

NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED

DIRECTORS' REPORT FOR THE HALF YEAR ENDED DECEMBER 31, 2015

On behalf of the Board of Directors, we are pleased to present the condensed interim reviewed financial information of the National Clearing Company of Pakistan Limited (NCCPL) for the half year ended December 31, 2015.

The Capital Market Review

The capital market depicted a gradual reduction in trading values (Daily average trading values declined from Rs.15 billion from July 2015 to Rs.7.5 billion in Dec 2015). The Benchmark KSE 100 index also dropped by 5% i.e. KSE 100 index fell from 34,399 as on July 1, 2015 to 32,816 as on Dec 31, 2015. The said decline is mainly ascribable to foreign investment outflows by US\$ 241 million.

However it is pertinent to mention here that the Pakistan Stock Exchange has yet again outperformed its regional competitors. The recent integration of stock exchanges, expected inclusion of Pakistan's capital market in list of emerging market by MSCI, low positioning of the discount rate and CPEC is expected to attract foreign investment resulting into fresh investment in Pakistan's capital market.

Company's Financial Results

The Company's overall profitability of the current half has marginally surpassed from similar half of the preceding year.

The operating revenues of the current half registered 14% growth from similar half of preceding year despite the fact that daily average trading values of the current half were marginally higher in comparison with similar half of preceding year. This growth is mainly attributable to higher contribution of value added products introduced by the company. This also portrays the fact that operating revenues are not solely dependent on trading level of stock market.

Despite decline in discount rate by 30% (the average discount rate in the current half is 6.7% as against its comparative figure of 9.9%), the Company, through efficient treasury management, has mitigated the said effect and non operating revenues in the current half declined by 20% in comparison with the similar half of preceding year.

The operating expenses of the current half have increased by 19% from the similar half of preceding year. It is important to mention that the controllable expenditures rose by 13% whereas non controllable expenses (depreciation linked to capex and facility management fee linked to operating revenues) enhanced significantly to raise operating expenses to above level. The Company has adopted a very cost conscious approach toward operating expenses.

NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED

The summarized financial results of the current half year in comparison with similar period of preceding year are tabulated below:

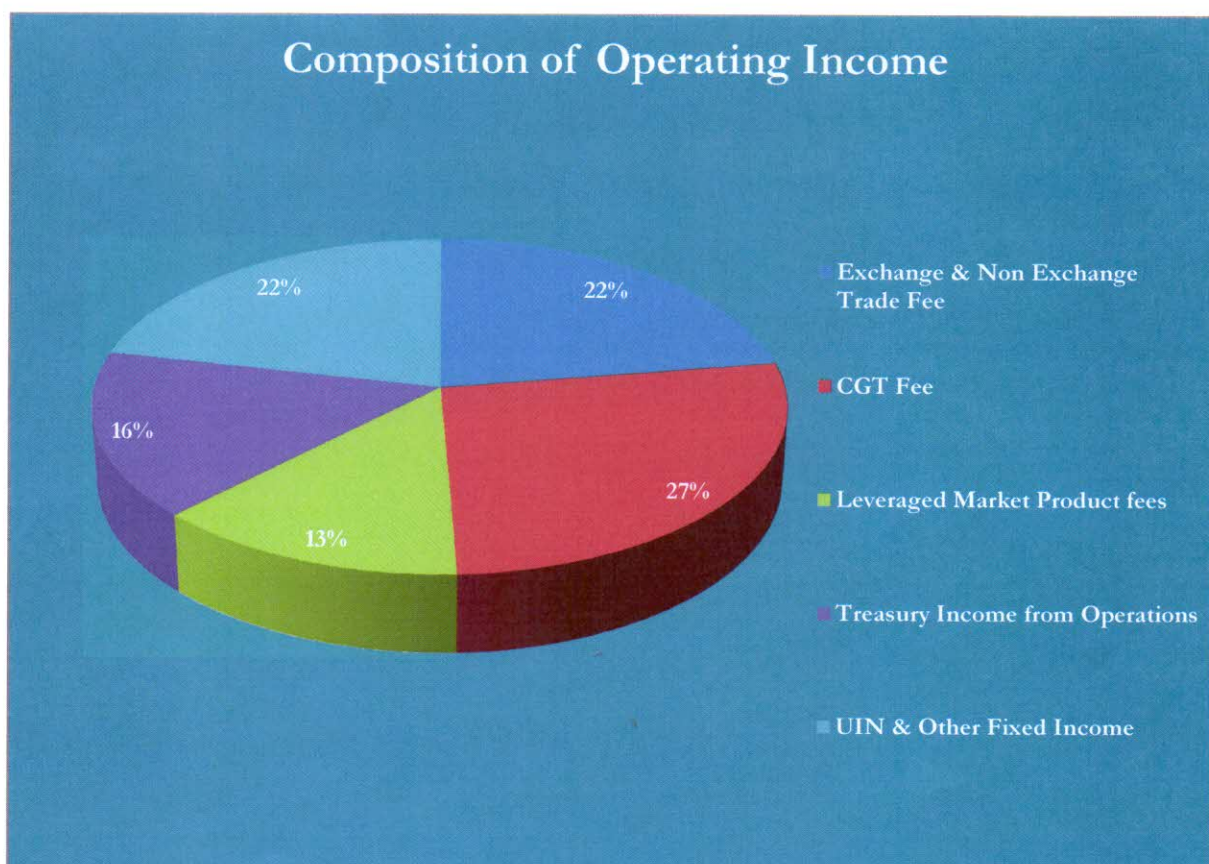
Particulars	Rupees in thousands			
	First Half		Variance	
	Dec 31, 2015	Dec 31, 2014	Amount	% age change
Operating income – net	304,231	266,120	38,111	14%
Operating and admin expenses	(203,635)	(170,141)	(33,494)	(19%)
Operating profit	100,596	95,979	4,617	5%
Other Operating income	19,955	24,791	(4,836)	(20%)
Other Charges	(1,566)	(3,844)	2,278	59%
Pre-tax profit	118,985	116,926	2,059	2%
Taxation	(37,456)	(37,156)	(300)	(1%)
Profit after taxation	81,529	79,770	1,759	2%

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The summarized Operating income of the current half year in comparison with similar half of preceding year is tabulated below:

Particulars	First Half		Rupees in thousands	
	Variance		Amount	% age change
	Dec 31, 2015	Dec 31, 2014		
Exchange & Non Exchange Fee	70,787	68,476	2,311	3%
CGT fee	84,250	70,515	13,735	20%
Leveraged Market Product fees	41,039	26,444	14,595	55%
Treasury Income from Operations	50,462	48,265	2,197	5%
UIN & Other Fixed Income	67,995	63,203	4,792	8%
Gross Income	314,533	276,903	37,630	14%
Less: Contribution towards NCC Clearing and Settlement Fund	(10,302)	(10,783)	481	5%
Net Operating Income	304,231	266,120	38,111	14%

The following pie-chart shows break-up of Operating income:



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The summarized Operating and Administrative expenses of the current half year in comparison with similar period of preceding year are tabulated below:

Particulars	First Half		Rupees in thousands	
	Variance		Amount	% age change
	Dec 31, 2015	Dec 31, 2014		
Personnel cost	93,822	79,534	(14,288)	(18%)
Depreciation / Amortization	28,887	19,610	(9,277)	(47%)
Repairs and maintenance	21,125	18,742	(2,383)	(13%)
Rent, rates and taxes	11,791	10,689	(1,102)	(10%)
Electricity & Fuel	8,854	9,302	448	5%
Networking / Communication	5,047	5,158	111	2%
Insurance	3,311	2,789	(522)	(18%)
Investor Awareness	1,395	706	(689)	(98%)
Facilities Management fee	14,771	9,294	(5,477)	(59%)
SECP's Supervision Fee	2,986	2,440	(546)	(22%)
Others	11,646	11,878	232	2%
Total	203,635	170,141	(33,494)	(19%)

The following pie-chart shows break-up of total expenses:

