



KARACHI STOCK EXCHANGE LIMITED

**INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED
SEPTEMBER 30, 2015**



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Muneer Kamal (Chairman)	<i>Non-Executive</i>
Mr. Nadeem Naqvi (Managing Director)	<i>Executive</i>
Mr. Abdul Majeed Adam	<i>Non-Executive</i>
Mr. Kamal Afsar	<i>Non-Executive</i>
Mr. Shazad G. Dada	<i>Non-Executive</i>
Mr. Abid Ali Habib	<i>Non-Executive</i>
Mr. Muhammad Yasin Lakhani	<i>Non-Executive</i>
Mr. Abdul Qadir Memon	<i>Non-Executive</i>
Mr. Asif Qadir	<i>Non-Executive</i>
Mr. Mohammed Sohail	<i>Non-Executive</i>
Syed Muhammad Shabbar Zaidi	<i>Non-Executive</i>

COMPANY SECRETARY

Mr. Muhammad Rafique Umer

CHIEF REGULATORY OFFICER

Mr. Shafqat Ali

CHIEF FINANCIAL OFFICER

Mr. Ahmed Ali Mitha

NOMINATION COMMITTEE

Mr. Muneer Kamal (Chairman)
Mr. Shazad G. Dada
Mr. Asif Qadir
Mr. Muhammad Rafique Umer (Secretary)

REGULATORY AFFAIRS COMMITTEE

Syed Muhammad Shabbar Zaidi (Chairman)
Mr. Kamal Afsar
Mr. Abdul Qadir Memon
Mr. Asif Qadir
Mr. Muhammad Rafique Umer (Secretary)

AUDIT COMMITTEE

Mr. Abdul Qadir Memon (Chairman)
Mr. Abdul Majeed Adam
Mr. Shazad G. Dada
Mr. Muhammad Yasin Lakhani
Mr. Asif Qadir
Mr. Mohammed Sohail
Mr. Muhammad Rafique Umer (Secretary)

HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Muneer Kamal (Chairman)
Mr. Abdul Majeed Adam
Mr. Kamal Afsar
Mr. Shazad G. Dada
Mr. Abid Ali Habib
Mr. Muhammad Yasin Lakhani
Syed Muhammad Shabbar Zaidi
Mr. Muhammad Rafique Umer (Secretary)

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISORS

Ghani Law Associates
Industrial Relations Advisors
Ijaz Ahmed & Associates
Advocates & Legal Consultants
Sayeed & Sayeed
Advocates & Legal Consultants

BANKERS

Allied Bank of Pakistan Limited
Askari Bank Limited
Bank Al Falah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Bank of Khyber
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Summit Bank Limited
United Bank Limited

SHARE REGISTRAR

Central Depository Company
of Pakistan Limited
CDC House
99-B, Block "B", S.M.C.H.S.
Main Shakra-e-Faisal
Karachi 74400

The Board of Directors of Karachi Stock Exchange Limited (KSE / Exchange) is pleased to present the financial statements of the Exchange for the quarter ended September 30, 2015.

Financial Review

Profit before tax of the Exchange rose by almost 10% YoY in 1QFY16 to reach PkR94.6million. However, Profit after tax was lower by nearly 22% YoY due to timing effects of tax accounting for dividends received from Associates which will normalize during the remaining part of this financial year. Thus the earning per share (EPS) for 1QFY16 was PkR0.07 versus PkR 0.09 in 1QFY15.

Total Revenue of the Exchange increased by 13% YoY in 1QFY16 versus 1QFY15 to reach PkR323million. The key driver of the revenue growth was trading fees which increased by 71% YoY to PkR63million on the back of 26% growth YoY in average daily value traded (in ready & future markets combined) from PkR12.3billion in 1QFY15 to PkR15.5billion in 1QFY16. After factoring in facilities & equipment and other income from non-trading facilities, income from Exchange operations touched PkR84million depicting a 35% YoY rise in 1QFY16. Listing fee rose by 10% YoY in 1QFY16 to PkR58million.

Management fee was 40% lower in 1QFY16, at PkR24million versus PkR41million in the same period last year as the rate charged has been halved to 2% versus 4% in 1QFY15.

Net treasury income (after factoring out payment of return to TREC holders on their margin deposit and retaining 1% on average balance as service charge) was higher by 12% YoY in 1QFY16 versus 1QFY15. This was mainly driven by higher average margin deposits in the first quarter of this financial year, at PkR6.8billion versus PkR4.0billion in the same period last year, representing a growth of 70%. The rise in margin deposits is closely linked to improvement in market conditions. Average daily value traded (Ready & Futures combined) in July & August 2015 was PkR18.8billion and PkR17.4billion, respectively, as against PkR18.4billion in June 2015. However, September witnessed a sharp reversal in market conditions with global downturn in equity markets. This negatively impacted market sentiments and volumes with average daily value traded reduced to PkR11.6billion (Ready & Futures Combined). Nevertheless, on a quarter-to-quarter comparison between 2014 and 2015, margin deposits depicted significant increase, thus positively impacting Net treasury income.

Share of profit of Associates also displayed healthy growth YoY of 33% in 1QFY16 rising to PkR68million versus PkR51million in the same period last year.

Stripping out management fee, net treasury income and share of profits of Associates, core operating revenue of the Exchange rose by 22% YoY in 1QFY16 to PkR158million. Overall expense was higher by 14% YoY in 1QFY16 at PkR227million. A key factor here

was that in 1QFY15 a reversal of PkR11million in IT maintenance costs occurred due to changes in maintenance contracts. This benefit was not available in the current year. Thus IT maintenance & related expense in 1QFY16 was PkR19million versus PkR4million in 1QFY15. HR costs were higher by 13% in 1QFY16 due in part to 9% increase in management staff remuneration, 10% increase in unionized staff costs as well as new appointments in IT and IT security departments, the latter of which was established in September last year. Repair & maintenance costs were PkR11million in 1QFY16 versus PkR7million in 1QFY15 driven by annual increase in contractual labor cost as well as much larger number of repair & up-gradation operations as compared to the same period last year.

A significant reduction in management fee caused Earning before Tax, Depreciation and Amortization (EBTDA) to show a decline of 14% YoY in 1QFY16 at PkR80million. However, due to positive impact of share of profit of Associates, the Exchange was able to achieve 10% growth in pre-tax profit YoY in 1QFY16. As noted above, a higher effective tax rate computation led to 22% YoY decline in net profit after tax in 1QFY16 to PkR57million versus PkR74million 1QFY15 with EPS of PkR0.07 versus PkR0.09 in corresponding period last year.

Integration of Stock Exchanges

In continuation to the update reported in KSE's Directors' Report for the year ended June 30, 2015, the management and Board are dedicatedly engaged to successfully conclude the process of integration of stock exchanges.

For the above purpose, the Board, in consultation with Demutualization Committee of KSE and with the assistance of appointed legal counsel, approved on September 22, 2015 to recommend two Schemes of Integration, with Lahore Stock Exchange and Islamabad Stock Exchange respectively, along with proposed change of KSE's name to Pakistan Stock Exchange, for approval of shareholders by way of Special Resolution to be passed at the Extraordinary General Meeting convened on October 26, 2015.

In order to enable the three exchanges to complete the formalities relating to submission of their respective Schemes, the Securities and Exchange Commission of Pakistan has granted extension in timeline for the same till October 30, 2015.

Business Dynamics & Outlook

While the Exchange's revenue is highly dependent on the performance of the stock market and trading volumes, the cost structure is of fixed nature – in terms of staff requirements for both regulatory and commercial functions as well as need for the core IT infrastructure and building management services. This translates into low operating leverage and implies that costs cannot be significantly reduced even during periods of subdued market activity such as the one witnessed in 1QFY16.

The solution to this challenge is, in theory, straight forward. Given the ground realities, there are basically three areas requiring focus in terms of resource allocation and

management time. First, significant increase in the investor base from current levels of below 250,000. Second, enhanced listings of new companies. Third, roll out of new products/market segments. In a nutshell, this is the challenge and opportunity facing the Exchange.

Going forward, as the new era of a single Pakistan Stock Exchange unfolds, both the challenge and the opportunity will be magnified. In terms of the challenge, operating cost-base of the Exchange is estimated to increase substantially once TREC Holders integration into the single stock exchange occurs. At the same time, the benefit to existing LSE and ISE holders which will occur as they directly access the large liquidity pool and active participants of the single market, will take two to three years to manifest in terms of their trading volume increase. So what needs to be done?

Our focus remains on the opportunity. While KSE has been gradually increasing its investor awareness campaign and actively participating in SECP-led efforts in this regard, this initiative needs to be significantly ratcheted up. Some impact of this activity can be discerned by noting that total active UIN's (as per NCCPL data) rose from 210,449 in end-June 2014 to 237,079 in end-June 2015. Further, in 1QFY14, 4,885 new UIN's were opened, 5,417 in 1QFY15 and 6,079 in 1QFY16. So there has been some progress but much more is required. Since August 2015, the Exchange has also launched a new initiative of Corporate Briefing Program by listed companies to engage directly with retail investors through presentations at KSE and via social media. The uptake has been tremendous and the Exchange is now receiving request from listed companies desiring to participate in this initiative.

In the area of new listings, a comprehensive plan is being designed to highlight the benefits of listing while Small and Medium Enterprise (SME) market segment is in its final stages for launching by calendar year-end 2015. Here, there is a need for the Government to provide certain incentives for companies to list because listing brings with it significant governance obligations which act as deterrence for private companies to come to public markets. Similarly, as is the case in various emerging markets, SME's need specific incentives to avail funding from the capital market including incentives for angel and qualified investors.

Third, it is imperative that new products, specifically derivatives and regulated leverage markets, be overhauled handled from regulatory perspective urgently based on international practice with right balance of risk management and market development, so that the same can be rolled out in our market. A grand round table of market participants, ranging from investors, TREC Holders, financial institutions and regulators is needed with clear outcomes to identify lacunas that are holding back development of derivatives market, which are now the largest revenue generator in other markets across the world.

Finally, market integrity, good governance and transparency at both capital market institutions level and TREC level have to be continuously enhanced and all market constituencies need to play their due role to discharge this responsibility.

We are optimistic regarding the future growth and development of Pakistan's capital market and hope to work closely with market participants, Apex Regulator and the Government to actualize the Vision of an efficient, effective and transparent capital market that helps channel national savings into productive investments thus fostering sustainable economic growth in Pakistan.

Acknowledgement

The Board would like to take this opportunity to express its gratitude to KSE's TREC-Holders and other stakeholders for their continued commitment and support to KSE and capital markets. The Board is also grateful to Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Federal Board of Revenue and the Ministry of Finance, Revenue and Economic Affairs, Government of Pakistan, for their active support and guidance to KSE at all times.

Furthermore, the Board would like to thank all Committee members for their guidance and support. The Board acknowledges and appreciates the professional expertise, diligence and dedication of all KSE staff members who were instrumental in achieving the desired milestones during challenging times.

For and on behalf of the Board of Directors

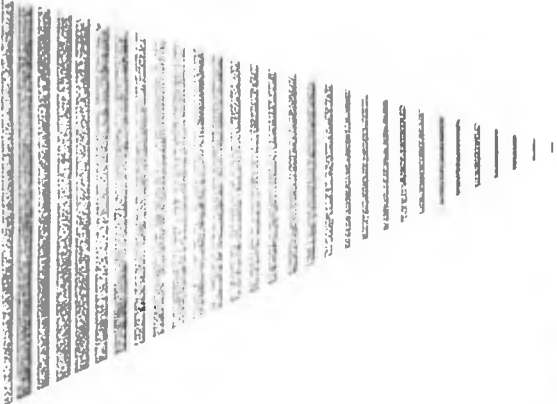


MUNEER KAMAL
Chairman

Karachi
October 21, 2015



NADEEM NAQVI
Managing Director



Building a better
working world

KARACHI STOCK EXCHANGE LIMITED

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

Ernst & Young Ford Rhodes Skat Hydret
Chartered Accountants
Progressive Plaza, Durrani Road
P.O. Box 15541, Karachi 75250
• Pakistan



building a better
working world

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Chartered Accountants
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Fax: +9221 3508 1955
e: erishk@ey.com
ey.com/pk

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of the Karachi Stock Exchange Limited (the Company) as at 30 September 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the three-months' period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to the contents of note 8.1 to the accompanying interim financial information in respect of contingencies. The ultimate outcome of the matters referred therein cannot presently be determined with certainty and, hence, no provision for any liability that may arise from such matters has been made in the interim financial information. Our conclusion is not qualified in respect of this matter.

Chartered Accountants

Engagement Partner: Arslan Khalid

Date: 21 October 2015

Karachi


KARACHI STOCK EXCHANGE LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2015

	September 30, 2015 (Un-audited)	June 30, 2015 (Audited)
Note	----- (Rupees in '000) -----	
ASSETS		
NON-CURRENT ASSETS		
Property and equipment	4 3,374,191	3,400,601
Intangibles	81,697	74,240
Investment property	694,549	694,549
Investment in associates	5 1,229,075	1,340,236
Long term investments	6 1,992,589	2,030,724
Long term deposits	38,062	38,062
Long term loans	1,448	1,028
Deferred tax asset	44,683	53,348
	7,456,294	7,632,788
CURRENT ASSETS		
Trade Debts	72,071	30,954
Loans and advances	17,934	9,380
Prepayments	22,574	13,623
Other receivables	355,640	168,433
Short term investments	179,987	177,394
Taxation – net	430,324	448,938
Cash and bank balances	7 3,856,129	5,624,185
	4,934,659	6,472,907
TOTAL ASSETS	12,390,953	14,105,695
EQUITY AND LIABILITIES		
Share Capital	8,014,766	8,014,766
Reserves	189,009	134,452
Total equity	8,203,775	8,149,218
NON-CURRENT LIABILITIES		
Deferred liability – Agent Welfare Fund	-	1,322
Dara F. Dastoor Scholarship Fund	2,000	2,000
Long term deposits	106,422	50,147
	108,422	53,469
CURRENT LIABILITIES		
Provision for wealth tax	1,684	1,684
Deposits from members against exposures and losses	3,342,817	5,330,422
Trade and other payables	734,255	570,902
	4,078,756	5,903,008
CONTINGENCIES AND COMMITMENTS	8	
TOTAL EQUITY AND LIABILITIES	12,390,953	14,105,695

The annexed notes from 1 to 15 form an integral part of these financial statements.

for


Chairman


Managing Director

2

KARACHI STOCK EXCHANGE LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2015
(UN-AUDITED)

	Note	<u>Quarter Ended</u>	
		September 30, 2015	September 30, 2014
----- (Rupees in '000) -----			
Revenue			
Listing fee	9	58,025	52,850
Income from exchange operations	10	83,704	61,887
Management fee		24,569	41,125
Mark-up / interest income		124,387	101,193
Rental income from investment property		13,911	12,641
		304,596	269,696
Operating cost			
Administrative expenses		(227,258)	(199,168)
Financial and other charges		(53,716)	(38,364)
		(280,974)	(237,532)
Operating profit		23,622	32,164
Other income		2,128	2,200
Share of profit from associates	5	68,509	51,385
Profit before taxation		94,259	85,749
Taxation	11	(36,741)	(12,102)
Profit after taxation		57,518	73,647
----- (Rupees) -----			
Basic and diluted earnings per share	12	0.07	0.09

The annexed notes from 1 to 15 form an integral part of these financial statements.

K. M. M.



 Chairman



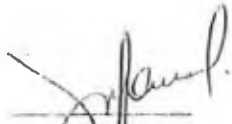
 Managing Director

1

KARACHI STOCK EXCHANGE LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2015
(UN-AUDITED)

	Quarter Ended	
	September 30, 2015	September 30, 2014
	----- (Rupees in '000) -----	
Net profit for the period	57,518	73,647
Other comprehensive loss		
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial loss on employees' gratuity fund - net of tax	(2,314)	
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive loss from associates' in respect of deficit on revaluation of available-for-sale investments	(647)	
Total comprehensive income for the period	54,557	73,647

The annexed notes from 1 to 15 form an integral part of these financial statements.


 Chairman

KEM

 Managing Director

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KARACHI STOCK EXCHANGE LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2015
(UN-AUDITED)

	September 30, 2015	September 30, 2014
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	94,259	85,749
Non-cash adjustments to reconcile income before tax to net cash flows		
Depreciation on tangible assets	47,232	46,298
Amortisation of intangibles	7,101	12,274
Provision for gratuity	4,930	3,435
Mark-up / interest income	(121,280)	(101,193)
Discount on Pakistan Investment Bonds	(3,107)	(2,936)
Loss on disposal of fixed assets	-	346
Share of profit from associates	(68,509)	(51,385)
	<u>(133,633)</u>	<u>(93,161)</u>
	(39,374)	(7,412)
Working capital adjustments:		
(Increase) / decrease in current assets		
Trade Debts	(41,117)	(66,343)
Loans and advances	(8,554)	(3,508)
Prepayments	(8,951)	(11,639)
Other receivables	(13,236)	(3,561)
	<u>(71,858)</u>	<u>(85,051)</u>
(Decrease) / increase in current liabilities		
Deposits from members against exposures and losses	(1,987,605)	(1,500,199)
Trade and other payables	154,580	178,748
	<u>(1,944,257)</u>	<u>(1,413,914)</u>
Income tax paid	(8,372)	(3,325)
(Decrease) / increase in deferred liability	(1,322)	3
Increase in long term deposits	56,275	7,800
Mark-up / interest received	164,988	141,411
	<u>211,569</u>	<u>145,889</u>
Net cash used in operating activities	<u>(1,732,688)</u>	<u>(1,268,025)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(10,026)	(11,572)
Capital work-in-progress	(25,447)	(17,455)
Proceeds from sale of fixed assets	85	300
Investments sold	100,000	157,179
Investments purchased	(99,560)	(211,869)
Increase in long term deposits	-	(25)
(Decrease) / increase in long term loans	(420)	27
Net cash used investing activities	<u>(35,368)</u>	<u>(83,415)</u>
Net decrease in cash and cash equivalents	<u>(1,768,056)</u>	<u>(1,351,440)</u>
Cash and cash equivalents at the beginning of the period	5,624,185	4,015,160
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>3,856,129</u>	<u>2,663,720</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

KARACHI STOCK EXCHANGE LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2015
(UN-AUDITED)

	<u>Reserves</u>			Total
	Share Capital	Un- appropriated profit / (loss)	Share of Associates' Reserves	
Balance as at July 1, 2014	8,014,766	72,974	(12,210)	8,075,530
Total comprehensive income for the period	-	73,647	-	73,647
Balance as at September 30, 2014	<u>8,014,766</u>	<u>146,621</u>	<u>(12,210)</u>	<u>8,149,177</u>
Balance as at July 1, 2015	8,014,766	140,781	(6,329)	8,149,218
Profit for the for the period	-	57,518	-	57,518
Other comprehensive loss for the period	-	-	(2,961)	(2,961)
Total comprehensive income for the period	-	57,518	(2,961)	54,557
Balance as at September 30, 2015	<u>8,014,766</u>	<u>198,299</u>	<u>(9,290)</u>	<u>8,203,775</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

6/11


Chairman


Managing Director

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KARACHI STOCK EXCHANGE LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015

1. LEGAL STATUS AND NATURE OF OPERATIONS

- 1.1 Karachi Stock Exchange Limited (the Company or KSE) was incorporated under the Companies Act, 1913 on March 10, 1949 as a Company Limited by Guarantee. On August 27, 2012 the Company was re-registered as public company limited by shares under the Stock Exchanges (Corporatisation, Demutualisation and Integration) Act 2012 (XV of 2012) [the Act].

The Company is engaged in conducting, regulating and controlling the trade or business of buying, selling and dealing in shares, scripts, participation term certificates, modaraba certificates, stocks, bonds, debentures stock, government papers, loans, and any other instruments and securities of like nature including, but not limited to, special national fund bonds, bearer national fund bonds, foreign exchange bearer certificates and documents of similar nature, issued by the Government of Pakistan or any other agency authorised by the Government of Pakistan.

The registered office of the Company is situated at Stock Exchange Building, Stock Exchange Road, Karachi.

- 1.2 During the period, a Memorandum of Understanding is signed between the KSE, the Lahore Stock Exchange (LSE) and the Islamabad Stock Exchange (ISE) for integration of all three stock exchanges in Pakistan as envisaged in the Stock Exchanges (Corporatisation, Demutualisation and Integration) Act 2012 (XV of 2012) [the Act].

The salient features of Memorandum of Understanding are as under:

- i. The name of KSE shall be changed to "Pakistan Stock Exchange Limited" and a certificate of change of name shall be issued by the Company Registration Office.
 - ii. The license to operate stock exchange of LSE and ISE shall cease to exist on completion of the process.
 - iii. There shall be no change in the current shareholding pattern of KSE except as provided for in the Act.
 - iv. All existing registered Trading Right Entitlement Certificate (TREC) holders of LSE and ISE shall be offered TREC in 'Pakistan Stock Exchange Limited' without any cost / fee and shall be treated at par with the TREC holders of KSE in terms of trading rights.
 - v. All three stock exchanges shall propose their separate schemes of arrangements to the above and submit to the Securities and Exchange Commission of Pakistan (SECP) for approval after getting approval from their respective Board and general body.
- 1.3 On September 15, 2015, SECP issued a Notification amending the Stock Exchanges (Corporatization, Demutualization & Integration) Regulations, 2012, wherein the stock exchanges in process of integration were required to submit the scheme(s) of integration (with the approval of the shareholders) for approval by the SECP. The said Regulations, among other information/documents, require the Company to submit the financial statements, duly reviewed by the auditors, based on the limited scope, not earlier than thirty days from the date of filing of the proposed scheme of integration. The SECP vide its letter dated September 23, 2015 informed the stock exchanges that the said scheme is required to be submitted till October 27, 2015. However, the said date was further extended till October 30, 2015. In view of the above stated requirements, these interim condensed financial statements are reviewed by the auditors of the Company.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements of the Company for the three months ended September 30, 2015 have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim financial Reporting" and provisions of the Companies Ordinance, 1984 and directives issued by the SECP. Wherever the requirements differ, the provisions of the Companies Ordinance, 1984 and the said directives have been followed.
- 2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2015.
- Kumar*

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those of the previous financial year.

4. PROPERTY AND EQUIPMENT

Operating fixed assets - Tangible
Capital work-in-progress

Note	September 30, 2015 (Un-audited)	June 30, 2015 (Audited)
	----- (Rupees in '000) -----	
4.1	3,259,741	3,302,015
4.2	114,450	98,586
	<u>3,374,191</u>	<u>3,400,601</u>

4.1 Additions / deletions during for the period

	For the Quarter Ended September 30, 2015 (Un-audited)		For the Year Ended June 30, 2015 (Audited)	
	Additions (Cost)	Deletions (Cost)	Additions (Cost)	Deletions (Cost)
	----- (Rupees in '000') -----			
Building on leasehold land	126	-	3,062	-
Lift, generators and electric installation	-	-	4,426	1,371
Furniture and fixtures	-	-	437	-
Office equipment	1,186	-	6,413	-
Computers and related accessories	3,685	-	45,163	126
Vehicles	-	90	4,980	1,441
	<u>4,997</u>	<u>90</u>	<u>64,481</u>	<u>2,938</u>

4.2 Capital work-in-progress

Advances against:

- Computer hardware
- Construction of building/civil works
- Vehicle

	September 30, 2015 (Un-audited)	June 30, 2015 (Audited)
	----- (Rupees in '000) -----	
	979	979
	111,468	97,607
	2,003	-
	<u>114,450</u>	<u>98,586</u>

fm

5. INVESTMENT IN ASSOCIATES - under equity method of accounting

	September 30, 2015 (Un-Audited)		June 30, 2015 (Audited)	
	Central Depository Company of Pakistan	National Clearing Company of Pakistan	Total	Total
	----- (Rupees in '000) -----			
Opening Balance	1,029,809	310,427	1,340,236	1,201,927
Share of profit for the period / year	43,636	24,873	68,509	252,235
Deficit/(Surplus) on revaluation of associates' available-for-sale investments	(647)	-	(647)	13,845
Actuarial loss on gratuity fund	-	-	-	(7,964)
Dividend received during the period / year	(84,099)	(94,924)	(179,023)	(119,807)
Closing balance	<u>988,699</u>	<u>240,376</u>	<u>1,229,075</u>	<u>1,340,236</u>
			September 30, 2015 (Un-audited)	June 30, 2015 (Audited)
			----- (Rupees in '000) -----	
			Note	

6. LONG TERM INVESTMENTS

Available for sale - unquoted

JCR VIS Credit Rating Company Limited, a related party
250,000 (June 30, 2015: 250,000) Ordinary shares of Rs. 10 each, representing 12.50% (June 30, 2015: 12.50%) shareholding. The breakup value of each ordinary share is Rs 34.58 (based on latest available financial statements for the year ended June 30, 2015).

2,500

2,500

Pakistan Mercantile Exchange Limited (PMEX), a related party
8,909,060 (2014: 3,636,356) ordinary shares of Rs.10 each, representing 32.32% (2014: 19.14%) shareholding. The breakup value of each ordinary share is negative Rs.4.87 (based on latest available financial statements for the year ended June 30, 2015)

74,818

74,818

Held to maturity

Pakistan Investment Bonds (PIBs)

6.1

1,915,2711,953,4061,992,5892,030,724

6.1 These represent Pakistan Investment Bonds (PIBs) having cost of Rs. 1,858.844 (2015: Rs.1,846.036) million and interest accrued thereon of Rs. 53.196 (2015: Rs. 94.385) million and amortization of discount of Rs. 3.231 (2015: Rs.12.991) million. The effective rate of return 12.02% (2015:12.36%) per annum. These will mature latest by July 18, 2017.

7. CASH AND BANK BALANCES

In hand

20

12

With banks on

Current accounts

7.1 & 7.3

104

104

PLS accounts in:

foreign currency

8,713

7,567

local currency

7.1 to 7.5

3,847,2925,616,5023,856,1295,624,185

7.1 Included in 'current accounts' and 'PLS accounts' are Rs. 0.06 (2015: Rs. 0.06) million and Rs. 3,342.757 (2015: Rs.5,330.362) million, respectively, aggregating to Rs. 3,342.817 (2015: Rs. 5,330.422) million, representing deposits from members against exposures and losses. These deposits are utilised by the Company in the event of default of members to recover losses there from, as provided for in the relevant regulations of the Company. Rate of return on PLS accounts varies from 2.18% to 6.30% (2015: 2.97 % to 9 %) However, the effective rate for the period is 5.58% (2015:7.87%).

7.2 Included herein are funds earmarked by the Company against the outstanding balance in the Dara F. Dastoor Scholarship Fund, amounting to Rs 2.055 (2015: Ps 2.239) million

- 7.3 Included herein are balances, aggregating to Rs.8,635 (2015: Rs. 8,683) million, deposited with the Company by members and an ex-member with respect to certain arbitration cases pending settlement.
- 7.4 Included herein is Rs. 290,456 (2015: Rs. 293,690) million held by the Company on account of disposal of membership cards of defaulting / expelled members.
- 7.5 Included herein Rs. 11,024 (2015: Rs. 19,712) million deposited with Bank Islami Limited (related party)

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

- 8.1.1 During the period, a lawsuit was filed by two investors against the TREC Holder and others including the Company wherein, the investors complained that, in the year 2008, a shares' trading account was opened with the said TREC Holder which was used by such TREC Holder to trade securities on behalf of the investors. In November 2013, the investors demanded the TREC Holder to return the invested amount and after a short time they started returning the invested amount in monthly installments but stopped paying installments in May 2014. The investors further alleged in the suit that the TREC Holder was indebted more than the amount of the assets they have with KSE. Moreover, the TREC Holder started to sell all their assets including properties, shares and proceeds thereof were transferred to abroad, private bank accounts at untraceable location. The investors in the present case have pleaded from the Court to pass Judgment in their favor and against all the defendants including KSE for Rs.10.1 million along with cost of the case, mark-up and damages of 18% per annum till realization of entire amount. The management of the Company is of the view that reasonable defence in respect of the claim is apparent and accordingly, no provision against the above matter has been made by the management in these condensed interim financial statements.
- 8.1.2 There are no material changes in the status of contingencies, as reported in note 26.1.1 to 26.2.8 to the annual financial statements of the Company for the year ended June 30, 2015, except as follows:

- In respect of the contingency disclosed in note 26.1.2 in the annual financial statements for the year ended June 30, 2015 (related to non-payment of Sindh Sales Tax), the Company during the period the Company has received an order passed by Commissioner Appeals (Sindh Revenue Board) whereby the order in original has been upheld to the extent of amount of sales tax assessed, default surcharge and the penalties imposed (penalties to the extent of Rs. 30,018 million. However, it is by the Commissioner (Appeals) stated that the Appellant may if deems it fit, apply to the Sindh Revenue Board for exemption from payment of the penalties and the default surcharge, and in view of the same, the Company will apply for the said exemption. Accordingly, the Company has continued to maintain the provision against the principal sales tax demand as at September 30, 2015 which amounted to Rs. 49,638 (June 30, 2015: Rs. 46,198) million.

8.2 Commitments-Capital Expenditure

Aggregate commitments for capital expenditure at the end of the period were Rs. 12,409 (June 30, 2015: Rs. 17,461) million.

9. LISTING FEE

Annual fees
Initial fees

Quarter Ended

September 30, 2015	September 30, 2014
----- (Rupees in '000) -----	
----- (Un-audited) -----	

Annual fees	45,988	42,603
Initial fees	12,037	10,247
	<u>58,025</u>	<u>52,850</u>

10. INCOME FROM EXCHANGE OPERATIONS

Trading fee
Facilities and equipment fee
Income from non-trading facilities
Membership fee
Other fee

Trading fee	63,318	36,930
Facilities and equipment fee	12,056	10,761
Income from non-trading facilities	5,188	9,608
Membership fee	482	495
Other fee	2,660	4,093
	<u>83,704</u>	<u>61,887</u>

11. TAXATION

Current
Deferred

Current	26,986	4,896
Deferred	9,755	7,206
	<u>36,741</u>	<u>12,102</u>

- 11.1 This includes tax on dividend receivable from associates amounting to Rs. 22,378 million (September 30, 2014: Nil).

12. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation

Profit after taxation	57,518	73,647
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(Numbers in '000)

Weighted average number of ordinary shares outstanding during the period

Weighted average number of ordinary shares outstanding during the period	801,476	801,476
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----- (Rupees) -----

Basic and diluted earnings per share

Basic and diluted earnings per share	0.07	0.09
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13. RELATED PARTY TRANSACTIONS

The related parties comprise of associates, companies with common directorship, staff gratuity fund, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties.

Following are the details of transactions with related parties during the quarter ended 30 September 2015 and 30 September 2014:

	Quarter Ended	
	September 30, 2015	September 30, 2014
	----- (Rupees in '000) -----	
	----- (Un-audited) -----	
Management fee		
KSE Clearing House Protection Fund	20,690	37,272
KSE investors Protection Fund	3,879	3,853
	<u>24,569</u>	<u>41,125</u>
Dividend income		
Central Depository Company of Pakistan Limited (CDCPL)	84,099	-
National Clearing Company of Pakistan Limited (NCCPL)	94,924	-
	<u>179,023</u>	<u>-</u>
Income from investment property		
Central Depository Company of Pakistan (CDC)	1,520	1,382
National Clearing Company of Pakistan Limited (NCCPL)	3,516	3,194
	<u>5,036</u>	<u>4,576</u>
Income from margin trading system - NCCPL	<u>7,043</u>	<u>4,887</u>
CDC Fee CDCPL	<u>471</u>	<u>420</u>
Trading fees		
Aba Ali Habib Securities (Private) Limited	2,029	1,146
Adam Securities (Private) Limited	3,186	1,839
Lakhani Securities (Private) Limited	52	38
Topline Securities (Private) Limited	822	433
	<u>6,089</u>	<u>3,456</u>
Facilities and equipment fees		
Aba Ali Habib Securities (Private) Limited	339	357
Adam Securities (Private) Limited	1,299	1,026
Lakhani Securities (Private) Limited	12	12
Topline Securities (Private) Limited	224	224
Abid Ali Habib Securities (Private) Limited	2	-
	<u>1,876</u>	<u>1,619</u>
Profit on PLS account		
Barclays Bank PLC, Pakistan (now Habib Bank Limited)	-	5,702
BankIslami Pakistan Limited	1081	-
KASB Bank Limited (now BankIslami Pakistan Limited)	-	5,061
	<u>1,081</u>	<u>10,763</u>
Listing fees		
National Bank of Pakistan	947	898
Tri-Pack Films Limited	491	485
Thal Limited	610	585
Descon Oxychem Limited	254	274
KASB Bank Limited (now BankIslami Pakistan Limited)	-	424
Engro Corporation Limited	943	-
EFU Life Assurance Limited	590	-
Sui Southern Gas Company Limited	641	-
Standard Chartered Bank (Pakistan) Limited	826	-
BankIslami Pakistan Limited	575	-
	<u>5,877</u>	<u>2,566</u>
Insurance Premium		
EFU Life Assurance Limited	2,955	-

14. DATE OF AUTHORISATION FOR ISSUE

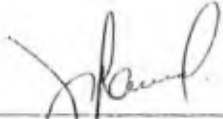
These condensed interim financial statements have been authorised for issue on 21 OCT 2015 by the Board of Directors of the Company.

15. GENERAL

15.1 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However, there are no material reclassifications to report.

15.2 Figures have been rounded off to the nearest thousand rupees.

EUR



Chairman

Managing Director