

NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED

DIRECTORS' REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2015

On behalf of the Board of Directors, we are pleased to present the condensed interim unaudited financial statements of the National Clearing Company of Pakistan Limited (NCCPL) for the quarter ended September 30, 2015.

Economy and Capital Market Review.

Decrease in oil prices globally, lower inflation, continued downward revision of discount rate, build up of forex reserves to USD 20 billion and provision of a stable country outlook by Fitch (an international rating agency depict positive outlook of the economy.

The capital market remained under pressure during the current quarter and daily average trading values of Rs. 15 billion on start of financial year declined to Rs.8 billion at the end of first quarter. The daily average trading values for the quarter amounted to Rs.12 billion which however is substantially higher from average daily trading values of Rs. 7 billion of the similar quarter of preceding year. Benchmark KSE 100 index reduced to 32,287 on September 30, 2015 from 34,399 as of June 30, 2015 displaying 6% decrease in the current quarter. The volatility of international equity markets (US, European, China & others) has made other markets more attractive and hence an outflow of foreign investment from Pakistan has been observed in the current quarter.

Company's Financial Results.

The Company's overall profitability of the current quarter has significantly improved in comparison with similar quarter of the preceding year. The Profit after Tax ("PAT) of the current quarter enhanced by around 70% in comparison with similar quarter of the preceding year.

The growth in profitability is mainly attributable to growth in operating income by 38% in comparison with similar quarter of the preceding year. The growth in operating revenues has been achieved by value added services and enhanced activity witnessed in leveraged market products mainly margin Trading System.

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

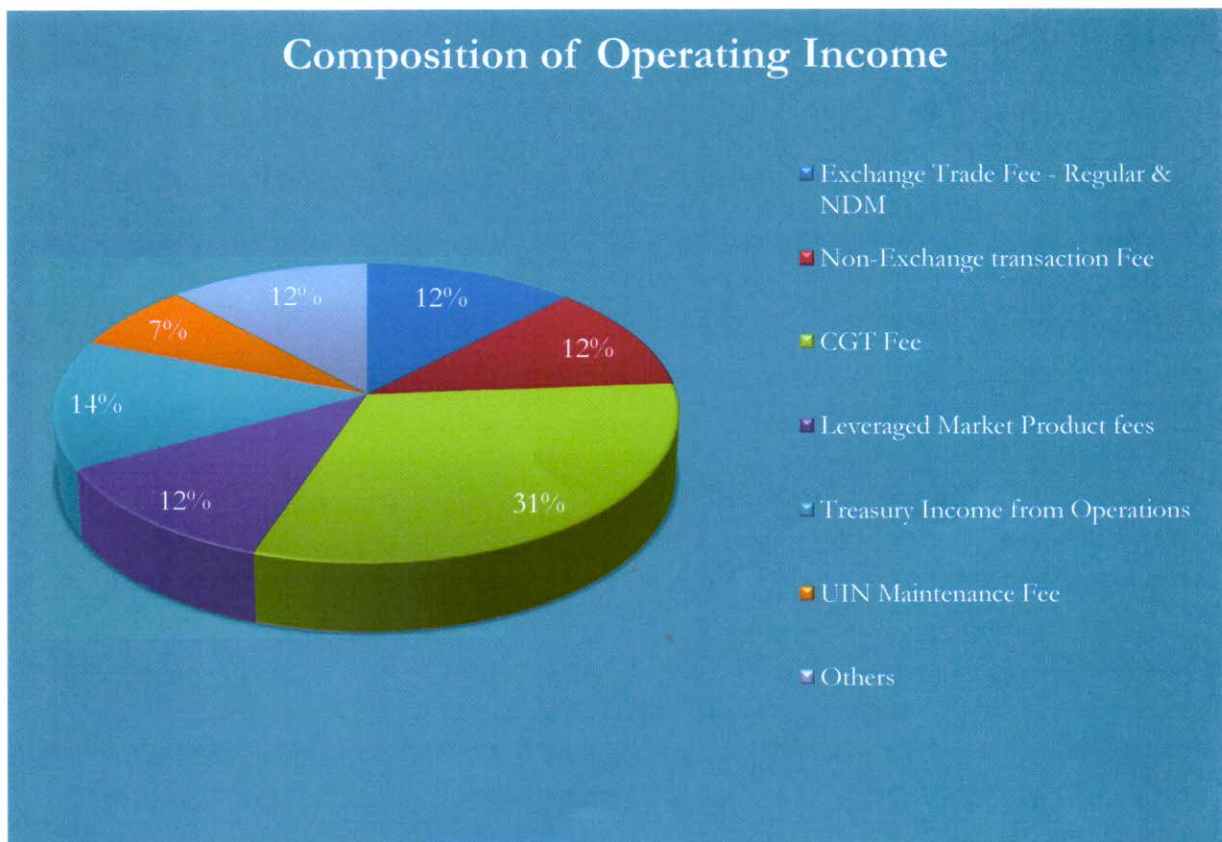
Particulars	Quarter ended		Rupees in thousands Comparison	
	Sep 30, 2015	Sep 30, 2014	Amount	% age change
Operating Income – net	165,738	120,296	45,442	38
Operating and Admin expenses	(100,941)	(82,234)	(18,707)	23
Operating Profit	64,797	38,062	26,735	70
Other Operating Income	11,218	9,061	2,157	24
Other Charges	(2,019)	(1,232)	(787)	64
Profit before Taxation	73,996	45,891	28,105	61
Taxation	(19,651)	(14,176)	(5,475)	39
Profit after Taxation	54,345	31,715	22,630	71

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The summarized break down of operating income of the current quarter in comparison with similar quarter of preceding year is tabulated below:

Particulars	Quarter ended		Rupees in thousands	
			Variance	
	Sep 30, 2015	Sep 30, 2014	Amount	% age change
Exchange Trade Fee	21,055	9,512	11,543	121
Non-Exchange transaction fee	19,744	14,515	5,229	36
CGT fee	53,893	34,782	19,111	55
Leveraged Market Product fees	20,348	13,338	7,010	53
Mark up/ interest income	23,865	19,150	4,715	25
UIN Maintenance Fee	12,378	11,514	864	8
Others	20,051	19,697	354	2
Gross Income	171,334	122,508	48,826	40
Less: Contribution towards NCC Clearing and Settlement Fund	(5,596)	(2,212)	(3,384)	153
Net Operating Income	165,738	120,296	45,443	38

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

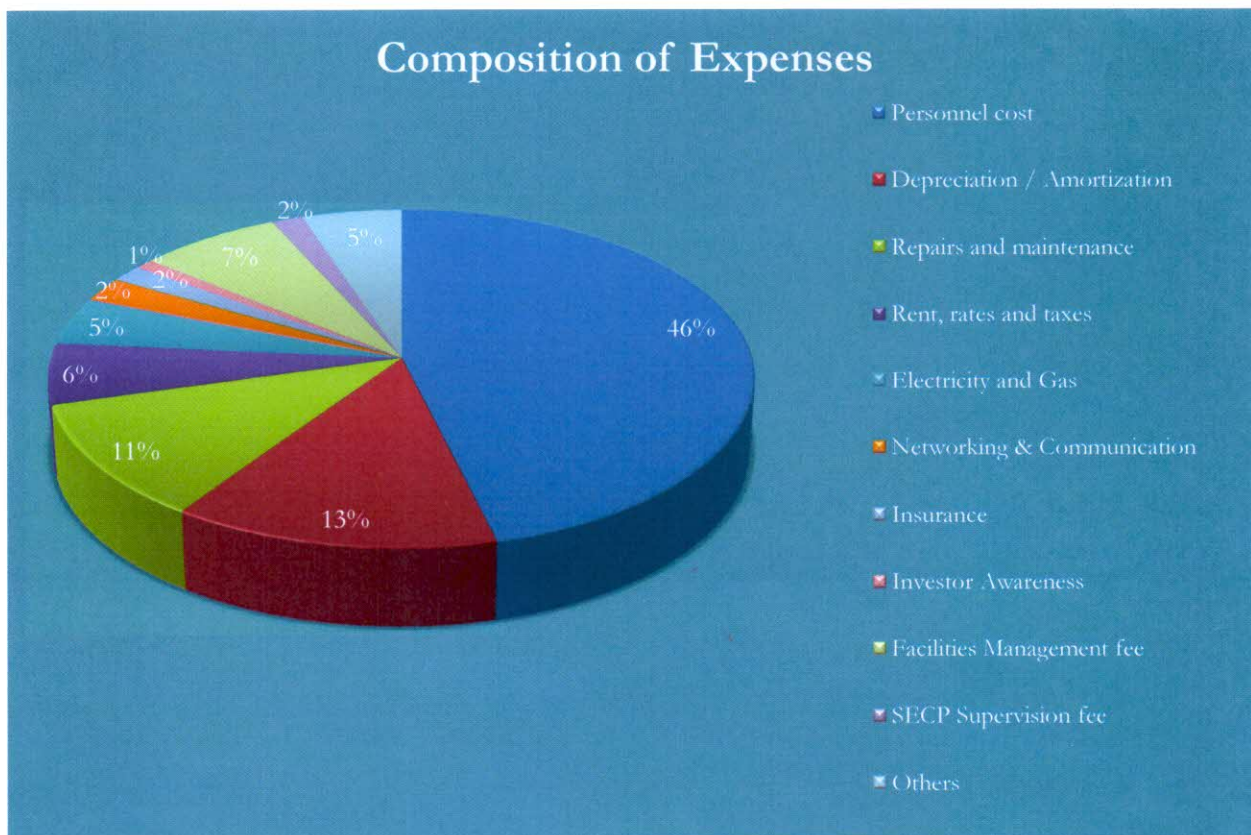


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The summarized break down of operating and administrative expenses of the current quarter in comparison with similar quarter of preceding year is tabulated below:

Particulars	Quarter ended		Rupees in thousands	
			Variance	
	Sep 30, 2015	Sep 30, 2014	Amount	% age change
Salaries and benefits	46,575	39,378	(7,297)	18
Depreciation / Amortization	13,546	10,351	(3,195)	31
Repairs and Maintenance	11,189	9,564	(1,625)	17
Rent, Rates and Taxes	5,943	5,335	(608)	11
Electricity & Fuel	4,585	4,166	(419)	10
Networking / Communication	2,355	2,068	(287)	14
Insurance	1,679	1,405	(274)	19
Investor Awareness	963	135	(828)	613
Facilities Management fee	7,303	4,736	(2,567)	54
SECP Supervision Fee	1,648	917	(731)	80
Others	5,155	4,479	(676)	15
Total	100,941	82,234	(18,707)	23

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



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INTERIM DIVIDEND

The Board of Directors has proposed NIL interim dividend for the quarter ended September 30, 2015.

FUTURE OUTLOOK

National Clearing Company of Pakistan Limited, a pivotal institution of Pakistan's capital market, is continuously striving to support persistent growth of capital market through steady improvements in the efficiency and reliability of the NCSS. Additionally, the Company, by the grace of Almighty Allah, has been able to achieve significant foothold in the capital markets through introduction of new products, services and NCSS functionalities.

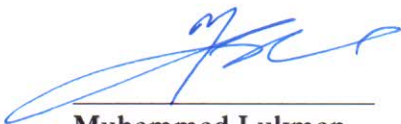
With a lot of exciting new initiatives under consideration to provide automated value added services and expected consistency in the capital market performance combined with stable economic and political outlook, the future prospects for the entity are considered to be bright and promising.

ACKNOWLEDGMENT

We acknowledge that the financial and operational efficiency which your company witnessed during the period under review would not have been possible without the unprecedented support and sound corporate governance rendered by the Board members and the enthusiastic, persistent and affirmative efforts of the staff of the Company at all levels.

On behalf of the Board of Directors, we wish to place on record our gratitude to the Securities and Exchange Commission of Pakistan, the Stock Exchanges of Pakistan, the Federal Board of Revenue and the State Bank of Pakistan for their guidance and valuable assistance. We are also grateful to all NCSS Elements and our valuable Shareholders for their trust reposed in the Board and also extended to the company.

For and on behalf of the Board of Directors



Muhammad Lukman

Chief Executive Officer

Karachi, Dated: October 27, 2015