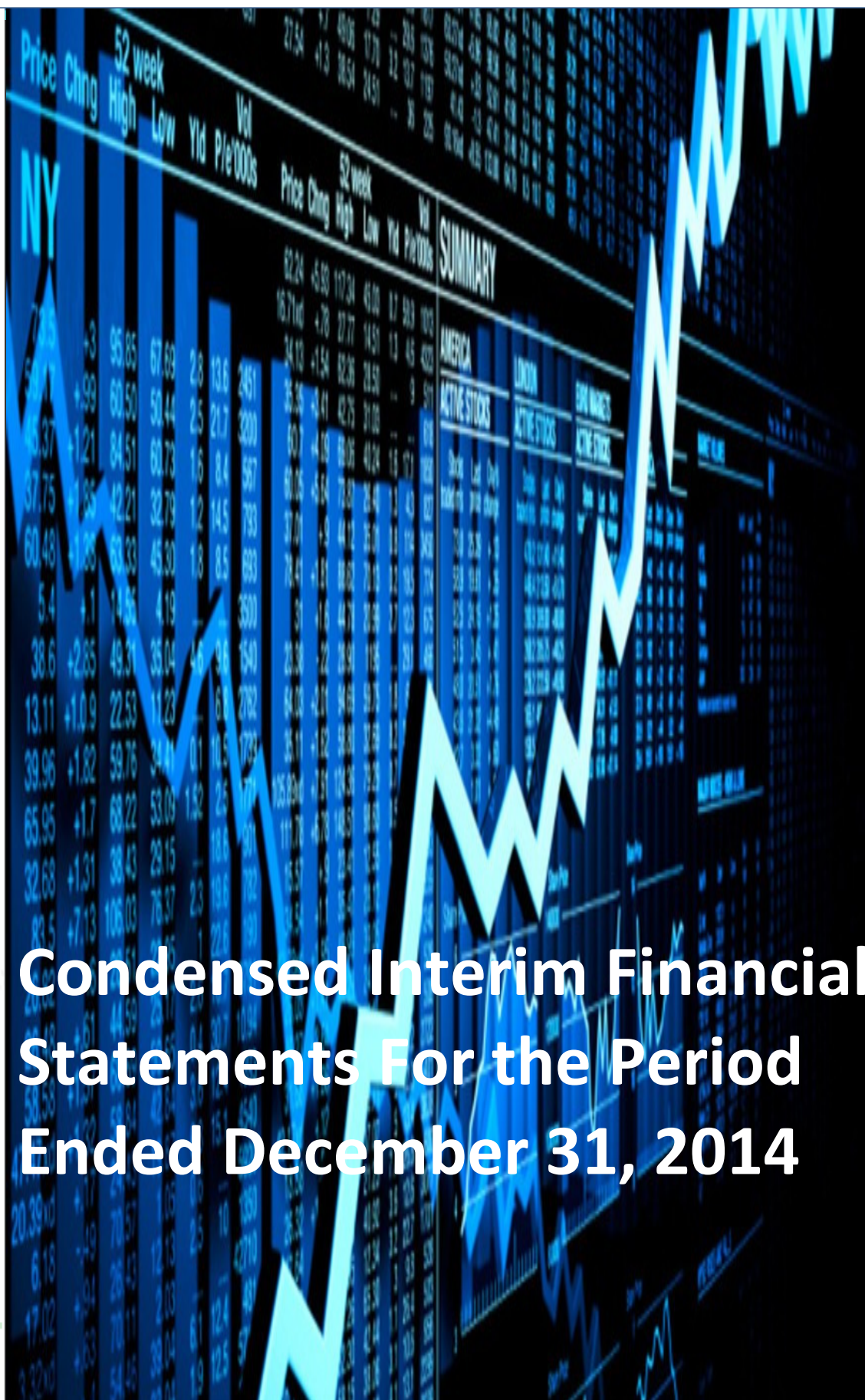




**Karachi Stock Exchange Limited**

**ENABLING INVESTORS DISCOVER NEW GROWTH OPPORTUNITIES**

# Condensed Interim Financial Statements For the Period Ended December 31, 2014





## KARACHI STOCK EXCHANGE LIMITED

### DIRECTORS' REVIEW REPORT FOR SIX MONTHS ENDED DECEMBER 31, 2014

The Board of Directors of the Karachi Stock Exchange Limited (KSE/Exchange) is pleased to present the financial statements of the Exchange for the six month period ended December 31, 2014. Profit after tax during this period was 144% higher at Rs.134 million versus Rs.55 million in the same period last year. Total Income (excluding share of profits of Associates) during this period was Rs.473 million versus Rs.404 million in the same period last year, depicting a growth of 17% YoY.

Income from Exchange Operations was Rs.246 million versus Rs.223 million in the same period last year, showing a growth of 10%. Within Exchange Operations Income, trading fees rose by 32% YoY to Rs.92 million driven by growth in average daily value traded in 1HFY15 to Rs.9.8 billion versus Rs.8.6 billion in 1HFY14. Listing fees decreased by 6% to Rs.109 million despite five IPO's during July - December 2014 due to tax imposed on bonus shares led to a sharp fall in bonus issues from nearly Rs.11.9 billion in 1HFY14 to just Rs.1.1 billion in 1HFY15. On the other hand, facilities & equipment fees remained stable at Rs.22 million.

Non-operating income – which includes net treasury income, rental income, management fees and other income – rose by 26% YoY to Rs.227 million in 1HFY15 versus Rs.181 million in 1HFY14. Share of profits of Associates grew by 61% YoY to Rs.121 million. Thus, total income of the Exchange was Rs.594 million in 1HFY15 showing an increase of 24% YoY.

Total Expenses in the first six months of FY15 rose by 4% as compared to first six months of FY14 to Rs.426 million. Excluding HR costs, expenses remained the same at Rs.243 million in 1HFY15. Within this, fuel & power cost rose by 16% to Rs.33 million. On the other hand, I.T. maintenance expenses reduced by 41% to Rs.16 million due to deferment of certain expenses to the second half of the financial year. Depreciation & amortization expense was same in 1HFY14 at Rs.116 million. HR expenses rose by 10% YoY to Rs.183 million.

Earnings before interest, tax, depreciation & amortization (EBITDA) was Rs.28.0 million in 1HFY15 versus Rs.6.0 million in 1HFY14 showing a growth 3.5 times.

After factoring in depreciation, net interest income from treasury operations and share of profits of Associates, the Exchange earned pre-tax profit of Rs.169 million in the six months ended December 31, 2014 versus Rs.69 million in the same period last year, showing a rise of 143%. Profit After Tax in 1HFY15 was Rs.134 million versus Rs.55 million in 1HFY14. Translated into earnings per share, 1HFY15 EPS was Re.0.17 as compared to an EPS of Re.0.07 in 1HFY14.

Based on the above results, the directors have approved an interim cash dividend @ 1.5 i.e. Re.0.15 per share, as follows:

|                              | (Rupees in '000) |
|------------------------------|------------------|
| Profit for the six months    | 133,972          |
| Interim cash dividend @ 1.5% | 120,221          |
| Balance carried forward      | 13,751           |



As noted last year, with the activation of the Regulatory Affairs Department (RAD) as a stand alone unit after segregation of commercial and regulatory functions as part of demutualization, an effective regulatory function's cost will invariably rise. Bearing this in mind, the Board and the management have endeavored to rationalize other costs as far as possible. However, cost rationalization can go only so far. Given that KSE is by far the largest exchange in the country accounting for over 90% of value traded, the sheer necessity of maintaining an efficient trading system, ensuring its security as well as providing quality service to stakeholders means that a minimum cost structure is inevitable. Going forward there will be rise in fixed cost structure both for the regulatory function as its capacity is built up further.

What is required therefore and where the Board of Directors and management is focusing are two areas: First, redoubling efforts to help generate greater awareness regarding capital market investing opportunities to the general public in a targeted manner and extending the coverage of investor awareness seminars beyond the larger urban centers. In CY15, a national campaign has been launched with a twelve month calendar already notified to market intermediaries.

There is also a need to attract Non-Resident Pakistanis (NRPs) to the domestic capital market. In several other countries such as China and India, the non-resident Diaspora has played a major role in the growth and broadening of their respective capital markets with significant support from their Governments. This has not been the case in Pakistan. The Exchange is therefore, for the first time, taking the initiative to focus on NRP's, starting with the UK in 1QCY15 followed by plans to cover GCC states and North America later in the calendar year 2015.

The second aspect is new product development. On the equity side, although Cash Settled Stock Index Futures and Single Stock Future have been launched, these have not been taken up by market participants despite awareness sessions being conducted by the Exchange. Unless all constituencies related to the capital market make serious efforts, the success of these products will remain questionable. There is a need for a serious and focused thinking of why these products have not taken off and what regulatory, operational and procedural changes may make such products more attractive to market participants within appropriate systemic risk management parameters.

Having said that, we are excited about the prospects of introduction of a new asset class in 1QCY15 into the capital market – RIETs (Real Estate Investment Trust), which will be tradable like shares. This should perk investor interest both in terms of yield hunting as well as portfolio diversification. Another interesting prospect in 2015 is the likely introduction of ETFs (Exchange Traded Funds) which should provide a new instrument to investors. Regulatory approvals from the SECP are expected for both the above instruments in the near future, subsequent to which they will be launched at KSE.

Finally, the regulatory framework for the Small and Medium Enterprise segment at KSE has been approved by the Board of the Exchange and the SECP and has been sent for Gazetting. A comprehensive marketing campaign will be initiated by KSE targeting both eligible SMEs as well as potential investors, so that this new long term fund raising platform for small and medium sized businesses can be launched successfully.

All in all, there is considerable activity planned and under implementation in 2HFY15 which should not only positively impact revenue growth in the second half but also lay the groundwork for future accelerated earnings growth.





### STOCK MARKET PERFORMANCE: Firing on all cylinders

Pakistan's equity market's main index, the KSE-100 rose by 8.4% between July and December 2014 to touch 32,131 as at December 31 with market capitalization reaching USD 73.2billion. For full calendar year 2014, KSE-100 rose by 27% in US terms, making Pakistan the 3rd best performing market in the Asia-Pacific region with significant outperformance against MSCI Frontier Market Index (+2.9%) and MSCI Emerging Market Index (-4.6%).

The Market's performance was driven not only by the fundamental strength of the listed corporate sector – where earnings grew by 19% in FY14 (nonfinancial companies with June Year End) and RoE was 23%, amongst the best in Asia – but also valuation expansion as improving political and macro economic climate led to reduction in risk perceptions. The sharp fall in crude oil prices along with inflation added further impetus to expectations of lower interest rates and improved economic growth which are valuation positive factors.

Concurrent with share price increase, average daily value traded rose to Rs. 9.3 billion in 1H FY15, versus Rs. 8.0 billion in 1H FY14. Margin Trading System (MTS) Outstanding value grew to Rs. 3.4 billion as at December 31, 2014 versus Rs. 2.7 billion as at December 31, 2013.

The bull rally has continued in the new calendar year 2015 with KSE-100 Index chalking up a gain of 7.9% in January alone and market capitalization reaching US\$ 77.55 billion by February 04, 2015. The market cap (current) to GDP (June 2014) has touched 29.4%, which is still significantly below its peak of 46.3% in April 2008. Average Daily Value Traded in January 2015 was Rs. 16.7 billion.

### MACRO ECONOMIC DYNAMICS

GDP growth is stabilizing above 4.0% with FY15 rate expected to be in the 4.2-4.5% range, driven by improved production of major crops, expectations of lower cost structure for industry due to fall in oil prices and higher spending power of consumers for the same reason. According to World Bank estimates, shortage of electricity is pulling back GDP growth by 1.0 – 1.5%. By end CY15 and in CY16, several under construction power plants should come online thus boosting economic growth. Oil price led decline in inflation and consequent reduction in interest rates by the central bank should be positive for bank lending, including reactivation of consumer loans that would enhance final demand and benefit industry, going forward.

External sector is holding up despite insignificant growth in exports due to high inflow of remittances while the capital account has also benefitted from US\$ 2.0 billion Sovereign Euro Dollar loan, US\$ 1.0 billion Sukkuks, as well as bilateral and multilateral funding which are expected to continue as the latest (6th) IMF review is positive. The continuation of privatization programme would also provide liquidity.

### 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



**MUNEEB KAMAL**  
*Chairman*



**NADEEM NAQVI**  
*Managing Director*

Karachi  
February 12, 2015



Building a better  
working world

**KARACHI STOCK EXCHANGE LIMITED  
CONDENSED INTERIM  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

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Fax: +9221 3568 1965  
[eyfrsh.khi@pk.ey.com](mailto:eyfrsh.khi@pk.ey.com)  
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## 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 31 December 2014 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 six-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 statements 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 statements. Our conclusion is not qualified in respect of this matter.

Chartered Accountants

Engagement Partner: Arslan Khalid

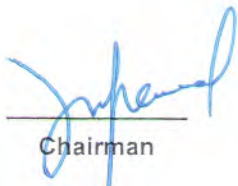
Date: 12 February 2015

Karachi

**KARACHI STOCK EXCHANGE LIMITED**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT DECEMBER 31, 2014**

|  |   | December 31,<br>2014                         | June 30,<br>2014 |
|--|---|--|------------------|
| Note   |   | ----- (Rupees in '000) -----<br>(Un-Audited) | (Audited)        |
| <b>ASSETS</b>  |   |  |                  |
| <b>NON-CURRENT ASSETS</b>                            |   |  |                  |
|  | 4 | 3,429,881                                    | 3,480,698        |
|  |   | 76,198                                       | 85,044           |
|  |   | 680,729                                      | 680,729          |
|  | 5 | 1,206,143                                    | 1,166,771        |
|  | 6 | 2,168,274                                    | 1,850,471        |
|  |   | 37,209                                       | 37,184           |
|  |   | 68   | 835              |
|  |   | 47,669                                       | 62,850           |
|  |   | 7,646,171                                    | 7,364,582        |
| <b>CURRENT ASSETS</b>                                |   |  |                  |
|  |   | 41,636                                       | 27,127           |
|  |   | 13,119                                       | 13,699           |
|  |   | 23,149                                       | 9,665            |
|  |   | 108,767                                      | 106,721          |
|  |   | -  | 162,286          |
|  |   | 427,175                                      | 436,989          |
|  | 7 | 3,801,085                                    | 4,015,160        |
|  |   | 4,414,931                                    | 4,771,647        |
|  |   | 12,061,102                                   | 12,136,229       |
| <b>TOTAL ASSETS</b>                                  |   |  |                  |
| <b>SHARE CAPITAL, RESERVES AND LIABILITIES</b>       |   |  |                  |
|  |   | 8,014,766                                    | 8,014,766        |
|  |   | 73,140                                       | 60,764           |
|  |   | 8,087,906                                    | 8,075,530        |
| <b>NON-CURRENT LIABILITIES</b>                       |   |  |                  |
|  |   | 1,322  | 1,319            |
|  |   | 2,000  | 2,000            |
|  |   | 43,595                                       | 39,003           |
|  |   | 46,917                                       | 42,322           |
| <b>CURRENT LIABILITIES</b>                           |   |  |                  |
|  |   | 1,684  | 1,684            |
|  |   | 3,332,195                                    | 3,573,591        |
|  |   | 592,400                                      | 443,102          |
|  |   | 3,926,279                                    | 4,018,377        |
| <b>CONTINGENCIES AND COMMITMENTS</b>                 |   |  |                  |
|  | 8 |  |                  |
| <b>TOTAL SHARE CAPITAL, RESERVES AND LIABILITIES</b> |   |  |                  |
|  |   | 12,061,102                                   | 12,136,229       |

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

  
Chairman

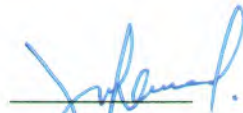
  
Managing Director



**KARACHI STOCK EXCHANGE LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2014**  
**(UN-AUDITED)**

|   |    | Half Year Ended      |                      | Quarter Ended        |                      |
|---|----|----------------------|----------------------|----------------------|----------------------|
|   |    | December 31,<br>2014 | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
| Note  |    | (Rupees in '000)     |                      |                      |                      |
| <b>Revenue</b>                                |    |                      |                      |                      |                      |
| Listing fee                                   | 9  | 109,422              | 116,193              | 56,572               | 61,851               |
| Income from exchange operations               | 10 | 136,185              | 106,819              | 74,298               | 47,753               |
| Management fee                                |    | 63,558               | 43,999               | 22,433               | 22,006               |
| Mark-up / interest income                     |    | 218,508              | 166,073              | 117,315              | 84,276               |
| Rental income from investment property        |    | 25,282               | 23,383               | 12,641               | 11,861               |
|   |    | 552,955              | 456,467              | 283,259              | 227,747              |
| <b>Operating cost</b>                         |    |                      |                      |                      |                      |
| Administrative expenses                       |    | (421,766)            | (407,901)            | (222,598)            | (214,493)            |
| Financial and other charges                   |    | (86,605)             | (63,952)             | (48,241)             | (31,812)             |
|   |    | (508,371)            | (471,853)            | (270,839)            | (246,305)            |
| <b>Operating income / (loss)</b>              |    | 44,584               | (15,386)             | 12,420               | (18,558)             |
| Other income                                  |    | 2,558                | 9,548                | 358                  | 6,262                |
| Share of profit of associates                 | 5  | 121,473              | 75,321               | 70,088               | 29,703               |
| <b>Net profit before taxation</b>             |    | 168,615              | 69,483               | 82,866               | 17,407               |
| Taxation                                      | 11 | (34,643)             | (14,644)             | (22,542)             | (8,209)              |
| <b>Net profit after taxation</b>              |    | 133,972              | 54,839               | 60,324               | 9,198                |
| Basic and diluted earnings per share (Rupees) | 12 | 0.17                 | 0.07                 | 0.08                 | 0.01                 |

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

  
Chairman

  
Managing Director

**KARACHI STOCK EXCHANGE LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR HALF YEAR ENDED DECEMBER 31, 2014**  
**(UN-AUDITED)**

|   | Half Year Ended              |                      | Quarter Ended        |                      |
|---|------------------------------|----------------------|----------------------|----------------------|
|   | December 31,<br>2014         | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
|   | ----- (Rupees in '000) ----- |                      |                      |                      |
| Net profit for the period   | 133,972                      | 54,839               | 60,324               | 9,198                |
| Other comprehensive income / (loss)   |                              |                      |                      |                      |
| <i>Items not to be reclassified to profit and loss in subsequent periods:</i>   |                              |                      |                      |                      |
| Actuarial loss on employees' gratuity fund - net of tax   | (3,925)                      | (3,818)              | (1,963)              | (1,909)              |
| <i>Items to be reclassified to profit and loss in subsequent periods:</i>   |                              |                      |                      |                      |
| Share of other comprehensive income of associates' in respect of surplus on revaluation of available-for-sale investments | 2,550                        | 3,539                | 2,550                | 2,721                |
| Total comprehensive income for the period   | <u>132,597</u>               | <u>54,560</u>        | <u>60,911</u>        | <u>10,010</u>        |

ETA

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

  
 Chairman

  
 Managing Director



**KARACHI STOCK EXCHANGE LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT**  
**FOR HALF YEAR ENDED DECEMBER 31, 2014**  
**(UN-AUDITED)**

December 31,      December 31,  
2014                      2013  
----- (Rupees in '000) -----

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation

168,615

69,483

**Non-cash adjustments to reconcile income before tax to net cash flows**

Depreciation on tangible assets

92,906

87,679

Amortisation of intangible assets

23,431

27,933

Dividend

-

(125)

Provision for gratuity

6,870

7,031

Mark-up / interest income

(218,508)

(166,073)

Provision for trade debts considered doubtful

-

4,579

Loss on disposal of fixed assets

346

157

Reversal of provision against receivables on recovery

(345)

(2,287)

Discount on purchased of investments

(6,121)

-

Share of profit of associates

(121,473)

(75,321)

(222,894)

(116,427)

(54,279)

(46,944)

**Working capital adjustments:**

**(Increase) / decrease in current assets**

Trade Debts

(14,164)

(9,959)

Loans and advances

580

(334)

Prepayments

(13,484)

(6,921)

Other receivables

(2,795)

18,236

(29,863)

1,022

**(Decrease) / increase in current liabilities**

Deposits from members against exposures and losses

(241,396)

72,795

Trade and other payables

143,203

89,984

(182,335)

116,857

Income tax paid

(7,720)

(15,756)

Gratuity paid

(6,628)

(13,919)

Increase in deferred liability

3

31

Decrease in long term deposits

4,592

(13,819)

Mark-up / interest received

205,051

181,954

195,298

138,491

12,963

255,348

**Net cash generated from operating activities**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Capital expenditure

(21,795)

(65,631)

Capital work-in-progress

(36,229)

7,584

Proceeds from sale of fixed assets

1,004

3,204

Dividend received

119,807

87,120

Advance to associate against right issue

(35,156)

-

Investments sold

157,179

2,936,641

Investments purchased

(292,369)

(3,073,019)

Increase in long term deposits

(25)

(24)

Decrease in long term loans

767

1,008

(106,817)

(103,117)

**Net cash used in investing activities**

**CASH FLOWS FROM FINANCING ACTIVITIES**

Dividend paid

(120,221)

(100,184)

**Net cash used in financing activities**

(120,221)

(100,184)

Net (decrease) / increase in cash and cash equivalents

(214,075)

52,047

Cash and cash equivalents at the beginning of the period

4,015,160

2,842,524

**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**

3,801,085

2,894,571

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

Chairman


Managing Director

**KARACHI STOCK EXCHANGE LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR HALF YEAR ENDED DECEMBER 31, 2014**  
**(UN-AUDITED)**

|   | Reserves         |                        |                               | Total     |
|---|------------------|------------------------|-------------------------------|-----------|
|   | Share Capital    | Un-appropriated profit | Share of Associates' Reserves |           |
|   | (Rupees in '000) |                        |                               |           |
| Balance as at July 01, 2013                                     | 8,014,766        | 49,430                 | (3,297)                       | 8,060,899 |
| Profit for the period   | -                | 54,839                 | -                             | 54,839    |
| Other comprehensive (loss) / income                             | -                | (3,818)                | 3,539                         | (279)     |
| Total comprehensive income                                      | -                | 51,021                 | 3,539                         | 54,560    |
| Dividend for the year ended June 30, 2013 @ Re. 0.125 per share | -                | (100,184)              | -                             | (100,184) |
| Balance as at December 31, 2013                                 | 8,014,766        | 267                    | 242                           | 8,015,275 |
| Balance as at July 01, 2014                                     | 8,014,766        | 72,974                 | (12,210)                      | 8,075,530 |
| Profit for the period   | -                | 133,972                | -                             | 133,972   |
| Other comprehensive (loss) / income                             | -                | (3,925)                | 2,550                         | (1,375)   |
| Total comprehensive income                                      | -                | 130,047                | 2,550                         | 132,597   |
| Dividend for the year ended June 30, 2014 @ Re. 0.125 per share | -                | (120,221)              | -                             | (120,221) |
| Balance as at December 31, 2014                                 | 8,014,766        | 82,800                 | (9,660)                       | 8,087,906 |

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

*En*

  
Chairman

  
Managing Director



**KARACHI STOCK EXCHANGE LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR HALF YEAR ENDED DECEMBER 31, 2014**  
**(UN-AUDITED)**

**1. LEGAL STATUS AND NATURE OF OPERATIONS**

- 1.1 Karachi Stock Exchange Limited (the Company) was incorporated under the Companies Act, 1913 (now Companies Ordinance, 1984) on March 10, 1949 as a Company Limited by Guarantee. However, 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 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.

**2. BASIS OF PREPARATION**

- 2.1 These condensed interim financial statements of the Company for half year ended December 31, 2014 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, 2014.

**3. ACCOUNTING POLICIES**

- 3.1 The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those of the previous financial year except as follows:

**New / Revised Standards, Interpretations and Amendments**

The Company has adopted the following amendments and interpretation of IFRSs which became effective for the current period:

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

IAS 32 – Financial Instruments : Presentation – (Amendment)  
 - Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)  
 - Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)  
 - Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

The adoption of the above amendments to accounting standards and interpretations did not have any effect on the condensed interim financial statements.

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Company expects that such improvements to the standards do not have any impact on the Company's financial statements for the period.

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|                                   | Note | December 31<br>2014<br>(Un-Audited)<br>----- (Rupees in '000) ----- | June 30,<br>2014<br>(Audited) |
|-----------------------------------|------|---|-------------------------------|
| <b>4. PROPERTY AND EQUIPMENT</b>  |      |   |                               |
| Operating fixed assets - Tangible | 4.1  | 3,349,765   | 3,427,995                     |
| Capital work-in-progress          | 4.2  | 80,116  | 52,703                        |
|                                   |      | <u>3,429,881</u>  | <u>3,480,698</u>              |

|  | For the Half Year Ended<br>December 31, 2014<br>(Un-Audited) |                     | For the Year Ended<br>June 30, 2014<br>(Audited) |                                   |
|--|--|---------------------|--|-----------------------------------|
|  | Additions<br>(Cost)  | Deletions<br>(Cost) | Additions/<br>Transfers<br>(Cost)                | Deletions/<br>Transfers<br>(Cost) |
|  | ----- (Rupees in '000') -----                                |                     |  |                                   |
| <b>4.1 Operating fixed assets - Tangible</b> |  |                     |  |                                   |
| Building on leasehold land                   | 915  | -                   | 839  | -                                 |
| Lift, generators and electric installation   | 3,957  | 1,371               | 45,609   | 3,394                             |
| Furniture and fixtures                       | 75   | -                   | 450  | 68                                |
| Office equipment                             | 2,638  | -                   | 2,184  | 6                                 |
| Computers and related accessories            | 4,300  | -                   | 25,884   | 1,456                             |
| Vehicles                                     | 4,141  | 932                 | 1,321  | 2,415                             |
|  | <u>16,026</u>  | <u>2,303</u>        | <u>76,287</u>                                    | <u>7,339</u>                      |

|   | December 31<br>2014<br>(Un-Audited)<br>----- (Rupees in '000) ----- | June 30,<br>2014<br>(Audited) |
|---|---|-------------------------------|
| <b>4.2 Capital work-in-progress</b>         |   |                               |
| - Computer hardware                         | 3,460   | -                             |
| - Construction of building / civil works    | 76,436  | 48,935                        |
| - Vehicle                                   | 172   | -                             |
| - Office equipment                          | 48  | 800                           |
| - Lift, generator and electric installation | -   | 2,968                         |
|   | <u>80,116</u>   | <u>52,703</u>                 |

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## 5. INVESTMENT IN ASSOCIATES - under equity method of accounting

|  |     | December 31, 2014<br>(Un-Audited)                          |   |           | June 30, 2014<br>(Audited) |
|--|-----|--|---|-----------|----------------------------|
|  |     | Central<br>Depository<br>Company of<br>Pakistan<br>Limited | National<br>Clearing<br>Company<br>of Pakistan<br>Limited | Total     | Total                      |
| Note   |     | ----- (Rupees in '000) -----                               |   |           |                            |
| Opening Balance  |     | 935,754  | 231,017   | 1,166,771 | 1,086,313                  |
| Additional investment during the period                              | 5.1 | -  | 35,156  | 35,156    | -                          |
|  |     | 935,754  | 266,173   | 1,201,927 | 1,086,313                  |
| Share of profit for the period                                       |     | 90,698   | 30,775  | 121,473   | 172,314                    |
| Deficit on revaluation of associates' available-for-sale investments |     | -  | 2,550   | 2,550     | (1,829)                    |
| Actuarial loss on employees' gratuity fund                           |     | -  | -   | -         | (3,032)                    |
| Dividend received during the period                                  |     | (77,620)   | (42,187)  | (119,807) | (86,995)                   |
| Closing balance  |     | 948,832  | 257,311   | 1,206,143 | 1,166,771                  |

- 5.1 During the period, KSE made a further investment of Rs.35.156 million in National Clearing Company of Pakistan Limited (NCCPL) by accepting the offer of 50% right issue of NCCPL and accordingly subscribing 3,515,624 ordinary shares of Rs.10 each at par, which shall rank pari passu with existing ordinary shares of NCCPL as approved by the members in the Extra Ordinary General Meeting held on December 17, 2014. The shareholding of the company after taking into account the aforementioned right issue is 47.06% (June 30, 2014: 47.06%).

|      | December 31,<br>2014<br>(Un-Audited) | June 30,<br>2014<br>(Audited) |
|------|--------------------------------------|-------------------------------|
| Note | ----- (Rupees in '000) -----         |                               |

## 6. LONG TERM INVESTMENTS

## Available for sale - unquoted

## JCR VIS Credit Rating Company Limited, a related party

250,000 (June 30, 2014: 250,000) Ordinary shares of Rs. 10 each, representing 12.50% (June 30, 2014: 12.50%) shareholding.

2,500

2,500

## Pakistan Mercantile Exchange Limited (PMEX), a related party

8,909,060 (June 30, 2014: 3,636,356) Ordinary shares of Rs. 10 each

74,818

22,091

Advance against further issue of shares

-

52,727

Percentage shareholding - 32.32% (June 30, 2014:32.32%)

74,818

74,818

## Held to maturity

Pakistan Investment Bonds (PIBs)

6.1

2,090,956

1,773,153

2,168,274

1,850,471

- 6.1 These represent Pakistan Investment Bonds (PIBs) having cost of Rs. 1,978.914 (June 30, 2014: 1,758.187) million and interest accrued thereon of Rs. 105.921 (June 30, 2014: 14.619) million and amortization of discount of Rs. 6.121 (June 30, 2014: 0.346) million. The effective rate of return 12.10% per annum. These will mature latest by July 17, 2017.

|                                  |            | December 31,<br>2014<br>(Un-Audited) | June 30,<br>2014<br>(Audited) |
|----------------------------------|------------|--------------------------------------|-------------------------------|
|                                  | Note       | ----- (Rupees in '000) -----         |                               |
| <b>7. CASH AND BANK BALANCES</b> |            |                                      |                               |
| In hand                          |            | 77                                   | 59                            |
| With banks                       |            |                                      |                               |
| Current accounts                 | 7.1 & 7.3  | 104                                  | 104                           |
| PLS accounts in:                 |            |                                      |                               |
| - foreign currency               |            | 8,140                                | 48,519                        |
| - local currency                 | 7.1 to 7.5 | 3,792,764                            | 3,966,478                     |
|                                  |            | 3,801,008                            | 4,015,101                     |
|                                  |            | <u>3,801,085</u>                     | <u>4,015,160</u>              |

- 7.1 Included in 'current accounts' and 'PLS accounts' are Rs. 0.06 (June 30, 2014: Rs. 0.06) million and Rs. 3,332.135 (June 30, 2014: Rs.3,573.531) million, respectively, aggregating to Rs. 3,332.195 (June 30, 2014: Rs.3,573.591) 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 5.4% to 8.85% (June 30, 2014: 3.5% to 8.75%). However, the effective rate for the period is 8.19% (June 30, 2014: 7.97%).
- 7.2 Included herein are funds earmarked by the Company against the outstanding balance in the Dara F. Dastoor Scholarship Fund, amounting to Rs. 2.117 (June 30, 2014: Rs.2.152) million.
- 7.3 Included herein are balances, aggregating to Rs. 8.442 (June 30, 2014: Rs.9.326) 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. 293.193 (June 30, 2014: Rs 258.242) million held by the Company on account of disposal of membership cards of defaulting / expelled members.
- 7.5 Included herein are Rs 26.455 (June 30, 2014: Rs 21.908) million deposited with Bank Islami Pakistan Limited (related party).

## 8. CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

- 8.1.1 During the period, KSE imposed a penalty of Rs. 0.05 million on account of certain non-compliances of the KSE Regulations by the member. The member filed a law suit against the KSE to claim damages of Rs. 20 million on the grounds that KSE has no power / jurisdiction to impose such penalty. As per the legal advisor of the Company, the Company apparently has a reasonable defence in respect of the claim in the suit. Accordingly, no provision against the above matter has been made by the management in these condensed interim financial statements.
- 8.1.2 There is no other material change in the status of contingencies as reported in notes 26.1 to 26.20 of the annual financial statements of the Company for the year ended June 30, 2014 except that a case mentioned at serial number 26.3 and 26.16 therein has been disposed off.

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## 8.2 Commitments

Aggregate commitments for capital expenditure at the end of the period were Rs. 37.231 (June 30, 2014: Rs. 63.667) million.

| Half Year Ended              |                      | Quarter Ended        |                      |
|------------------------------|----------------------|----------------------|----------------------|
| December 31,<br>2014         | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
| ----- (Rupees in '000) ----- |                      |                      |                      |
| ----- (Un-Audited) -----     |                      |                      |                      |

## 9. LISTING FEE

|              |                |                |               |               |
|--------------|----------------|----------------|---------------|---------------|
| Annual fees  | 86,118         | 79,012         | 43,515        | 39,439        |
| Initial fees | 23,304         | 37,181         | 13,057        | 22,412        |
|              | <u>109,422</u> | <u>116,193</u> | <u>56,572</u> | <u>61,851</u> |

## 10. INCOME FROM EXCHANGE OPERATIONS

|                                    |                |                |               |               |
|------------------------------------|----------------|----------------|---------------|---------------|
| Trading fee                        | 92,496         | 70,174         | 55,566        | 29,286        |
| Facilities and equipment fee       | 22,082         | 21,821         | 11,321        | 9,919         |
| Income from non-trading facilities | 15,260         | 10,695         | 5,652         | 5,694         |
| Membership fee                     | 994            | 985            | 499           | 493           |
| Other fee                          | 5,353          | 3,144          | 1,260         | 2,361         |
|                                    | <u>136,185</u> | <u>106,819</u> | <u>74,298</u> | <u>47,753</u> |

## 11. TAXATION

|          |               |               |               |              |
|----------|---------------|---------------|---------------|--------------|
| Current  | 17,530        | 17,742        | 12,634        | 13,665       |
| Prior    | -             | 4,494         | -             | 4,494        |
| Deferred | 17,113        | (7,592)       | 9,908         | (9,950)      |
|          | <u>34,643</u> | <u>14,644</u> | <u>22,542</u> | <u>8,209</u> |

## 12. BASIC AND DILUTED EARNINGS PER SHARE

|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| Profit after taxation   | <u>133,972</u> | <u>54,839</u>  | <u>60,324</u>  | <u>9,198</u>   |
| ----- (Numbers in '000) -----   |                |                |                |                |
| Weighted average number of ordinary shares<br>outstanding during the period | <u>801,476</u> | <u>801,476</u> | <u>801,476</u> | <u>801,476</u> |
| ----- (Rupees) -----  |                |                |                |                |
| Basic and diluted earnings per share  | <u>0.17</u>    | <u>0.07</u>    | <u>0.08</u>    | <u>0.01</u>    |

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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.

The balances with related parties are disclosed in respective notes to the condensed interim financial statements. Following are the details of transactions with related parties during the half year ended December 31, 2014 and December 31, 2013.

|   | Half Year Ended  |               |
|---|--|---------------|
|   | December 31,   | December 31,  |
|   | 2014   | 2013          |
|   | ----- (Rupees in '000) -----<br>----- (Un-Audited) ----- |               |
| <b>Management fee</b>                           |  |               |
| KSE Clearing House Protection Fund              | 55,852   | 34,931        |
| KSE investors Protection Fund                   | 7,706  | 9,068         |
|   | <u>63,558</u>  | <u>43,999</u> |
| <b>Dividend income</b>                          |  |               |
| Central Depository Company of Pakistan          | 77,620   | 77,620        |
| National Clearing Company of Pakistan Limited   | 42,187   | 9,375         |
| JCR-VIS Credit Rating Company Limited           | -  | 125           |
|   | <u>119,807</u>   | <u>87,120</u> |
| <b>Rental income from investment property</b>   |  |               |
| Central Depository Company of Pakistan          | 2,764  | 2,512         |
| National Clearing Company of Pakistan Limited   | 6,388  | 5,807         |
|   | <u>9,152</u>   | <u>8,319</u>  |
| <b>Income from Margin Trading System- NCCPL</b> | <u>9,453</u>   | <u>6,755</u>  |
| <b>Central Depository Company fees</b>          | <u>551</u>   | <u>353</u>    |
| <b>Trading fees</b>                             |  |               |
| Aba Ali Habib Securities (Private) Limited      | 2,846  | 2,292         |
| Adam Securities (Private) Limited               | 4,367  | 2,585         |
| Lakhani Securities (Private) Limited            | 98   | 102           |
| Topline Securities (Private) Limited            | 1,182  | 726           |
|   | <u>8,493</u>   | <u>5,705</u>  |
| <b>Profit on PLS account</b>                    |  |               |
| Barclays Bank PLC, Pakistan                     | 4,752  | 9,892         |
| Bank Islami Pakistan Limited                    | 466  | -             |
| KASB Bank Limited                               | 3,053  | 2,904         |
|   | <u>8,271</u>   | <u>12,796</u> |
| <b>Facilities and equipment fees</b>            |  |               |
| Aba Ali Habib Securities (Private) Limited      | 375  | 341           |
| Adam Securities (Private) Limited               | 1,154  | 782           |
| Lakhani Securities (Private) Limited            | 12   | 11            |
| Topline Securities (Private) Limited            | 224  | 224           |
|   | <u>1,765</u>   | <u>1,358</u>  |
| <b>Insurance Premium</b>                        |  |               |
| EFU Life Assurance Limited                      | <u>2,254</u>   | <u>-</u>      |
| <b>Retirement benefit plan</b>                  |  |               |
| Payment made to gratuity fund during the period | <u>6,628</u>   | <u>13,919</u> |

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| Half Year Ended              |                      |
|------------------------------|----------------------|
| December 31,<br>2014         | December 31,<br>2013 |
| ----- (Rupees in '000) ----- |                      |
| ----- (Un-Audited) -----     |                      |
| 424                          | 434                  |
| -                            | 725                  |
| -                            | 515                  |
| 898                          | -                    |
| 485                          | -                    |
| 585                          | -                    |
| 274                          | -                    |
| 795                          | -                    |
| 426                          | -                    |
| 542                          | -                    |
| 618                          | -                    |
| <u>5,047</u>                 | <u>1,674</u>         |

#### Listing fees

#### 14. DATE OF AUTHORISATION FOR ISSUE

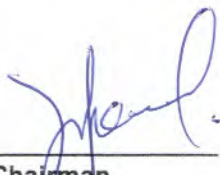
These financial statements have been authorised for issue on **February 12, 2015** by the Board of Directors of the Company.

#### 15. GENERAL

15.1 Figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2014 and December 31, 2013 have not been subject to limited scope review by the auditors.

15.2 The Board of Directors has declared an interim cash dividend at the rate of 1.5% i.e. Re. 0.15 per share, amounting to Rs. 120.221 (December 31, 2013: 48.089) million in their meeting held on February 12, 2015. These condensed interim financial statements do not reflect this appropriation as the cash dividend is declared subsequent to the period ended December 31, 2014.

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

  
Chairman

  
Managing Director