



PAKISTAN
STOCK EXCHANGE
LIMITED
FORMERLY
KARACHI STOCK EXCHANGE LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Muneer Kamal
Chairman

Mr. Nadeem Naqvi
Managing Director

Mr. Abdul Majeed Adam

Mr. Kamal Afsar

Mr. Shazad G. Dada

Mr. Abid Ali Habib

Mr. Muhammad Yasin Lakhani

Mr. Abdul Qadir Memon

Mr. Asif Qadir

Mr. Mohammed Sohail

Syed Muhammad Shabbar Zaidi

COMPANY SECRETARY

Mr. Muhammad Rafique Umer

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

CHIEF REGULATORY OFFICER

Mr. Shafqat Ali

LEGAL ADVISORS

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

CHIEF FINANCIAL OFFICER

Mr. Ahmed Ali Mitha

NOMINATION COMMITTEE

Mr. Muneer Kamal (Chairman)
Mr. Shazad G. Dada
Mr. Asif Qadir

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

REGULATORY AFFAIRS COMMITTEE

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

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

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

SHARE REGISTRAR

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

Registered Address: Stock Exchange Building, Stock Exchange Road, Karachi 74000, Pakistan
Phone: (92 21) 35205528-29 UAN: (92 21) 111 00 11 22 Fax: (92 21) 32410825
E-mail: info@ksc.com.pk Web: www.kse.com.pk

DIRECTORS' REVIEW REPORT
Six months ended December 31, 2015

The Board of Directors of the Pakistan Stock Exchange Limited (Formerly: Pakistan Stock Exchange Limited) ["PSX" or "Exchange"] is pleased to present the financial statements of the Exchange for the six month period ended December 31, 2015.

FINANCIAL REVIEW

Total Income during this period was Rs.621 million versus Rs.594 million in the same period last year, depicting a growth of 5% YoY. However, expenses rose by nearly 14% YoY to Rs.485 million. As a result, Profit before Tax declined by 20% to Rs.136 million as against Rs.169 million in 1HFY15. In addition, the effective tax rate in 1HFY16 was 37% versus 20% in the same period last year. Thus, Net Profit after Tax in 1HFY16 declined by nearly 36% YoY to Rs.85 million.

Income from Exchange Operations was Rs.266million versus Rs.246 million in the same period last year, showing a growth of 8%. Within Exchange Operations Income, trading fees rose by 21% YoY to Rs.112million driven by growth in average daily value traded in 1HFY16 to Rs.10.5 billion versus Rs.9.8 billion in 1HFY15. Listing fees increased by 3% to Rs.113 million. On the other hand, facilities & equipment fees reduced by 8% mainly due to reduction in web-based advertising revenue caused by new rules for advertising.

Non-operating income – which includes net treasury income, rental income; management fees and other income, was Rs.225 million in 1HFY16 versus Rs.227 million in 1HFY15. While Treasury income increased by 7% YoY to Rs.145 million, management fee depicted a decrease of 24% due to halving of applied rate from 4% last year (Qtr -1) to 2% in the current year. This more than neutralized the impact of growth in Treasury Income. Share of profits of Associates rose by 7% YoY to Rs.129 million.

Total expenses in the first six months of FY16 rose by 14% as compared to first six months of FY15 to Rs.485 million. Within this, HR cost rose by 12% to Rs.205 million; IT maintenance expenses increased to Rs.37 million and legal, professional and travelling expense rose by 93% to Rs.28 million on account of "Integration" expenses. Depreciation & amortization expense was lower in 1HFY16 at Rs.110 million. HR expenses rose by 12% YoY to Rs.205 million mainly due to two year union contract and induction of senior personnel in IT department, besides 9% overall increment expense in the officer cadre. Earnings before tax, depreciation & amortization (EBTDA) was Rs.116 million in 1HFY16 versus Rs.163 million in 1HFY15 showing a decline of 29%.

After factoring in depreciation, net interest income from treasury operations and share of profits of Associates, the Exchange earned pre-tax profit of Rs.136 million in the six months ended December 31, 2015 versus Rs.169million in the same period last year, showing a decrease of 20%. Profit after Tax in 1HFY16 was Rs.85million versus Rs.134million in 1HFY15. Translated into earnings per share, 1HFY16 EPS was Rs.0.11 as compared to an EPS of Rs.0.17 in 1HFY15.

Based on the above results, the directors have approved an interim cash dividend @ 1.00% i.e. Re.0.10 per share, as follows:

	<i>(Rupees in '000)</i>
Profit for the six months	85,147
Interim cash dividend @ 1.00%	80,148
Balance carried forward	<u>4,999</u>

INTEGRATION OF EXCHANGES – A historic development

On January 11, 2016, as a result of the Schemes of Integration approved by the shareholders of former three stock exchanges of the country and submitted to SECP, and in pursuance of the Order passed by the Commission in this respect, the exchange operations of Lahore and Islamabad stock exchanges were integrated with the Karachi Stock Exchange which was renamed as Pakistan Stock Exchange Limited (PSX). Around two hundred Trading Rights Entitlement Certificate (TREC) Holders of Lahore and Islamabad were inducted as TREC Holders of PSX which now has 414 TREC Holders. This development will have significant impact not just on the operating and financial performance of PSX in the near term but on the securities industry and capital market of Pakistan over the longer term.

In the near term, the operating cost base of PSX will rise significantly as additional infrastructure and connectivity is deployed as well as absorbing critical human resources into the PSX team. Revenue contribution initially will be marginal as bulk of the trading activity used to occur at KSE in any case.

Over the medium to longer term, we believe that the benefits of integration outweigh the immediate cost being incurred by PSX. First, with the addition of Lahore and Islamabad TREC Holders, central and northern parts of the country will have immediate, direct access to the deep liquidity pool of PSX. In fact, since January 11, 2016, when integrated trading was initiated, the volume of trading via PSX's internet trading system (KITS) from Islamabad and Lahore has already exceeded that of Karachi till date.

Second, listed companies now have to pay initial and annual listing fee to only one exchange thus reducing cost of listing. This will be a positive factor in private companies' consideration about listing on the Exchange.

Third, being a single national level exchange, will make PSX more attractive in terms of the sale of its equity stake to potential strategic/anchor investor(s) as they will now look at the long-term earnings potential from a national prospective of a growing middle class that can be tapped as investor base for the capital market.

TRANSFER OF RISK MANAGEMENT TO NCCPL

In another development, the SECP, after consultation with PSX and NCCPL, has directed that the risk management regime of the Exchange be shifted to NCCPL in preparation of the latter becoming Central Counter Party (CCP) for trades conducted at PSX. As a result, the brokers' margins, which are presently kept at PSX and on which PSX charges one percent fee, will be shifted to NCCPL. This will result in loss of income to PSX. The management of PSX is in discussion with NCCPL to come to a commercial arrangement in a manner where the transfer of risk management function from PSX to NCCPL is "revenue-neutral" for both the institutions.

Along with lower than expected market activity, the above developments are likely to lead to lower full-year earnings than budgeted in the beginning of the financial year 2016.

MACRO DEVELOPMENTS

Pakistan's macro economic backdrop continues to be one of stabilization which will act as a strong foundation for future growth. Key economic indicators have depicted improvement including, falling inflation and interest rates, increasing foreign exchange reserves, stable exchange rate, rising inward remittances and improved tax revenue generation.

Investment activity appears to be accelerating with major expansions announced or initiated in the cement, steel, auto & electrical sectors. Power sector has also witnessed significant financial closes and ground breaking for power plants and there have been announcements for gas pipeline expansions and LNG storage facilities. Anecdotal evidence indicates uptick in real estate construction activity of high rise apartments and housing schemes in major urban centers. These developments lead us to believe that FY15-16 real GDP growth can exceed last year's growth rate of 4.3%. Under this scenario, we can expect a positive revenue and earnings impact on various listed sectors over the next 12-24 months.

There is however, disappointment from the export front where exports have continued to stagnate, partly as a result of sharp slowdown in global trade. All major economic blocks (except the U.S.) from Europe to Japan to China & S.E. Asia to Latin America are experiencing marked slowdown in economic activity. The E.U. and Japanese central banks are actually experimenting with negative interest rates to guard against possible deflation. At the same time, the collapse of oil prices to \$30 levels has made economic outlook weak for oil producers. Thus, the global economic back drop is increasingly weak. Coupled with this, rising political tensions in the Middle East, South China Sea and the Korean Peninsula have injected a large dose of uncertainty and consequently, volatility in global capital markets which has further increased investor risk aversion and flight to safety.

In the above context, there has been an outflow of foreign portfolio funds from emerging markets and Pakistan is no exception. In the six months ended December 30, 2015, net FPI outflow was US\$241million. In the first seven weeks of 2016 these has been on outflow of another US\$79million.

This has affected market performance. Whereas in CY2015 KSE-100 Index was the third best performing in Asia, in the first six weeks of CY2016 it has slid to 4th rank with the Index declining by -3.5%. Trading volumes and values have also been negatively impacted with the combined (Ready & Futures) average daily value traded in 4QCY15 being PkR10.5bn versus PkR15.5billion in 3QCY15. In the first seven weeks of CY16 the average daily traded value was PkR9.8 bn.

Key sectoral performance of KSE-100 for six months in terms of market capitalization is shown below (June 30, 2015 to Dec 31, 2015):

Sectors	% Chg.
Pharmaceuticals	27%
Insurance	9%
Power Generation & Distribution	1%
Cement	-1%
Commercial Banks	-3%
Fertilizer	-5%
Automobile Assembler	-9%
Food & Personal Care Products	-10%
Oil & Gas Marketing Companies	-15%
Oil & Gas Exploration Companies	-28%

ACKNOWLEDGEMENT

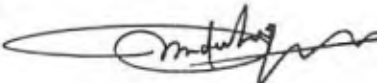
The Board would like to take this opportunity to express its gratitude to KSE's TREC-Holders and other stakeholders for their continued commitment and support to KSE and capital markets. The Board is also grateful to Securities and Exchange Commission of

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.

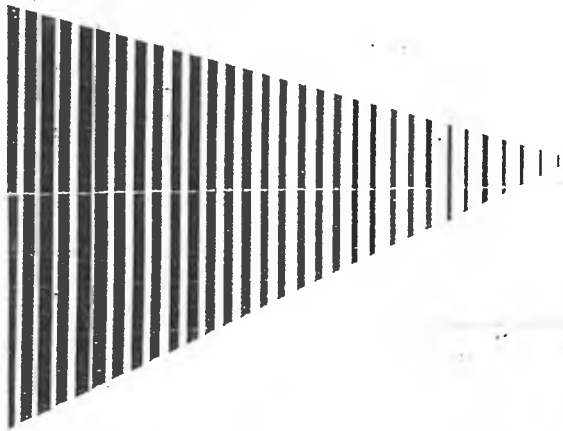
Furthermore, the Board would like to thank all Committee members for their guidance and support. The Board acknowledges and appreciates the professional expertise, diligence and dedication of all KSE staff members who were instrumental in achieving the desired milestones during challenging times.

For and on behalf of the Board of Directors


MUNEER KAMAL
Chairman


NADEEM NAQVI
Managing Director

Karachi
February 22, 2016



Building a better
working world

**PAKISTAN STOCK EXCHANGE LIMITED
(FORMERLY: KARACHI STOCK EXCHANGE LIMITED)**

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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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 Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited) [the Company] as at 31 December 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 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

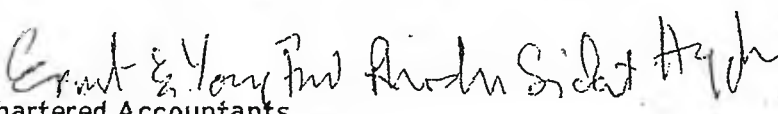
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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: Omer Chughtai

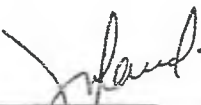
Date: 22 February 2016

Karachi

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2015

	December 31, 2015	June 30, 2015
Note	----- (Rupees in '000) ----- (Un-Audited)	----- (Audited)
ASSETS		
NON-CURRENT ASSETS		
Property and equipment	4 3,344,494	3,400,601
Intangible assets	113,423	74,240
Investment property	694,549	694,549
Investment in associates	5 1,285,857	1,340,236
Long term investments	6 2,038,288	2,030,724
Long term deposits	38,723	38,062
Long term loans	799	1,028
Deferred tax asset	36,941	53,348
	7,553,074	7,632,788
CURRENT ASSETS		
Trade Debts	41,397	30,954
Loans and advances	13,107	9,380
Prepayments	16,825	13,623
Other receivables	182,008	168,433
Short term investments	232,097	177,394
Taxation – net	459,990	448,938
Cash and bank balances	7 4,104,537	5,624,185
	5,049,961	6,472,907
TOTAL ASSETS	12,603,035	14,105,695
SHARE CAPITAL, RESERVES AND LIABILITIES		
Share Capital	8,014,766	8,014,766
Reserves	33,854	134,452
Total equity	8,048,620	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	124,061	50,147
	126,061	53,469
CURRENT LIABILITIES		
Provision for wealth tax	1,684	1,684
Deposits from members against exposures and losses	3,757,997	5,330,422
Trade and other payables	668,673	570,902
	4,428,354	5,903,008
CONTINGENCIES AND COMMITMENTS		
	8	
TOTAL EQUITIES AND LIABILITIES	12,603,035	14,105,695

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


 Chairman


 Managing Director

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED DECEMBER 31, 2015
(UN-AUDITED)

	Note	Half Year Ended		Quarter Ended	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
(Rupees in '000)					
Revenue					
Listing fee	9	112,933	109,422	54,908	56,572
Income from exchange operations	10	153,307	136,185	69,603	74,798
Management fee		48,176	63,558	23,607	22,433
Mark-up / interest income		234,682	218,508	110,295	117,315
Rental income from investment property		28,269	25,282	14,358	12,641
		<u>577,367</u>	<u>552,955</u>	<u>272,771</u>	<u>283,259</u>
Operating cost					
Administrative expenses		(482,023)	(421,766)	(254,765)	(222,598)
Financial and other charges		(92,552)	(86,605)	(38,836)	(48,241)
		<u>(574,575)</u>	<u>(508,371)</u>	<u>(293,601)</u>	<u>(270,839)</u>
Operating profit / (loss)		2,792	44,584	(20,830)	12,420
Other income		3,388	2,558	1,260	358
Share of profit from associates	5	129,425	121,473	60,916	70,088
Net profit before taxation		<u>135,605</u>	<u>168,615</u>	<u>41,346</u>	<u>82,866</u>
Taxation	11	(50,458)	(34,643)	(13,717)	(22,542)
Net profit after taxation		<u>85,147</u>	<u>133,972</u>	<u>27,629</u>	<u>60,324</u>
Basic and diluted earnings per share (Rupees)	12	<u>0.11</u>	<u>0.17</u>	<u>0.03</u>	<u>0.08</u>

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


 Chairman


 Managing Director

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR HALF YEAR ENDED DECEMBER 31, 2015
(UN-AUDITED)

	Half Year Ended		Quarter Ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----			
Net profit for the period	85,147	133,972	27,629	60,324
Other comprehensive loss				
<i>Items not to be reclassified to profit and loss in subsequent periods:</i>				
Actuarial loss on employees' gratuity fund - net of tax	(4,628)	(3,925)	(2,314)	(1,963)
<i>Items to be reclassified to profit and loss in subsequent periods:</i>				
Share of other comprehensive (loss) / income of associates' in respect of surplus on revaluation of available-for-sale investments	(4,792)	2,550	(4,145)	2,550
Total comprehensive income for the period	75,727	132,597	21,170	60,911

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



 Chairman

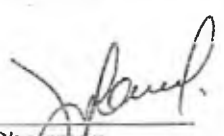



 Managing Director

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
CONDENSED INTERIM CASH FLOW STATEMENT
FOR HALF YEAR ENDED DECEMBER 31, 2015
(UN-AUDITED)

	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	135,605	168,615
Non-cash adjustments to reconcile income before tax to net cash flows		
Depreciation on tangible assets	94,650	92,906
Amortisation of intangible assets	15,366	23,431
Provision for gratuity	9,860	6,870
Mark-up / interest income	(228,606)	(218,508)
Loss on disposal of fixed assets	18	346
Reversal of provision against receivables on recovery	(1,577)	(345)
Discount on Pakistan Investment Bonds	(6,076)	(6,121)
Share of profit of associates	(129,425)	(121,473)
	(245,790)	(222,894)
	(110,185)	(54,279)
Working capital adjustments:		
(Increase) / decrease in current assets		
Trade Debts	(10,443)	(14,164)
Loans and advances	(3,727)	580
Prepayments	(3,202)	(13,484)
Other receivables	(28,310)	(2,795)
	(45,682)	(29,863)
(Decrease) / increase in current liabilities		
Deposits from members against exposures and losses	(1,572,425)	(241,396)
Trade and other payables	97,550	143,203
	(1,630,741)	(182,335)
Income tax paid	(42,925)	(7,720)
Gratuity paid	(11,133)	(6,628)
Decrease in deferred liability	(1,322)	3
Increase in long term deposits	73,914	4,592
Mark-up / interest received	231,343	205,051
	249,877	195,298
Net cash (used in) / generated from operating activities	(1,380,864)	12,963
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(69,213)	(21,795)
Capital work-in-progress	(24,114)	(36,229)
Proceeds from sale of fixed assets	453	1,004
Dividend received	179,012	119,807
Advance to associate against right issue	-	(35,156)
Investments sold	229,464	157,179
Investments purchased	(277,627)	(292,369)
Increase in long term deposits	(661)	(25)
Decrease in long term loans	229	767
Net cash generated from / (used in) investing activities	37,543	(106,817)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(176,325)	(120,221)
Net cash used in financing activities	(176,325)	(120,221)
Net decrease in cash and cash equivalents	(1,519,648)	(214,075)
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	4,104,537	3,801,085

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


Chairman


Managing Director

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR HALF YEAR ENDED DECEMBER 31, 2015
(UN-AUDITED)

	Reserves			Total
	Share Capital	Un- appropriated profit/(loss)	Share of Associates' Reserves	
	(Rupees in '000)			
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. 0.15 per share	-	(120,221)	-	(120,221)
Balance as at December 31, 2014	8,014,766	82,800	(9,660)	8,087,906
Balance as at July 01, 2015	8,014,766	140,781	(6,329)	8,149,218
Profit for the period	-	85,147	-	85,147
Other comprehensive loss	-	(4,628)	(4,792)	(9,420)
Total comprehensive income / (loss)	-	80,519	(4,792)	75,727
Dividend for the year ended June 30, 2015 @ Re. 0.22 per share	-	(176,325)	-	(176,325)
Balance as at December 31, 2015	8,014,766	44,975	(11,121)	8,048,620

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


Chairman

my file


Managing Director

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR HALF YEAR ENDED DECEMBER 31, 2015
(UN-AUDITED)

1. LEGAL STATUS AND NATURE OF OPERATIONS

1.1 Pakistan Stock Exchange Limited [the Company or PSX] [formerly Karachi Stock Exchange Limited(KSE)] 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.

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" (PSX) 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 (the schemes) 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 Subsequent to the period end, pursuant to the above referred Memorandum of Understanding, SECP issued an order under section 18(3) of the Act, whereby, the SECP approved the Scheme of Integration of KSE with LSE and KSE with ISE and specified January 11, 2016 as the effective date of integration. Consequently, among other matters, with effect from the date of the order:
- i. The Scheme of Integration shall have effect and shall be binding on all persons interested in KSE, LSE and ISE or PSX including all shareholders, stakeholders of KSE, LSE and ISE;
 - ii. The assets, undertakings or liabilities of LSE and ISE shall in accordance with the schemes and as agreed between the transferors and successor stock exchanges, stand transferred to, and vest in PSX, and LSE and ISE shall cease to exist as stock exchanges; and
 - iii. The stakeholders of LSE and ISE, as specified in the schemes and as agreed between the transferors and successor stock exchanges, shall become the stakeholders of PSX.

2. BASIS OF PREPARATION

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



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 except as follows:

New / Revised Standards, Interpretations and Amendments

The Company has adopted the following amendments and interpretation of (International Financial Reporting Standards) IFRSs which became effective for the current period:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement

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

4. PROPERTY AND EQUIPMENT

	Note	December 31 2015 (Un-Audited) ----- (Rupees in '000) -----	June 30, 2015 (Audited)
Operating fixed assets - Tangible	4.1	3,221,849	3,302,015
Capital work-in-progress	4.2	122,645	98,586
		<u>3,344,494</u>	<u>3,400,601</u>

4.1 Additions/deletions during the period.

	For the Half Year Ended December 31, 2015 (Un-Audited)		For the Year Ended June 30, 2015 (Audited)	
	Additions/ Transfers (Cost)	Deletions (Cost)	Additions/ Transfers (Cost)	Deletions/ Transfers (Cost)
	----- (Rupees in '000') -----			
Building on leasehold land	658	-	3,062	-
Lift, generators and electric installation	-	-	4,426	1,371
Furniture and fixtures	52	-	437	-
Office equipment	5,780	-	6,413	-
Computers and related accessories	6,417	-	45,163	126
Vehicles	2,054	614	4,980	1,441
	<u>14,961</u>	<u>614</u>	<u>64,481</u>	<u>2,938</u>

	December 31 2015 (Un-Audited) ----- (Rupees in '000) -----	June 30, 2015 (Audited)
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4.2 Capital work-in-progress

- Computer hardware		979
- Civil work	527	
- Construction of building / civil works	119,370	97,607
- Furniture and fixture	28	-
- Office equipment	2,720	-
	<u>122,645</u>	<u>98,586</u>

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5. INVESTMENT IN ASSOCIATES - under equity method of accounting

	December 31, 2015 (Un-Audited)		June 30, 2015 (Audited)	
	Central Depository Company of Pakistan Limited	National Clearing Company of Pakistan Limited	Total	Total
----- (Rupees in '000) -----				
Opening Balance	1,029,809	310,427	1,340,236	1,166,771
Additional investment during the period	-	-	-	35,156
	1,029,809	310,427	1,340,236	1,201,927
Share of profit for the period / year	91,057	38,368	129,425	252,235
(Deficit) / surplus on revaluation of associates' available-for-sale investments	(3,243)	(1,549)	(4,792)	13,845
Actuarial loss on employees' gratuity fund	-	-	-	(7,964)
Dividend received during the period / year	(84,088)	(94,924)	(179,012)	(119,807)
Closing balance	1,033,535	252,322	1,285,857	1,340,236

December 31, 2015
(Un-Audited)
Note ----- (Rupees in '000) -----

June 30, 2015
(Audited)

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 8,909,052 (June 30, 2015: 8,909,052) ordinary shares of Rs.10 each, representing 30% (June 30, 2015: 32.32%) shareholding. The break-up value of each ordinary share is negative Rs. 3.45 (based on latest available financial statements for the year ended December 31, 2015) [June 30, 2015 : negative Rs. 4.85].

74,818 74,818

Held to maturity

Pakistan Investment Bonds (PIBs)

6.1

1,960,970 1,953,406

2,038,288 2,030,724

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- 6.2 These represent Pakistan Investment Bonds (PIBs) having cost of Rs. 1,858.844 (June 30, 2015: 1,846.036) million and interest accrued thereon of Rs. 96.050 (June 30, 2015: 94.385) million and amortization of discount of Rs.6.076 (June 30, 2015:12.991) million. The effective rate of return 12.03% per annum(June 30, 2015:12.36%). These will mature latest by July 18, 2017.

		December 31, 2015 (Un-Audited)	June 30, 2015 (Audited)
	Note	----- (Rupees in '000) -----	
7. CASH AND BANK BALANCES			
In hand		70	12
With banks			
Current accounts	7.1 & 7.3	103	104
PLS accounts in:			
- foreign currency		10,205	7,567
- local currency	7.1 to 7.5	4,094,159	5,616,502
		4,104,467	5,624,173
		4,104,537	5,624,185

- 7.1 Included in 'current accounts' and 'PLS accounts' are Rs.0.06 (June 30, 2015: Rs. 0.06) million and Rs. 3,757.937(June 30, 2015: Rs.5,330.362) million, respectively, aggregating to Rs. 3,757.997 (June 30, 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 6.3% (June 30, 2015: 2.97% to 9%). However, the effective rate for the period is 5.78% (June 30, 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. 2.108 (June 30, 2015: Rs.2.239) million.
- 7.3 Included herein are balances, aggregating to Rs. 8.433 (June 30, 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. 267.866 (June 30, 2015: Rs 293.690) million held by the Company on account of disposal of membership cards of defaulting / expelled members.
- 7.5 Included herein are Rs 25.473 (June 30, 2015: Rs 19.712) million deposited with BankIslami Pakistan Limited (related party).

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

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:

- i. During the period, a lawsuit was filed by two investors against the suspended Trading Right Entitlement Certificate (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 TREC holder 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 its assets including properties, shares and proceeds thereof were transferred to a private bank accounts abroad at an 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.

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- ii. In respect of the contingency disclosed in note 26.1.2 in the annual financial statements of the Company for the year ended June 30, 2015 (related to non-payment of Sindh Sales Tax), the Company during the period received an order passed by the Commissioner Appeals (Sindh Revenue Board) whereby, the Order-in-Original has been upheld to the extent of amount of sales tax on services assessed, default surcharge levied and penalties to the extent of Rs. 30.018 million. However, the Commissioner (Appeals-SRB) stated that the Company may, if deems it fit, apply to the Sindh Revenue Board for exemption from payment of penalties and default surcharge, and in view of the same, the Company has applied for the said exemption and the matter is under discussin with Sindh Revenue Board. Further, the Company has filed an appeal against the order of the Comissioner (Appeals-SRB) together with a stay application before the Appellate Tribunal Sindh Revenue Board. Accordingly, the Company has continued to maintain the provision against the principal sales tax demand as at December 31, 2015 which amounted to Rs. 52.943 (June 30, 2015: Rs. 46.198) million.

8.2 Commitments

Aggregate commitments for capital expenditure at the end of the period were Rs. 8.891 (June 30, 2015: Rs. 17.461) million.

	Half Year Ended		Quarter Ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Rupees in '000)			
	(Un-Audited)			
9. LISTING FEE				
Annual fees	92,562	86,118	46,574	43,515
Initial fees	20,371	23,304	8,334	13,057
	112,933	109,422	54,908	56,572
10. INCOME FROM EXCHANGE OPERATIONS				
Trading fee	112,175	92,496	48,857	55,566
Facilities and equipment fee	24,845	22,082	12,789	11,321
Income from non-trading facilities	9,555	15,260	4,367	5,652
Membership fee	965	994	483	499
Other fee	5,767	5,353	3,107	1,260
	153,307	136,185	69,603	74,298
11. TAXATION				
Current	31,873	17,530	4,887	12,631
Defferred	18,585	17,113	8,830	9,908
	50,458	34,643	13,717	22,542
12. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation	85,147	133,972	27,629	60,324
	(Numbers in '000)			
Weighted average number of ordinary shares outstanding during the period	801,476	801,476	801,476	801,476
	(Rupees)			
Basic and diluted earnings per share	0.11	0.17	0.03	0.08

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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 half year ended December 31, 2015 and December 31, 2014.

	Half Year Ended	
	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----	
	----- (Un-Audited) -----	
Management fee		
KSE Clearing House Protection Fund	40,103	55,852
KSE investors Protection Fund	8,073	7,706
	<u>48,176</u>	<u>63,558</u>
Dividend income		
Central Depository Company of Pakistan	84,088	77,620
National Clearing Company of Pakistan Limited	94,924	42,187
	<u>179,012</u>	<u>119,807</u>
Rental income from investment property		
Central Depository Company of Pakistan	3,040	2,764
National Clearing Company of Pakistan Limited	7,032	6,388
	<u>10,072</u>	<u>9,152</u>
Income from Margin Trading System- NCCPL	<u>14,916</u>	<u>9,453</u>
Central Depository Company fees	<u>947</u>	<u>551</u>
Trading fees		
Aba Ali Habib Securities (Private) Limited	3,428	2,846
Adam Securities (Private) Limited	5,660	4,367
Lakhani Securities (Private) Limited	104	98
Topline Securities (Private) Limited	1,583	1,182
	<u>10,775</u>	<u>8,493</u>
Profit on PLS account		
Barclays Bank PLC, Pakistan (now Habib Bank Limited)	-	4,752
BankIslami Pakistan Limited	1,419	466
KASB Bank Limited (now BankIslami Pakistan Limited)	-	3,053
	<u>1,419</u>	<u>8,271</u>
Facilities and equipment fees		
Aba Ali Habib Securities (Private) Limited	339	375
Adam Securities (Private) Limited	1,334	1,154
Lakhani Securities (Private) Limited	12	12
Abid Ali Habib Securities (Private) Limited	2	
Topline Securities (Private) Limited	224	224
	<u>1,911</u>	<u>1,765</u>
Insurance Premium		
EFU Life Assurance Limited	<u>2,955</u>	<u>2,254</u>
Retirement benefit plan		
Payment made to gratuity fund during the period	<u>11,133</u>	<u>6,628</u>
Donation		
Developments in Literacy	500	-
Sindh Institute of Urology and Transplantation	750	-
	<u>1,250</u>	<u>-</u>

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	Half Year Ended	
	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----	
	----- (Un-Audited) -----	
Listing fees		
KASB Bank Limited (now BankIslami Pakistan Limited)	-	424
Engro Corporation Limited	943	-
National Bank of Pakistan	947	898
Tri-Pack Films Limited	491	485
Thal Limited	610	585
Descon Oxychem Limited	254	274
Standard Chartered Bank (Pakistan) Limited	826	795
BankIslami Pakistan Limited	575	426
EFU Life Assurance Limited	590	542
Sui Southern Gas Company Limited	641	618
	<u>5,877</u>	<u>5,047</u>

14. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on February 22, 2016 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, 2015 and December 31, 2014 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% i.e. Re. 0.10 per share, amounting to Rs.80.148 (December 31, 2014: Rs.120.221) million in their meeting held on February 22, 2016. These condensed interim financial statements do not reflect this appropriation as the cash dividend is declared subsequent to the period ended December 31, 2015.

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


Chairman

Ellen

Managing Director