525
Share Capital	200,000	200,000	200,000	100,000	100,000
Total Assets	272,607	252,478	218,521	126,262	124,946
Deferred Tax Asset	21,182	20,977	16,959	3,097	-
Current Assets	174,328	154,853	122,773	38,956	43,848
Current Liabilities	103,170	88,370	46,624	26,509	13,921
Financial Ratios					
Return on Capital Employed	0.04	(0.04)	(0.05)	(0.18)	(0.02)
Net Profit/ Loss to Revenue	0.06	(0.14)	(0.20)	(0.36)	(0.28)
Return on Total Assets	0.03	(0.03)	(0.04)	(0.12)	(0.02)
Curret Ratio	1.69	1.75	2.63	1.47	3.15

4. DIRECTORS REPORT

Economic Review:

In the outgoing FY14, Pakistan macroeconomic growth has significantly improved. The GDP growth accelerated to 4.4% as compared to 3.70%, in FY13. Agriculture sector witnessed an economic growth of 2.12% as against 2.88%, whereas the industrial sector grew at an impressive rate of 5.8% as compared to 2.88% in FY13. The service sector however grew at only 4.29% against 13.1% in FY13. The growth was mainly triggered by developments such as, government entering into a 3-year arrangement under the Extended Fund Facility (EFF) with IMF, successful launch of Pakistan sovereign bonds worth $20 billion and auction of 3G/4G licenses during FY14.

On the other hand Pakistan economy witnessed numerous challenges such as unexpected floods, low tax to GDP ratio, high fiscal deficit, mounting public debt, high interest payments and untargeted subsidies. The electricity crisis also remained an obstacle particularly to manufacturing sector. As per the World Economic Forum Global Competitiveness Report 2013-2014, Pakistan ranked 133 out 148 in the global competitive index.

Inflationary pressures have tapered since December 2013 after remaining at 10.9% in November, 2013. In June, 2014 it stood at 8.22% with a YoY inflation of 8.6% in FY14 as compared to 7.4% in FY13. The factors behind inflation were higher food prices and surge in electricity charges.

Capital Market Review:

Pakistani capital market witnessed impressive growth in the FY14 especially in the 2QFY14 and 3QFY14. The KSE 100 index which was at the level of 21,005.69 at the end of last financial year crossed the 25,000 level mark at the end of December, 2013 and was trading around 29,653 level by the end of June 2014. In cumulative terms the KSE 100 index increased by 38% during the period July to April 2013-14.

During July-April 2014 a total of 11 debt securities were issued through private placement which included two Privately Placed Term Finance Certificates of Rs. 9.827 billion, 6 Sukuk issues of Rs.19 billion, Listed Term Finance Certificates of Rs 2.770 billion and Commercial Paper of Rs.0.150 billion.

Performance Overview:

Our efforts have so far led the Company to reach profit of Rs. 8.755 million before tax and Rs. 7.436 million after tax for the first time in just five years after incorporation and two years after listing on the Karachi Stock Exchange Limited (KSE). The focus has been so far on introduction of new business lines and increasing market share with particular attention to continually improving client services. The profits started ticking in the third quarter with a constant growth trend in the last three months of the FY14.

The following table depicts the improvement in Company's performance in the current year:

	2014	2013
	PAK RUPEES	
Accumulated Loss as at July 01	**(38,062,206)**	**(31,328,209)**
Profit after tax for the year	**7,435, 902**	**(6,733,997)**
Accumulated Loss June 30	**(30,626,304)**	**(38,062,206)**
Earnings Per Share- Rupees	**0.37**	**(0.34)**

The Company was able to take advantage of improving market conditions and our total brokerage income increased by 104 percent, 11 percent of which (Rs.7.9 million) corresponds to our money market and foreign exchange divisions set up in the beginning of the year. Revenue from advisory services also grew by Rs.35.869 million, with some of the major advisory deals finalizing in the first and second quarters of FY14.

The increase in administrative costs is mostly inflationary and the financial cost increase is mainly attributable to increased equity trades.

Recognition for Next Capital Limited

Next Capital Limited was awarded *Book Runner of the year* together with AKD Securities Limited in the "*Pakistan IPO Summit - 2014*" organized by the South Asian Federation of Exchanges (SAFE). The award recognized our role in two successful IPOs in 2013.

Demutualization of Islamabad Stock Exchange

Next Capital Limited has been appointed as the Advisor and Arranger by the Islamabad Stock Exchange Limited (the Exchange) for strategic sale of 40 percent shares of the Exchange under the provisions of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012.

Commodity Trading

The Company discontinued its commodity operations in March, 2014 and all the commodity clients were informed through letter. The discontinuation of operations is part of company's future plans as the management currently wants to focus on other existing business functions and plans to come up with a bigger commodity business project in the near future.

Next Advisors Limited

Next Capital Limited has made an investment in Next Advisors Limited (NAL), an unlisted company, incorporated on 10^{th}July, 2014 as a Non Banking Finance Company (NBFC) licensed to carry out Investment Advisory Services. The shareholding of Next Capital Limited in NAL is 33.33%.

Directors Training Program

Mrs. Hanna Khan attended a Directors' Training Program organized by the Institute of Chartered Accountants of Pakistan (ICAP) as part of the company's directors training requirement in compliance with the Code.

Disclosure u/s. 218 of the Companies Ordinance, 1984

The Board in its meeting held on July 09, 2014 approved an increment in the salary of the Director, Miss Sana Quadri. Her salary has been increased to Rs130,000 per month from July 01, 2014, with all perquisites, bonuses, commission and other benefits as may be determined from time to time by the Company in accordance with the Company's policy.

The notice u/s. 218 of the Ordinance was disseminated to the shareholders on July 18, 2014.

Pattern of Shareholding:

Our shareholders are local institutions and the general public.

A statement of the pattern of shareholding along with the category of shareholders whose disclosure is required under the reporting framework is shown on page 42 of this report.

Statement under clause (xvi) of the Code of Corporate Governance contained in the Listing Regulation No.35:

(a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
(b) Proper books of account of the Company have been maintained;
(c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
(d) International Financial Reporting Standards, as applicable in Pakistan and the Companies Ordinance, 1984, as also stated in note no.2 of the financial statements, have been followed in preparation of financial statements;
(e) The system of internal control is sound in design and has been effectively implemented and monitored;
(f) The Company is financially sound and there are no significant doubts upon the Company's ability to continue as a going concern;

(g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
(h) The directors have not declared dividend as the profit for the year is not so significant and the company is just coming out of losses;
(i) Key operating and financial data of preceding years is appearing on page 5;
(j) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2014 except for those disclosed in the financial statements;
(k) All the material changes and commitments affecting the financial position of the company occurred between the balance sheet date and the date of the directors' report have been disclosed in the report.

Meetings of the Board of Directors:

Six Board meetings were held during the year 2014 and were attended by the Directors as follows:

Name		Attendance
Mr. Muhammad Najam Ali	Director/ Chief Executive Officer	6
Mrs. Hanna Khan	Director/ Chairperson	4
Mr. Muhammad Zulqarnain Mahmood Khan	Director	6
Mr. Muhammad Zubair Ellahi	Director	6
Mr. Salman Ehsan	Director	-
Miss Sana Quadri	Director/ Company Secretary/ CFO	6
Mr. Hassan Shahnawaz	Director	1

External Auditors

The retiring auditors, Messrs KPMG TaseerHadi& Co., Chartered Accountants, being eligible, have offered themselves for reappointment. Accordingly, the Board of Directors endorses the recommendation of the Audit Committee for the appointment of Messrs KPMG TaseerHadi& Co., Chartered Accountants as the auditors for the Company for the financial year ending June 30, 2015.

Appreciation and Acknowledgement

The management of Next Capital Limited extends their deepest appreciation to all the stake holders of the company, including its distinguished clients, hard working employees, bankers, consultants and other business partners. We also thank the Securities and Exchange Commission of Pakistan (SECP), the State Bank of Pakistan (SBP) and the Karachi Stock Exchange Limited (KSE) for their cooperation and kind support.

For and on behalf of the Board of Directors
Date: September 29, 2014

Hanna Khan
Chairperson

5. STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Categories	Names
Independent Director	Mr. Salman Ehsan
Executive Directors	Mr. Najam Ali Mr. ZubairEllahi Miss Sana Quadri
Non-Executive Directors	Mr. Zulqarnain Mahmood Khan Mrs. Hannah Khan Mr. Hassan Shahnawaz

   The independent director does not meet the criteria of independence under clause i (b) of CCG as he had a material business relationship with the company. Further, executive directors are more than one third of the elected directors.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred on the Board during the year.
5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/ mission statement and overall corporate strategy. Most of the significant policies of the company has been prepared and approved by the board, however, few policies are yet to be finalized and approved. A complete record of particulars of approved significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/ shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged for one of our directors to receive training with the Institute of Chartered Accountants of Pakistan (ICAP) under the “Director Training Program” as approved by SECP during the year.
10. There was no new appointment of CFO and Company Secretary during the year.

11. The directors report for this year has been prepared in compliance with the requirements of the CCG and fully describes salient matters required to be disclosed
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director. The secretary of Audit Committee is an executive director instead of Company Secretary or Head of Internal Audit. The company is in process of appointing the head of internal audit and the same person would also be appointed as the Audit committee secretary so as to comply with the regulation.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom one is non-executive director and two are executive directors and the chairman of the committee is an executive director. Majority of members are executive directors which is against the requirement of Code of Corporate Governance
18. The management of company has submitted a paper to the Board of Director to consider the establishment of an Internal Audit function and appointment of Head of Internal Audit.
19. The board is in the process of establishing a mechanism for annual evaluation of its own performance.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The ‘closed period’, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company’s securities, was determined and intimated to directors, employees and the Stock Exchange.
23. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchange.

We confirm that all other material principles enshrined in the CCG have been complied with except for the matters already disclosed above, towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

6. *REVIEW REPORT ON STATEMENT OF COMPLIANCE*

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Next Capital Limited** for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement of Compliance:

a) Paragraph 1 of the Statement of Compliance relating to appointment of at least one independent director on the Board of Directors and executive directors being more than one third of the elected directors.

b) Paragraph 6 relating to finalising and approving pending significant policies.

c) Paragraph 15 relating to rectification of requirement for Audit Committee secretary.

d) Paragraph 17 relating to requirement of majority non-executive directors on HR and Remuneration Committee.

e) Paragraph 18 relating to requirement of establishment of Internal Audit Function and appointment of Head of Internal Audit.

f) Paragraph 19 relating to requirement of relating to a mechanism for the annual evaluation of the Board's performance as per the requirements of the Code of Corporate Governance which is yet to be put in place by the Company

Dated: 29 September 2014
Karachi

7. *AUDITORS' REPORT TO THE MEMBERS*

We have audited the annexed balance sheet of Next Capital Limited ("the Company") as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies' Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the period was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the profit, cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Dated: 29 September 2014

Karachi

8. BALANCE SHEET AS AT JUNE 30 2014

	Note	**30 June 2014**	30 June 2013
ASSETS			
Non-current assets			
Property and equipment	4	**12,868,124**	12,338,255
Intangible assets	5	**21,053,390**	21,133,946
Investment in shares of Karachi Stock Exchange Limited	6	**40,073,830**	40,073,830
Long term deposits	7	**3,101,450**	3,101,450
Deferred tax asset	8	**21,181,585**	20,977,283
		98,278,379	97,624,764
Current assets			
Investments - available for sale	9	**5,035,964**	-
Trade debts - considered good	10	**70,679,981**	26,171,302
Advances, deposits, prepayments and other receivables	11	**88,022,783**	29,102,174
Income tax refundable		**7,581,082**	3,416,489
Cash and bank balances	12	**3,008,584**	96,162,782
		174,328,394	154,852,747
Total assets	Rupees	**272,606,773**	252,477,511
EQUITY AND LIABILITIES			
Share capital and reserve			
Authorised capital			
25,000,000 (30 June 2013: 25,000,000) ordinary shares of Rs. 10 each	Rupees	**250,000,000**	250,000,000
Issued, subscribed and paid-up capital	13	**200,000,000**	200,000,000
Accumulated losses		**(30,626,304)**	(38,062,206)
Unrealised gain on re-measurement of available-for-sale investments		**14,587**	-
		169,388,283	161,937,794
Non-current liabilities			
Liabilities against assets subject to finance lease	14	**48,090**	2,170,055
Current liabilities			
Short term loan - unsecured	15	**58,500,000**	-
Current portion of liabilities against assets subject to finance lease	14	**527,239**	1,079,033
Trade and other payables	16	**44,143,161**	87,290,629
		103,170,400	88,369,662
Total equity and liabilities	Rupees	**272,606,773**	252,477,511
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 30 form an integral part of these financial statements.

Chief Executive **Chief Financial Officer**

9. PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note		30 June 2014	30 June 2013
Operating revenue	18		**121,082,789**	48,938,835
Capital gain on sale of investments				
- at fair value through profit or loss			**2,392,867**	1,420,491
- at available for sale			**13,523**	103,505
Operating expenses	19		**(73,688,996)**	(28,750,829)
Administrative expenses	20		**(40,048,674)**	(34,894,761)
Financial charges	21		**(11,585,985)**	(4,953,015)
			(1,834,476)	(18,135,774)
Other income	22		**10,589,637**	7,729,936
Net profit / (loss) before taxation			**8,755,161**	(10,405,838)
Taxation	23			
- Current			**(1,541,766)**	(388,590)
- Prior			**10,351**	41,820
- Deferred			**212,156**	4,018,611
			(1,319,259)	3,671,841
Net profit / (loss) for the year		Rupees	**7,435,902**	(6,733,997)
Earning / (loss) per share - basic and diluted	24	Rupees	**0.37**	(0.34)

The annexed notes 1 to 30 form an integral part of these financial statements.

Chief Executive **Chief Financial Officer**

10. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

	30 June 2014	30 June 2013
Net profit / (loss) for the year	**7,435,902**	(6,733,997)
Unrealised gain during the year in the value of available-for-sale investments - net of tax	**14,587**	-
Total comprehensive income for the year	**7,450,489**	(6,733,997)

The annexed notes 1 to 30 form an integral part of these financial statements.

Chief Executive | **Chief Financial Officer**

11. CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note		**30 June 2014**	30 June 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit / (loss) before taxation			**8,755,161**	(10,405,838)
Adjustments for:				
- Depreciation	4		**4,526,462**	5,074,490
- Amortisation	5.2		**80,556**	698,984
- Gain on disposal of fixed asset			**-**	(3,476)
- Financial charges	21		**11,585,985**	4,953,015
			16,193,003	10,723,013
Operating profit before working capital changes			**24,948,164**	317,175
Decrease / (increase) in current assets				
Trade debts			**(44,508,679)**	(14,783,874)
Advances, deposits, prepayments and other receivables			**(58,920,609)**	16,018,822
			(103,429,288)	1,234,948
Increase / (decrease) in current liabilities				
Trade and other payables			**(43,147,468)**	71,581,198
Cash (used in) / generated from operations			**(121,628,592)**	73,133,321
Financial charges paid			**(11,204,617)**	(4,291,403)
Taxes paid			**(5,696,008)**	(2,721,387)
Income tax refunded			**-**	4,778,356
Net cash (used in) / generated from operating activities			**(138,529,217)**	70,898,887
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditure			**(6,020,259)**	(3,349,613)
Proceeds from disposal of assets			**963,928**	12,000
Purchase of intangible assets			**-**	(290,000)
Investment in growth funds			**(5,013,523)**	-
Repayment of reverse repo against Marketable Securities			**-**	39,750,000
Net cash (used in) / generated from investing activities			**(10,069,854)**	36,122,387
CASH FLOWS FROM FINANCING ACTIVITIES				
Short Term Loans	15		**241,221,192**	143,100,000
Short Term Loans repaid	15		**(182,721,192)**	(173,100,000)
Lease rentals paid			**(3,055,127)**	(1,552,662)
Net cash generated from / (used in) financing activities			**55,444,873**	(31,552,662)
Net (decrease) / increase in cash and cash equivalents			**(93,154,198)**	75,468,612
Cash and cash equivalents at beginning of the year			**96,162,782**	20,694,170
Cash and cash equivalents at end of the year	12	Rupees	**3,008,584**	96,162,782

The annexed notes 1 to 30 form an integral part of these financial statements.

Chief Executive | **Chief Financial Officer**

12. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed and paid-up capital	Accumulated losses	Unrealised gain on re-measurement of available-for-sale investments	Total
Balance as at 1 July 2012	200,000,000	(31,328,209)	-	168,671,791
Total comprehensive income for the year ended 30 June 2013				
Net loss for the year	-	(6,733,997)	-	(6,733,997)
Balance as at 30 June 2013	200,000,000	(38,062,206)	-	161,937,794
Total comprehensive income for the year ended 30 June 2014				
Net profit for the year	-	7,435,902	-	7,435,902
Other comprehensive income				
Unrealised gain during the year in the value of available-for-sale investments - net of tax	-	-	14,587	14,587
Balance as at 30 June 2014 *Rupees*	**200,000,000**	**(30,626,304)**	**14,587**	**169,388,283**

The annexed notes 1 to 30 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

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 Karachi 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 Karachi Stock Exchange Limited and a member of Pakistan Mercantile Exchange Limited and is accreditated 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, Horizone Tower, Block III Clifton, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Account Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of Companies Ordinance, 1984 or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 and said directives shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Functional currency and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the Company in the application of approved accounting standards, as applicable in Pakistan that have significant effect on the financial statements and estimates with a risk of material adjustment in next year are as follows:

Property and equipment

The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding affect on the depreciation charge and impairment.

Intangible assets

The Company reviews the rate of amortisation and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortisation charge and impairment.

Trade debts

Management reviews its trade debtors on a continuous basis to identify receivables where collection of the amount is no longer probable. These estimates are based on historical experience and are subject to change in condition at the time of actual recovery.

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and establish provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.5 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- IFRS 10 ‘Consolidated Financial Statements’ – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 ‘Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called ‘Separate Financial Statements’ and will deal with only separate financial statements.

- IFRS 11 ‘Joint Arrangements’ (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 ‘Interests in Joint Ventures’. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named ‘Investment in Associates and Joint Ventures’. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.

- IFRS 12 ‘Disclosure of Interest in Other Entities’ (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.

- IFRS 13 ‘Fair Value Measurement’ effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- Amendment to IAS 27 ‘Separate Financial Statement’ (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment’s assets to the entity assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16’Property, plant and equipment’ and IAS 38 ‘Intangible Assets’. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 ‘Related Party Disclosure’. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 ‘Investment Property’. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

3.1 Property and equipment

Owned

These are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is calculated on straight line basis at the rates specified in note 4 to these financial statements. Depreciation on additions to property and equipment is charged from the month in which an item is acquired while no depreciation is charged in the month the item is disposed off.

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Disposal of assets is recognised when significant risk and rewards incidental to the ownership have been transferred to buyers.

The residual values and useful lives of assets are reviewed and adjusted, if appropriate at each balance sheet date.

Gain or loss on disposal of an asset is charged to profit and loss account.

Leasehold improvements are stated at cost less amortisation and impairment losses, if any. Depreciation of lease hold improvements is charged to income on straight line basis at the rate specified in note 4 to these financial statements.

Leased

Leased assets in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and present value of minimum lease payments at inception of the lease. Subsequent to initial recognition, the asset is stated at the amount determined at initial recognition less accumulated depreciation and impairment losses, if any.

Minimum lease payments made under the finance leases are apportioned between the financial charges and the reduction of the outstanding liability. The financial charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

Depreciation is charged to profit and loss account applying the same basis as for owned assets.

Outstanding obligations under the lease less finance costs allocated to future periods are shown as liability.

3.2 Intangible assets

These represent computer software, membership card of Pakistan Mercantile Exchange Limited (PMEX) and Trading Rights Entitlement (TRE) Certificate. An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Pakistan Mercantile Exchange - Membership Card

Membership card represents corporate membership of Pakistan Mercantile Exchange with indefinite useful life. These are stated at cost less impairment, if any. The carrying amounts are reviewed at each balance sheet date to assess whether they are in excess of their recoverable amounts, and where the carrying values exceed estimated recoverable amount, these are written down to their estimated recoverable amount.

Trading Right Entitlement (TRE) Certificate

TRE Certificate is recorded on the basis as explained in note 6.

Software

Cost associated with maintaining computer software programme are recognised as an expense as incurred. Cost that are directly attributable to identifiable software and have probable economic benefit exceeding beyond one year are recognised as an intangible asset. Direct cost includes the purchase cost of software and other directly attributable cost to bring the software for its intended use. Computer software is measured initially at cost and amortised over its useful life not exceeding three years. Subsequent to initial recognition, these are stated at cost less accumulated amortisation and impairment loss, if any.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.3 Investments

Investments in securities are initially recognized at cost, being the fair value of the consideration given, including the transaction costs associated with the investment, except in case of investments at fair value through profit and loss, in which case these transaction costs are charged to the profit and loss account. All regular way purchases and sales of investments are recognized / derecognized on the trade date. These are classified and measured as follows:

Investments at fair value through profit or loss

Investments which are acquired principally for the purposes of generating profit from short term fluctuations in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified under this category. After initial recognition, these are re-measured at fair value. Gains or losses on re-measurement of these investments are recognized in the profit and loss account currently.

Available-for-sale

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial recognition, these investments are re-measured at fair value. Surplus / deficit arising from re-measurement are taken to other comprehensive income until the investments are sold / disposed-off or until the investments are determined to be impaired, at which time, cumulative gain or loss previously reported in the other comprehensive income is included in the current year's profit and loss account.

3.4 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in statement of changes in equity or in which case it is recognised in equity.

Current

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities used for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is charged or credited to the profit and loss account.

3.5 Trade debts and other receivables

These are stated initially at fair value and subsequently measured at amortised cost less provision for impairment, if any.

A provision for impairment is recognised where there is objective evidence that the Company will not be able to collect all amounts due according to original terms of the receivable. The amount of provision is charged to profit and loss account.

Trade debts are written off when considered irrecoverable.

3.6 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with banks and other short term highly liquid investments with original maturities of three months or less, if any.

3.7 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised cost.

3.8 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.9 Revenue recognition

Brokerage, commission, consultancy and other income are recognised as and when such services are provided.

Interest income is recognised on a time proportion basis using the effective interest rate of return.

Capital gain / (loss) on sale of securities are included in profit and loss account on the date at which the transaction takes place.

Miscellaneous income is recognised on receipt basis.

3.10 Expenses

All expenses are recognised in the profit and loss account on an accrual basis.

3.11 Borrowing Cost

Borrowing costs are recognised as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalised as part of cost of that asset.

3.12 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. All financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account.

Financial assets and liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at fair value or amortised cost as the case may be.

3.13 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.14 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.15 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are converted into rupees at the rates of exchange prevailing at the transaction date. Exchange gains or losses are taken to profit and loss account.

3.16 Share based payment

The grant-date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the vesting period. The amount recognised as an expense in respect of those employees who become ineligible under the scheme is reversed and is recognized as income in the respective year.

3.17 Dividend distribution and appropriation

Dividend distribution and appropriation are recorded in the period in which the distribution and appropriation are approved.

3.18 Earning per share

Earning per share is calculated by dividing the profit / (loss) after tax for the year by the weighted average number of shares outstanding during the year.

Description		30 June 2014 Leasehold improvements	Furniture and fixtures	Vehicles (owned)	Vehicles (leased)	Computers and related accessories	Total
As at 30 June 2013							
Cost		**3,423,500**	**4,652,775**	**532,481**	**6,876,000**	**10,830,702**	**26,315,458**
Accumulated depreciation		**(1,784,374)**	**(1,472,382)**	**(354,958)**	**(3,243,000)**	**(7,122,489)**	**(13,977,203)**
Net book value		**1,639,126**	**3,180,393**	**177,523**	**3,633,000**	**3,708,213**	**12,338,255**
Additions during the year		**517,380**	**100,032**	**4,164,500**	**-**	**1,238,347**	**6,020,259**
Transfer in / (out)							
Cost		**-**	**-**	**4,086,000**	**(4,086,000)**	**-**	**-**
Depreciation		**-**	**-**	**(2,027,916)**	**2,027,916**	**-**	**-**
		-	**-**	**2,058,084**	**(2,058,084)**	**-**	**-**
Disposal							
Cost		**-**	**-**	**(2,505,481)**	**-**	**-**	**(2,505,481)**
Depreciation		**-**	**-**	**1,541,553**	**-**	**-**	**1,541,553**
		-	**-**	**(963,928)**	**-**	**-**	**(963,928)**
Depreciation charge for the year		**(720,351)**	**(472,780)**	**(462,992)**	**(1,016,916)**	**(1,853,423)**	**(4,526,462)**
Net book value	*Rupees*	**1,436,155**	**2,807,645**	**4,973,187**	**558,000**	**3,093,137**	**12,868,124**
As at 30 June 2014							
Cost		**3,940,880**	**4,752,807**	**6,277,500**	**2,790,000**	**12,069,049**	**29,830,236**
Accumulated depreciation		**(2,504,725)**	**(1,945,162)**	**(1,304,313)**	**(2,232,000)**	**(8,975,912)**	**(16,962,112)**
Net book value	*Rupees*	**1,436,155**	**2,807,645**	**4,973,187**	**558,000**	**3,093,137**	**12,868,124**
Depreciation rates % per annum		**20**	**10**	**20**	**20**	**20-33.33**	

Description		30 June 2013 Leasehold improvements	Furniture and fixtures	Vehicles (owned)	Vehicles (leased)	Computers and related accessories	Total
As at 30 June 2012							
Cost		3,072,500	4,637,695	532,481	6,876,000	7,876,669	22,995,345
Accumulated depreciation		(1,159,292)	(1,007,351)	(248,462)	(1,867,800)	(4,640,784)	(8,923,689)
Net book value		1,913,208	3,630,344	284,019	5,008,200	3,235,885	14,071,656
Additions during the year		351,000	15,080	-	-	2,983,533	3,349,613
Disposal							
Cost		-	-	-	-	(29,500)	(29,500)
Depreciation		-	-	-	-	20,976	20,976
		-	-	-	-	(8,524)	(8,524)
Depreciation charge for the year		(625,082)	(465,031)	(106,496)	(1,375,200)	(2,502,681)	(5,074,490)
Net book value	*Rupees*	1,639,126	3,180,393	177,523	3,633,000	3,708,213	12,338,255
As at 30 June 2013							
Cost		3,423,500	4,652,775	532,481	6,876,000	10,830,702	26,315,458
Accumulated depreciation		(1,784,374)	(1,472,382)	(354,958)	(3,243,000)	(7,122,489)	(13,977,203)
Net book value	*Rupees*	1,639,126	3,180,393	177,523	3,633,000	3,708,213	12,338,255
Depreciation rates % per annum		20	10	20	20	20-33.33	

4.1 The cost of fully depreciated assets as at 30 June 2014 is Rs. 4.818 million (2013: Rs. 2.692).

4.2 The details of property and equipment disposed off during the year are as follows:

Particulars	Cost	WDV	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
Vehicle	636,000	229,351	229,351	-	WDV - as per employment agreement	Chief Financial Officer
Vehicle	532,481	177,494	177,494	-		Chief Executive Officer
Vehicle	1,337,000	557,083	557,083	-		Executive Director
30 June 2014	**2,505,481**	**963,928**	**963,928**	**-**		
30 June 2013	29,500	8,524	12,000	3,476		

5. INTANGIBLE ASSETS

		30 June 2014	30 June 2013
Pakistan Mercantile Exchange - Membership Card		**950,000**	950,000
Trading Right Entitlement (TRE) Certificate	*5.1*	**19,926,170**	19,926,170
Software	*5.2*	**177,220**	257,776
	Rupees	**21,053,390**	21,133,946

5.1 This represents TRE Certificate acquired on surrender of Stock Exchange Membership Card. For details please refer Note 6.

5.2 This represents accounting software (Back Connect) with the cost and the carrying value as follows:

		30 June 2014	30 June 2013
Net carrying value basis			
Opening net book value		**257,776**	666,760
Additions		**-**	290,000
Amortisation charge		**(80,556)**	(698,984)
Closing net book value	*Rupees*	**177,220**	257,776
Gross carrying value			
Cost		**2,690,000**	2,690,000
Accumulated amortisation		**(2,512,780)**	(2,432,224)
Net book value	*Rupees*	**177,220**	257,776
Amortisation rate		**33%**	33%

6. INVESTMENT IN SHARES OF KARACHI STOCK EXCHANGE LIMITED - Available-for-sale

6.1 This represents shares of Karachi Stock Exchange Limited (KSEL) acquired in pursuance of corporatization and demutualization of KSEL as a public company limited by shares. As per the arrangements the authorized and paid-up capital of KSEL 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 KSEL is equally distributed among 200 members of KSEL by issuance of 4,007,383 shares to each member in the following manner:

1. 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 KSEL'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 proceed 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 KSEL shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of KSEL.

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 in KSE is recognised as trading right.

6.2 In compliance with the sub regulation 2.1 of the Regulation Governing Risk management (Regulation) of the KSEL, every TREC holder registered as the broker under Brokers and Agents Registration Rules 2001, is required to maintain a Base Minimum Capital in the amount and form as prescribed in the Regulations.

The BMC is comprised of the sum of notional value of the TREC and breakup value of KSEL shares. The KSEL once in every six months reviews notional value of the TREC and the breakup value of its shares. As per notice No. KSE/N-6955 dated 18 December 2013, the revised notional value of the TREC was Rs. 15 million and the breakup value of the shares was Rs. 16.156 million (Rs. 10.08 per share) resulting in BMC requirement of Rs. 31.156 million. There has been no revision in the BMC subsequently, therefore, the BMC for the period ended 30 June 2014 is Rs. 31.156 million.

The company has complied with the above requirement in the following manner:

a) Creating mortgage on charge over TREC and
b) Pledging/lien marked over 40% of shares of KSEL.

7. LONG TERM DEPOSITS

		30 June 2014	30 June 2013
Karachi Stock Exchange Limited	*7.1*	**700,000**	700,000
Central Depository Company of Pakistan Limited		**125,000**	125,000
National Clearing Company of Pakistan Limited		**300,000**	300,000
Pakistan Mercantile Exchange	*7.2*	**1,250,000**	1,250,000
Security deposit against office premises		**259,200**	259,200
Security deposit against leased assets		**347,250**	347,250
Security deposit against PSO card		**120,000**	120,000
	Rupees	**3,101,450**	3,101,450

7.1 This represents deposits placed with Karachi Stock Exchange Limited for taking exposures in regular and future market.

7.2 This represents deposits placed with Pakistan Mercantile Exchange for taking exposures in commodity market.

8. DEFERRED TAX ASSET

Tax losses carried forward		**25,864,808**	24,268,182
Deferred tax on share issuance cost		**-**	2,437,906
Taxable temporary differences arising on the accelerated tax depreciation and amortisation		**(4,683,223)**	(5,728,805)
	Rupees	**21,181,585**	20,977,283

9.	INVESTMENT- Available for sale		**30 June 2014**	30 June 2013
	PICIC Cash Fund Growth Units			
	Cost of 50,299 units (2013: Nil)		**5,013,523**	-
	Unrealised gain on re-measurement		**22,441**	-
	Market / carrying value as at 30 June	*Rupees*	**5,035,964**	-

10. TRADE DEBTS - considered good

Receivable from clients on account of:			
- Purchase of shares on behalf of clients	*10.1*	**58,224,510**	20,404,557
- Brokerage commission		**5,191,797**	4,766,745
- Consultancy fee		**7,263,674**	1,000,000
	Rupees	**70,679,981**	26,171,302

10.1 This includes trade debts of Rs. 1.013 million (2013: Rs. Nil) receivable from related parties.

11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance against salary	*11.1*	**1,753,200**	1,425,000
Advance Commission to Traders	*11.2*	**608,000**	-
Deposit against exposure margin	*11.3*	**67,154,309**	23,130,324
Deposit against Marginal Trading Services	*11.4*	**14,867,797**	2,030,295
Prepaid expenses	*11.5*	**1,242,795**	1,035,304
Other receivables and advances	*11.6*	**2,396,682**	1,481,251
	Rupees	**88,022,783**	29,102,174

11.1 This includes advance against salary amounting to Rs. 1.336 million (2013: Rs. 1.425 million) due to the Chief Executive Officer.

11.2 This amount pertains to related parties (2013: Nil).

11.3 This represents deposit with Karachi Stock Exchange Limited against the exposure margin against trade in future and ready market.

11.4 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.

11.5 PREPAID EXPENSES

Prepaid rent		**706,900**	707,000
Prepaid insurance		**267,865**	194,954
Others		**268,030**	133,350
	Rupees	**1,242,795**	1,035,304

11.6 This includes amount of Rs. 550,025 receivable from Next Advisors Limited (related party).

12. CASH AND BANK BALANCES

		30 June 2014	30 June 2013
Balances with banks:			
- saving accounts	12.1	**1,932,527**	89,323,047
- current accounts		**1,061,057**	6,831,125
		2,993,584	96,154,172
Cash in hand		**15,000**	8,610
	Rupees	**3,008,584**	96,162,782

12.1 Profit rate on saving accounts ranges from 7% to 7.5% per annum (2013: 6% to 9.5% per annum).

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

30 June 2014	30 June 2013		30 June 2014	30 June 2013
(Number of shares)			(Rupees)	
20,000,000	20,000,000	Ordinary shares of Rs.10 each fully paid-up in cash	**200,000,000**	200,000,000

14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	30 June 2014		
	Minimum lease payments	**Financial charges**	**Present value of minimum lease payments**
Not later than one year	**585,216**	**57,977**	**527,239**
Later than one year and not later than five years	**48,772**	**682**	**48,090**
Rupees	**633,988**	**58,659**	**575,329**

	30 June 2013		
	Minimum lease payments	Financial charges	Present value of minimum lease payments
Not later than one year	1,552,162	473,129	1,079,033
Later than one year and not later than five years	2,561,421	391,366	2,170,055
Rupees	4,113,583	864,495	3,249,088

The above represents finance leases entered into with a financial institution for vehicles having a term of 5 years (2013: 5 years) and will mature latest by July 2015. Monthly payments of leases bearing pre-determined mark-up rates include finance charge ranging from 16.45% to 18.46% per annum (2013: 16.45% to 18.46%) which are used as discounting factor.

The Company intends to exercise its options to purchase the leased assets upon completion of the lease term. The Company's obligations under these arrangements are secured by the lessor's title to the leased assets.

15. SHORT TERM LOANS - unsecured

	Note	30 June 2014	30 June 2013
Loans at beginning of the year		-	30,000,000
Additions during the year	*15.1*	**241,221,192**	143,100,000
Repayments of the loans	*15.1*	**(182,721,192)**	(173,100,000)
Balance at end of the year	*Rupees*	**58,500,000**	-

15.1 This includes loans obtained during the year from related parties amounting to Rs. 215.6 million (30 June 2013: Rs. 115.6 million) out of which Rs. 160.6 million (30 June 2013: Rs. 135.6 million) was repaid during the year and Rs. 55 million (30 June 2013: Rs. Nil) is outstanding at year end. The mark-up was paid at rates ranging from 13% to 15.37% (30 June 2013: 13% to 18%). The loans will mature in September 2014.

16. TRADE AND OTHER PAYABLES

	Note	30 June 2014	30 June 2013
Trade creditors	*16.1*	**32,620,253**	82,777,237
Payable to directors		**30,000**	30,000
Payable to National Clearing Company of Pakistan Limited		**1,133,835**	33,692
Accrued commission to traders	*16.2*	**5,478,293**	752,575
Accrued salaries and other expenses		**1,712,633**	820,589
Auditor's remuneration		**133,470**	117,500
Tax deducted at source		**2,681,568**	2,021,996
Other payables		**353,109**	737,040
	Rupees	**44,143,161**	87,290,629

16.1 This includes trade payables of Rs. 13,877 (2013: Rs. 24.543 million) payable to related parties.

16.2 This includes accrued commission payable to the directors of the Company amounting to Rs. 5.13 million (2013: Rs. 0.432 million).

17. CONTINGENCIES AND COMMITMENTS

17.1 The Sindh Revenue Board (SRB) has passed 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 has filed appeal before the Commissioner Appeals (SRB) against the said order and the hearing in appeal is pending. The management is of the view that such services are not taxable under the Sindh Sales Tax Act, 2011 and the company is duly paying Sindh Sales Tax on brokerage services and filing Sindh Sales Tax accordingly. The tax advisors of the Company are confident of a favorable outcome.

17.2 For income tax contingencies, refer note 23.2.

17.3 Commitments

		30 June 2014	30 June 2013
For sale of quoted securities under future contracts against counter commitments	*Rupees*	**8,122,525**	9,723,500
For buy of quoted securities under future contracts against counter commitments	*Rupees*	**622,275**	8,143,390

18. OPERATING REVENUE

		30 June 2014	30 June 2013
Brokerage income	*18.1*	**74,446,449**	36,471,619
Advisory / consultancy fee		**46,636,340**	10,766,438
Mark-up earned		**-**	1,700,778
	Rupees	**121,082,789**	48,938,835

18.1 This includes brokerage income of Rs. 1.627 million (2013: Rs.1.15 million) earned from related parties.

19. OPERATING EXPENSES

Salaries, wages and other benefits		**17,043,286**	9,418,477
Consultancy fee	*19.1*	**25,899,856**	3,125,833
Commission to traders	*19.2*	**24,633,025**	12,873,290
Service and transaction charges		**5,038,908**	2,346,334
Fees and subscription		**1,073,921**	986,895
	Rupees	**73,688,996**	28,750,829

19.1 This includes consultancy fee to the directors of the Company amounting to Rs. 9 million (2013: Nil).

19.2 This includes commission to the directors of the Company amounting to Rs. 22.02 million (2013: 10.69 million).

20. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits		**14,271,061**	12,592,000
Telephone and communication charges		**1,547,189**	1,182,638
Rent expense		**4,240,900**	3,763,072
Utility charges		**2,168,954**	1,627,553
Vehicle running expenses		**2,774,277**	1,948,749
Depreciation	*4*	**4,526,462**	5,074,490
Amortisation	*5.2*	**80,556**	698,984
Legal and professional charges		**578,925**	591,510
Auditor's remuneration	*20.1*	**492,000**	469,750
Insurance		**350,422**	355,046
Printing, stationery and postage charges		**624,549**	453,971
Office supplies		**245,407**	163,306
Office repair and maintenance		**1,371,345**	1,322,005
Branch office maintenance		**1,078,723**	900,000
Fees and subscription		**803,838**	795,747
Travelling and entertainment charges		**2,091,786**	482,808
Advertisement expenses		**296,670**	346,200
Donation	*20.2*	**50,000**	-
Security expense		**1,523,908**	1,377,575
Miscellaneous expenses		**931,702**	749,357
	Rupees	**40,048,674**	34,894,761

20.1	**Auditor's remuneration**		**30 June 2014**	30 June 2013
	Audit and review fees		**350,000**	350,000
	Other services		**70,000**	85,000
	Out of pocket expenses		**72,000**	34,750
		Rupees	**492,000**	469,750

20.2 No directors or their spouses have any interest in any donee's fund to which donation were made.

21. FINANCIAL CHARGES

Mark up on short term loan	*21.1*	**10,629,700**	4,116,847
Finance lease charges		**381,368**	640,083
Bank charges		**572,898**	196,085
Exchange loss		**2,019**	-
	Rupees	**11,585,985**	4,953,015

21.1 This includes Rs. 9.624 million (2013: Rs. 3.596 million) paid to related parties.

22. OTHER INCOME

Profit on bank deposits		**5,759,270**	3,371,982
Profit on cash margin		**3,974,001**	1,786,184
Dividend income		**856,366**	144,310
Late payment charges		**-**	2,423,984
Gain on disposal of fixed asset		**-**	3,476
	Rupees	**10,589,637**	7,729,936

23. TAXATION

23.1 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for the current year income tax has been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001 (Ordinance). The movement in deferred taxation is mainly due to the availability of tax losses.

23.2 Current status of tax assessments

The returns of income tax have been filed up to and including tax year 2013 (corresponding to financial year ended 30 June 2013). The Company was selected for audit under the provisions of section 177 read with section 176 of the Income Tax Ordinance, 2001 in respect of tax year 2011. The department vide its order dated 21 December 2012 disallowed certain expenses of the Company amounting to Rs. 2.609 million. In response to the appeal filed by the Company, the Commissioner Inland Revenue (Appeals) allowed expenses of Salaries & Wages amounting to Rs. 1.096 million only. The Company has filed an appeal before Inland Revenue Appellate Tribunal against the decision of Commissioner Inland Revenue (Appeals) who vacated the order passed by CIR(A) and has directed the assessing officer to verify the expenses disallowed under the provision of section 21(1) of the Income Tax Ordinance, 2001. The Company based on its tax consultant's advice, is confident of a favourable outcome.

In addition to above, the Company has received an order under section 161 and 205 of the Income Tax Ordinance, 2001 on account of short deduction of withholding taxes on payments made by the Company in the tax year 2011. The Assistant Commissioner Inland Revenue had raised a total demand of Rs. 0.876 million in this regard. The Company has been granted a stay order as it preferred an appeal before the Commissioner Inland Revenue (Appeals) under section 127 of Income Tax Ordinance 2001. The case has been heard, however, the decision in appeal is still pending. The Company based on the advice from its tax consultant is confident of a favourable decision.

23.3 As the Company has incurred net tax losses during the year, and the alternate corporate tax computed on the accounting income in accordance with section 113C is lower thean the minimum tax charge, therefore, the Company has recognised minimum tax charge in accordance with section 113 of Income Tax Ordinance, 2001.

24. EARNING PER SHARE- BASIC AND DILUTED

		30 June 2014	30 June 2013
There is no dilutive effect on the basic loss per share which is based on			
Profit / (loss) for the year	*Rupees*	**7,435,902**	(6,733,997)
Weighted average number of ordinary shares in issue during the year	*Number*	**20,000,000**	20,000,000
Earning / (loss) per share - basic and diluted	*Rupees*	**0.37**	(0.34)

25. 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	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
	(Rupees)					
Managerial remuneration	**6,000,000**	6,000,000	**883,333**	840,000	**7,307,533**	1,816,534
House rent allowance	**2,400,000**	2,400,000	**353,333**	336,000	**2,923,013**	726,613
Medical	**600,000**	600,000	**88,333**	84,000	**730,753**	181,653
Commission	**-**	-	**22,021,329**	10,690,720	**-**	-
Consultancy fee	**-**	-	**9,000,000**	-	**-**	-
	9,000,000	9,000,000	**32,346,328**	11,950,720	**10,961,299**	2,724,800
Number of persons	**1**	1	**3**	3	**15**	4

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

25.2 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.

26. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of major shareholders, associated companies with or without common directors, other companies with common directors, directors and key management personnel. Transactions with related parties are 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 at year end with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

		30 June 2014	30 June 2013
Short term loan from related parties			
Opening balance		**-**	10,141,667
Received during the year		**233,221,192**	89,100,000
Repayments during the year		**(178,221,192)**	(99,100,000)
Interest accrued during the year		**9,624,352**	2,166,759
Interest paid during the year		**(9,624,352)**	(2,308,426)
Closing balance	*Rupees*	**55,000,000**	-
Transactions with key management personnel			
- Disposal of vehicle to Directors	*Rupees*	**963,928**	-

- Remuneration to key management personnel is disclosed in note 25.

27. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management framework

The Board of Directors of the Company has an overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

27.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

Exposure to credit risk

Credit risk of the Company arises principally from its trade debts, long term deposits, advances, deposits and other receivables and bank balances. The carrying amount of these financial assets represents the maximum credit exposure.

Credit risk management

To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected from and maintained by the clients. The Management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful for recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines.

All transactions in listed securities are settled using National Clearing Company of Pakistan Limited, being the central clearing company of the country. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by the stock exchange. The Company does not expect to incur material credit losses on its financial assets.

The maximum exposure to credit risk before any credit enhancements at 30 June 2014 is the carrying amount of the financial assets as set out below:

		30 June 2014	30 June 2013
Long term deposits		**3,101,450**	3,101,450
Trade debts		**70,679,981**	26,171,302
Advances		**1,753,200**	1,425,000
Deposits and prepayments		**83,872,901**	26,195,923
Other receivables		**2,396,682**	1,481,251
Bank balances		**2,993,584**	96,154,172
	Rupees	**164,797,798**	154,529,098
Secured		**1,753,200**	1,425,000
Unsecured		**163,044,598**	153,104,098
	Rupees	**164,797,798**	154,529,098

The maximum exposure to credit risk for trade debtors and other receivables at the balance sheet date are as follows:

	2014		2013	
	Gross	**Impairment**	Gross	Impairment
	------------(Rupees)------------		------------(Rupees)------------	
Not past due	**58,961,515**	**-**	24,772,041	-
Past due 15 - 30 days	**6,365,525**	**-**	544,070	-
Past due 31 days - 180 days	**4,975,880**	**-**	589,347	-
More than 181 days	**377,061**	**-**	265,844	-
	70,679,981	**-**	26,171,302	-

Except for the impairment disclosed above, no impairment has been recognized in respect of these receivables as the security against the same is adequate. The Company is doing its utmost to recover the amount from the doubtful clients and is confident that majority of the amount would be recovered based on the past experience and the recovery efforts being carried out by the Company.

The credit quality of the Company's cash and cash equivalents, held with various commercial banks and financial institutions is assessed with reference to external credit ratings thereof, ranging from AAA to A+ assigned by reputable credit rating agencies.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company’s total credit exposure. The Company's portfolio of financial instruments is diversified and transactions are entered into with credit-worthy counterparties of diverse natures thereby mitigating any significant concentrations of credit risk.

27.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available. The following are the contractual maturities of financial liabilities, including interest payments:

	30 June 2014					
			Maturities			
	Carrying amount	**Contractual cash flows**	**Less than six months**	**Upto one year**	**One to two years**	**Two to five years**
Liability against asset subject to finance lease	**623,419**	**(633,988)**	**(292,608)**	**(585,216)**	**(48,772)**	**-**
Short term loan	**58,500,000**	**(58,500,000)**	**(58,500,000)**	**-**	**-**	**-**
Trade and other payables	**44,143,161**	**(44,143,161)**	**(44,143,161)**	**-**	**-**	**-**
Rupees	**103,266,580**	**(103,277,149)**	**(102,935,769)**	**(585,216)**	**(48,772)**	**-**

	30 June 2013					
			Maturities			
	Carrying amount	Contractual cash flows	less than six months	upto one year	One to two years	Two to five years
Liability against asset subject to finance lease	3,249,086	(4,113,583)	(776,331)	(1,552,162)	(1,487,494)	(1,073,927)
Trade and other payables	87,290,629	(87,290,629)	(87,290,629)	-	-	-
Rupees	90,539,715	(91,404,212)	(88,066,960)	(1,552,162)	(1,487,494)	(1,073,927)

On the balance sheet date, the Company has cash and bank balances of Rs. 3.008 million (2013: Rs. 96.162 million) as mentioned in note 12.

27.3 Market risk

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

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

Market risk management

The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present, is not exposed to currency risk as all transactions are carried out in Pak Rupees.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield.

At the reporting date the interest rate profile of Company's interest bearing financial instruments is as follows:

	Effective Interest Rate		Carrying Amount	
	2014	2013	**2014**	2013
	------------(Percentage)------------		------------(Rupees)------------	
Fixed rate instruments				
Financial assets				
Bank balances	**7% to 7.5%**	6% to 9.5%	**1,932,527**	89,323,047
Financial liabilities				
Liabilities against assets subject to finance lease	**16.45% to 18.46%**	16.45% to 18.46%	**575,329**	3,249,088

Sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not have affected the after tax loss of the Company.

Other price risk

Price risk includes equity price risk which is the risk of changes in the fair value of equity securities as a result of changes in the levels of KSE-Index and the value of individual shares.

The equity price risk exposure arises from investments in equity securities held by the Company for which prices in the future are uncertain. There is no outstanding exposure of the Company in lieu of equity securities as at 30 June 2014 (2013: Rs. Nil).

27.4 Fair value of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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 Karachi Stock Exchange Limited (KSEL) 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.

27.5 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios and optimal capital structure in order to ensure ample availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. Furthermore, the Company finances its operations through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

Net capital requirements of the Company are set and regulated by KSE. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities. The Company manages its net capital requirements by assessing its capital structure against required capital level on a regular basis.

28. OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

The internal reporting provided to the chief operating decision-maker relating to the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There were no change in the reportable segments during the year.

All non-current assets of the Company at 30 June 2014 are located in Pakistan.

29. NUMBER OF EMPLOYEES

The total employees at year end excluding the contract employees were 43 (2013: 30) and the average number of employees during the year was 41 (2013: 29).

30. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 29 September 2014 by the Board of Directors of the Company.

Chief Executive | **Chief Financial Officer**

FORM '34' SHAHOLDERS' STATISTIC

AS AT JUNE 30, 2014

Number of Shareholders		Share Holding From	Share Holding To	Total Shares held
89	Shareholding	1	100	609
212	Shareholding	101	500	105,000
23	Shareholding	501	1000	21,685
38	Shareholding	1001	5000	110,018
15	Shareholding	5001	10000	121,556
33	Shareholding	10001	100000	1,545,390
15	Shareholding	100001	1000000	6,145,264
5	Shareholding	1000001	2000000	7,950,478
1	Shareholding	3000001	4000000	4,000,000
431				20,000,000

S. No.	Categories of Shareholders		Total Shares	Percentage %
	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.			
1.	MCB BANK LIMITED - TREASURY		1,950,000	
		Sub-Total:	1,950,000	9.75
	INSURANCE COMPANIES			
2.	TPL DIRECT INSURANCE LIMITED		100,000	
		Sub-Total:	100,000	0.50
	DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN			
3.	MR. MUHAMMAD ZULQARNAIN MAHMOOD KHAN		501,000	
4.	MISS. SANA QUADRI		250	
5.	MR. SALMAN EHSAN		250	
6.	MR. MUHAMMAD ZUBAIR ELLAHI		250	
7.	MRS. HANNA KHAN		250	
8.	MR. MUHAMMAD NAJAM ALI		4,000,000	
9.	MR. HASAN SHAHNAWAZ		1,000	
		Sub-Total:	4,503,000	22.52

S. No.	Categories of Shareholders		Total Shares	Percentage %
MODARABAS AND MUTUAL FUNDS				
10.	CDC - TRUSTEE NAFA STOCK FUND		250,000	
11.	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUN		272,500	
		Sub-Total:	522,500	2.61
FOREIGN INVESTORS				
12.	SHAKEEL ABBAS RIZVI		20,000	
		Su b-Total:	20,000	0.10
OTHERS				
13.	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT)		500,000	
14.	ELIXIR SECURITIES PAKISTAN (PVT.) LTD		60,000	
15.	ABA ALI HABIB SECURITIES (PVT) LIMITED		2,500	
16.	PAIR INVESTMENT COMPANY LIMITED		750,000	
17.	SALIM SOZER SECURITIES (PVT.) LTD		30,000	
18.	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SE		26,500	
19.	ARIF HABIB LIMITED		1,000,478	
20.	MAAN SECURITIES (PRIVATE) LIMITED		500	
21.	ABBAS CORPORATION (PVT) LIMITED		1,500,000	
22.	PAK-OMAN INVESTMENT COMPANY LTD		808,400	
23.	MAPLE LEAF CEMENT FACTORY LTD		1,500,000	
		Sub-Total:	6,178,378	30.89
Individual				
24.	Local - Individuals		6,726,122	
		Sub-Total:	6,726,122	33.63
G-Total:			**20,000,000**	**100.00**

15. PROXY FORM

I/We____of______________________ being a member of Next Capital Limited hereby appoint Mr./Mrs./Miss.____of________________________________failing whom Mr./Mrs./Miss.______________________________of_________________ as my/ our proxy to attend and act for me/ us, and on my/ our behalf, at the Annual General Meeting of the Company to be held on Wednesday, October 29, 2014 at 05:00 p.m. at the Royal Rodale Auditorium, TC-V, 34th Street, Khayaban-e-Sehar, Phase-V Ext., D.H.A., Karachi, and any adjournment thereof.

Dated this ____________________ day of ___________________ 2014

Revenue Stamp

Rs.5/=

Specimen Signature of Proxy ______________________

Folio No. ______________________

Participant I.D. No. ______________________

Sub Account No. ______________________

Signature of Shareholder	______________________	Signature of Alternate Proxy	______________________
Folio No.	______________________	Folio No.	______________________
Participant I.D. No.	______________________	Participant I.D. No.	______________________
Sub Account No.	______________________	Sub Account No.	______________________

Note:

1. If a member is unable to attend the Meeting, he / she may appoint another member as his / her proxy and send this form to Next Capital Limited, 8th Floor, Horizon Tower, Plot No. 2/6, Block-III, Clifton, Karachi, to reach not less than 48 hours before the time appointed for holding the meeting.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy holder shall be furnished with the proxy form.
3. The proxy holder shall produce his / her original CNIC or original passport at the time of meeting.

In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted along with proxy form to the Company

Affix
postage
stamp

The Company Secretary
Next Capital Limited

8th Floor Horizon Tower, Plot No. 2/6
Block III, Clifton, Karachi

NEXT CAPITAL

Head Office:
8th Floor Horizon Tower, Plot No. 2/6
Block III, Clifton, Karachi
Pakistan

UAN: 92-21-111-639-825
Fax: 92-21-35292621

Lahore Branch Office:
Suite No.416, 4th Floor
Siddiq Trade Centre, 72-Main Boulevard
Gulberg, Lahore

Ph: 92-42-35781940-41
Fax: 92-42-35781942