



PAKISTAN  
STOCK EXCHANGE  
LIMITED

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF - YEAR ENDED**  
**DECEMBER 31 , 2016**



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. Samir Ahmed  
Mr. Ahmed Chinoy  
Mr. Moin M. Fudda  
Mr. Abid Ali Habib  
Ms. Rahat Kaunain Hassan  
Mr. Tawfiq A. Hussain  
Mr. Muhammad Yasin Lakhani  
Mr. Muhammad Naeem

### 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)  
Ms. Rahat Kaunain Hassan  
Mr. Tawfiq A. Hussain

### REGULATORY AFFAIRS COMMITTEE

Mr. Tawfiq A. Hussain (Chairman)  
Mr. Moin M. Fudda  
Ms. Rahat Kaunain Hassan  
Mr. Muhammad Naeem

### AUDIT COMMITTEE

Mr. Muhammad Naeem (Chairman)  
Mr. Abdul Majeed Adam  
Mr. Ahmed Chinoy  
Mr. Moin M. Fudda  
Mr. Abid Ali Habib  
Mr. Muhammad Yasin Lakhani

### HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Muneer Kamal (Chairman)  
Mr. Abdul Majeed Adam  
Mr. Ahmed Chinoy  
Mr. Moin M. Fudda  
Mr. Abid Ali Habib  
Mr. Tawfiq A. Hussain  
Mr. Muhammad Yasin Lakhani

### AUDITORS

EY Ford Rhodes  
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 Shahra-e-Faisal  
Karachi 74400

### REGISTERED ADDRESS

Stock Exchange Building  
Stock Exchange Road  
Karachi 74000  
Phone: (92 21) 35205528-29  
UAN: (92 21) 111 00 11 22  
Fax: (92 21) 32410825

### E-MAIL

info@psx.com.pk

**DIRECTORS' REVIEW REPORT**  
For the half year ended December 31, 2016

The Board of Directors of Pakistan Stock Exchange Limited ["PSX" or "Exchange"] is pleased to present the financial statements of the Exchange for the half year ended December 31, 2016.

**FINANCIAL REVIEW**

For the six-month period ended December 31, 2016, total revenue of the Exchange was Rs.670.4 million versus Rs.620.7 million in the same period last year, thus showing an increase of 8% Year-on-Year. Core operating revenue in 1HFY16-17 came to Rs.359.9 million versus Rs.297.9 million in 1HFY15-16, depicting a growth of 21% Year-on-Year.

Notable points regarding core operating revenue are 36% YOY rise in Trading Fees driven by significantly higher average daily traded value (ADTV) in the stock market. ADTV in 1HFY16-17 was Rs.15.0 billion versus Rs.10.0 billion in 1HFY15-16. Other Fees such as facilities & equipment fees, data vending, etc. also rose by almost 19% YOY to Rs.48.9 million. However, a major drag on revenue was a sharp fall in initial listing fees (IPO's / right issues) which came in at Rs.11.9 million as against Rs.20.4 million in the same period last year, a decline of 41%. In the six months ended December 31, 2016, the total amount of capital raised was only Rs.7.67 billion as against Rs.35.6 billion raised in the same period last year. As noted in the annual report of the Exchange for FY15-16, a major reason appears to be potential issuers and financial advisors holding off their plans to list due to certain hurdles faced last year related to listing. As highlighted earlier, it would take time for confidence to return for new listings to appear. Given the kind of investment plans recently announced by key industries, it is likely that both the number and the amount of listings will increase in the second half of FY16-17.

Operating expense (excluding depreciation) in 1HFY16-17 was Rs.417.2 million versus Rs.375.1 million in 1HFY15-16. Depreciation and Amortization expenses rose by 16% YOY to reach Rs.127.1 million, reflecting purchase of software licenses as well as office equipment and hardware acquired for Lahore and Islamabad offices. Thus, total expenses increased by 12% YOY to Rs.544.3 million in 1HFY16-17 versus Rs.485.1 million in 1HFY15-16. Within this, HR expenses rose by 9% YOY reflecting the impact of integration of stock exchanges which was not present in 1HFY15-16, as well as natural growth of 3% YOY. Despite this, HR cost as a percentage of total cost declined marginally to 39.5% versus 40.8% in the same period last year. As related to integration, rental & related expenses came in at Rs.7.78 million in July-December 2016 period as against just Rs.0.5 million in the same period last year as PSX had to incur rental expenses in maintaining Islamabad and Lahore regional offices. Similarly, insurance expense rose by 74% to Rs.10.3 million versus Rs.5.9 million and IT operating expenses grew by 14% to Rs.42.1 million due to both connectivity charges between Lahore-Islamabad-Karachi as well as additional operating costs.

As a result of the above, EBITDA (Earnings before Interest, Taxes, Depreciation & Amortization) was Rs.22.9 million in 1HFY16-17 versus a loss of Rs.29.0 million in 1HFY15-16, thus indicating a positive swing of Rs.52 million YOY.

Other income, which includes service charges received from National Clearing Company (NCCPL) related to provision of IT services and Management Fee came to Rs.80 million. Net treasury income saw a decline of 55% at Rs.65.1 million versus Rs.145.2 million last

year. This was mainly due to sharp decline in interest rate on Government securities during the period under review. At the same time, share of profits from Associates displayed a healthy rise of 28% to reach Rs.165 million with main growth coming from NCCPL.

Pre-tax profit of the Exchange witnessed a 7% decline on Year-on-Year basis to Rs.126.1 million in 1HFY16-17. At the same time, due to reduction in the tax expense to Rs.18.1 million versus Rs.50.4 million in the same period last year, the Net Profit After Tax increased by 27% to Rs.108.0 million in 1HFY16-17 versus Rs.85.1 million in 1HFY15-16. This translates into an EPS of Re.0.13 versus EPS of Re.0.11 last year in the same period.

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	107,980
Interim cash dividend @ 1.00%	<u>80,148</u>
Balance carried forward	<u>27,832</u>

#### CAPITAL MARKET REVIEW

During the six months period from July 01 to December 31, 2016, the KSE-100 Index rose by 26.5% to 47,807 level. During the same period, total market cap increased by 27% to reach US \$ 92.5 billion. In comparative terms the following table shows Pakistan Market was one of the top performing in Asia:

Market	Index* as on June 30, 2016	Index* as on December 31, 2016	% Change*
Pakistan	37,784	47,807	26.5%
China – Shanghai	2,930	3,104	5.9%
Hong Kong	20,794	22,001	5.8%
Indonesia	5,017	5,297	5.6%
Vietnam	632	664	5.1%
Singapore	2,841	2,881	1.4%
India – Bombay	27,000	26,626	-1.4%
Philippines	7,796	6,841	-12.3%

\* rounded

This strong performance was also reflected in improved liquidity in the market where average daily value traded was Rs.15 billion in 1HFY2017 vs Rs.10 billion in 1HFY2016. More interestingly, the last three months (October to December 2016) witnessed average daily value traded (ADV) of Rs.11.8 billion vs Rs.6.3 billion in the same period 2015.

The above occurred despite significant outflow of funds by foreign portfolio investors in the six months period totaling US\$ 298 million. This was more than offset by inflows from domestic led by mutual funds. Consensus view is that domestic liquidity inflow was driven by both greater confidence of investors in the macroeconomic environment along with expectations of improved listed companies' profitability as well as the effect of real estate capital gains tax imposed for the first time which diverted liquidity towards the stock market.

In terms of sectoral performance based on market cap change, the top five sectors in 1HFY2017 were Auto Assemblers (70%), Oil Marketing Companies (49%), Cement (33%), Commercial Banks (29%), Oil & Gas (26%), which were also amongst the large relatively liquid sectors. The low performing amongst this group were Fertilizer (-2%) and Power Generation and Distribution (4%).

## **MACRO DYNAMICS**

The underlying macroeconomic fundamentals continued to remain broadly favorable with real GDP growth expected by consensus to touch 5% in FY 2017 for the first time after 10 years driven by strong performance of large scale manufacturing, agriculture, construction and to some extent services.

Other indicators such as banks' credit to private sector, subdued inflation allowing Central Bank to maintain discount rate at 5.75% and inward remittances all remained stable. The only two areas of potential concern are poor export performance that can potentially negatively impact the Current Account and thereby put pressure on foreign exchange reserves and exchange rate. Secondly, the expanding power sector circular debt could potentially negatively impact fiscal deficit target. Nevertheless, with FX reserves continuing to support five months import and recent international credit rating agencies' stable outlook on Pakistan, the likelihood of any near term deterioration in economic fundamentals is low.

As far as the Capital Market is concerned, with the index presently near the record 50,000 level and Pakistan's inclusion in MSCI's EM index expected in June 2017, market expectations are for gradual inflow of passive / index funds flowing-in which should help sustain market performance in 2HFY2017.

In terms of valuation, estimated forward PE is circa 10.5x to 11x which indicates that significant near term re-rating of the market has occurred. However, given that Market-Cap-to-GDP ratio at present is still around 34% vs 41% in the last peak of the market in May 2008 prior to global financial crisis, there appears to be room for further valuation expansion based on assumptions of stable economy and continued growth in corporate earnings and cash flows.

## **DIVESTMENT OF PSX'S SHARES**

In response to an Invitation for Expression of Interest [EOI] released by Divestment Committee in leading print and web/digital editions of local and international newspapers and simultaneously on PSX's website, and further as a result of extensive campaign and persistent follow-up by Committee members and the management, various EOIs were received for acquisition of PSX's stake as strategic/anchor investor or financial institution. These EOIs were forwarded to SECP for further assessment and pre-qualification as investors eligible to carry out due diligence of PSX and to submit the binding offers for acquisition of stake in PSX.

After the process of due diligence, the sealed bids submitted by the eligible prospective investors were opened on December 22, 2016 whereby the Consortium comprising of three Chinese exchanges namely; China Financial Futures Exchange Limited, Shanghai Stock Exchange, Shenzhen Stock Exchange, and two local financial institutions i.e. Pak China Investment Company Limited and Habib Bank Limited, emerged as the successful bidder to acquire 40% equity stake in PSX. As such, Divestment Committee issued the Letter of Acceptance to the said Consortium and accordingly, the Share Purchase Agreement [SPA] was entered into by the Committee, PSX and the Consortium members on December 27, 2016.

In pursuance of the SPA, certain actions were required to be taken by respective parties within the Closing Period of 45 days from the date of SPA which expired on February 10, 2017 (Closing Date). In that time, the Consortium was required to obtain necessary approvals from relevant Chinese and Pakistani regulators which process could not be completed by the Closing Date, however, most of the said approvals have been received.

On the other hand, PSX, as required under the SPA, obtained an approval from its shareholders at the Extraordinary General Meeting held on February 06, 2017, for amending its Articles of Association to provide for, among other matters, the right of nominating personnel to key management positions vested to the directors representing members of the Consortium. Accordingly, 40% shares of PSX will be transferred to the accounts of Consortium members in an assigned ratio and conversely, 90% amount of sale consideration will be deposited in the designated bank account of PSX (Divestment Proceeds Account) for onward disbursement to selling shareholders, whereas, 10% of sale consideration will be retained in an Escrow Account and will be transferred to Divestment Proceeds Account after the expiry of 1 year.


#### **ACKNOWLEDGEMENT**

The Board would like to take this opportunity to express its gratitude to PSX's TREC-Holders and other stakeholders for their continued commitment and support to PSX and capital markets. The Board is also grateful to the 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 PSX 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 PSX staff members.

For and on behalf of the Board of Directors

  
**MUNEEB KAMAL**  
Chairman

  
**NADEEM NAQVI**  
Managing Director

Karachi  
February 27, 2017



**Building a better  
working world**

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2016**

EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.kh@pk.ey.com  
ey.com/pk



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Pakistan

Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.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 Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited) [the Company] as at 31 December 2016 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 10.1 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 statements. Our conclusion is not qualified in respect of this matter.

*EY Ford Rhodes*

**Chartered Accountants**

**Engagement Partner: Shaikh Ahmed Salman**

**Date: 27 February 2017**

**Karachi**




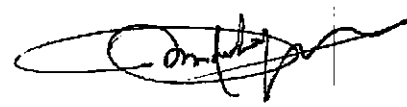
**PAKISTAN STOCK EXCHANGE LIMITED**  
**(FORMERLY KARACHI STOCK EXCHANGE LIMITED)**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT DECEMBER 31, 2016**

	December 31, 2016	June 30, 2016
	(Rupees in '000)	(Rupees in '000)
<b>ASSETS</b>	<b>(Un-Audited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>		
Property and equipment	4 3,278,253	3,312,306
Intangible assets	145,014	109,801
Investment property	682,084	682,084
Investment in associates	5 1,766,644	1,656,173
Long term investments	6 77,318	1,677,785
Long term deposits	40,541	40,537
Long term loans	1,021	1,606
Deferred tax asset	39,781	10,881
	<b>6,030,656</b>	<b>7,491,173</b>
<b>CURRENT ASSETS</b>		
Trade debts	80,855	40,917
Loans and advances	17,142	17,945
Prepayments	24,822	30,076
Other receivables	150,314	120,402
Short term investments	7 1,706,508	187,517
Taxation – net	415,099	430,837
Cash and bank balances	8 958,809	383,724
	<b>3,353,549</b>	<b>1,211,418</b>
<b>TOTAL ASSETS</b>	<b>9,384,205</b>	<b>8,702,591</b>
<b>SHARE CAPITAL, RESERVES AND LIABILITIES</b>		
Share Capital	8,014,766	8,014,766
Reserves	48,920	(13,031)
Total equity	<b>8,063,686</b>	<b>8,001,735</b>
<b>NON-CURRENT LIABILITIES</b>		
Dara F. Dastoor Scholarship Fund	2,000	2,000
Long term deposits	159,685	144,968
	<b>161,685</b>	<b>146,968</b>
<b>CURRENT LIABILITIES</b>		
Provision for wealth tax	1,684	1,684
Trade and other payables	9 1,157,150	552,204
	<b>1,158,834</b>	<b>553,888</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	10	
<b>TOTAL SHARE CAPITAL, RESERVES AND LIABILITIES</b>	<b>9,384,205</b>	<b>8,702,591</b>

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The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

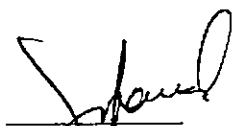
  
 \_\_\_\_\_  
 Chairman

  
 \_\_\_\_\_  
 Managing Director

**PAKISTAN STOCK EXCHANGE LIMITED**  
**(FORMERLY KARACHI STOCK EXCHANGE LIMITED)**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2016**  
**(UN-AUDITED)**

	Note	Half Year Ended		Quarter Ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31 2015
(Rupees in '000)					
<b>Revenue</b>					
Listing fee	11	109,096	112,933	53,480	54,908
Income from exchange operations	12	201,788	153,307	115,088	69,603
Service charges	13	23,977	-	13,021	-
Management fee		56,206	48,176	28,224	23,607
Mark-up / interest income		65,096	234,682	31,193	110,295
Rental income from investment property		30,039	28,269	15,247	14,358
		<u>486,202</u>	<u>577,367</u>	<u>256,253</u>	<u>272,771</u>
<b>Operating cost</b>					
Administrative expenses		(544,309)	(482,023)	(275,131)	(254,765)
Financial and other charges		(24)	(92,552)	711	(38,836)
		<u>(544,333)</u>	<u>(574,575)</u>	<u>(274,420)</u>	<u>(293,601)</u>
<b>Operating (loss) / income</b>		<u>(58,131)</u>	<u>2,792</u>	<u>(18,167)</u>	<u>(20,830)</u>
Other income	14	18,991	3,388	18,802	1,260
Share of profit of associates	5	165,217	129,425	90,062	60,916
<b>Net profit before taxation</b>		<u>126,077</u>	<u>135,605</u>	<u>90,697</u>	<u>41,346</u>
Taxation	15	(18,097)	(50,458)	(14,719)	(13,717)
<b>Net profit after taxation</b>		<u>107,980</u>	<u>85,147</u>	<u>75,978</u>	<u>27,629</u>
Basic and diluted earnings per share (Rupees)	16	<u>0.13</u>	<u>0.11</u>	<u>0.09</u>	<u>0.09</u>

The annexed notes from 1 to 19 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, 2016**  
**(UN-AUDITED)**

	Half Year Ended		Quarter Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
(Rupees in '000)				
Net profit for the period	107,980	85,147	75,978	27,629
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	(4,258)	(4,628)	(2,129)	(2,314)
<i>Items to be reclassified to profit and loss in subsequent periods:</i>				
Share of other comprehensive loss of associates' in respect of surplus on revaluation of available-for-sale investments	(1,697)	(4,792)	(418)	(4,145)
<b>Total comprehensive income for the period</b>	<b>102,025</b>	<b>75,727</b>	<b>73,431</b>	<b>21,170</b>

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The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.


  
 Chairman

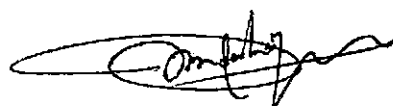
  
 Managing Director

**PAKISTAN STOCK EXCHANGE LIMITED**  
**(FORMERLY KARACHI STOCK EXCHANGE LIMITED)**  
**CONDENSED INTERIM CASH FLOW STATEMENT**  
**FOR HALF YEAR ENDED DECEMBER 31, 2016**  
**(UN-AUDITED)**

	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	126,077	135,605
<b>Non-cash adjustments to reconcile income before tax to net cash flows</b>		
Depreciation on tangible assets	103,353	94,650
Amortisation of intangible assets	23,781	15,366
Provision for gratuity	10,812	9,860
Mark-up / interest income	(63,473)	(228,606)
Provision for trade debts considered doubtful	3,273	-
Loss on disposal of fixed assets	274	18
Reversal of provision against receivables on recovery	-	(1,577)
Discount on PIBs	(1,623)	(6,076)
Share of profit of associates	(165,217)	(129,425)
	(88,820)	(245,790)
	37,257	(110,185)
<b>Working capital adjustments:</b>		
<b>(Increase) / decrease in current assets</b>		
Trade debts	(43,211)	(10,443)
Loans and advances	803	(3,727)
Prepayments	5,254	(3,202)
Other receivables	14,710	(28,310)
	(22,444)	(45,682)
<b>Increase / (decrease) current liabilities</b>		
Deposits from members against exposures and losses	-	(1,572,425)
Trade and other payables	596,640	97,550
	611,453	(1,630,741)
Income tax paid	(29,343)	(42,925)
Gratuity paid	(8,678)	(11,133)
Decrease in deferred liability	-	(1,322)
Increase in long term deposits	14,717	73,914
Mark-up / interest received	129,080	231,343
	105,776	249,877
<b>Net cash generated from / (used in) operating activities</b>	717,229	(1,380,864)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(65,771)	(69,213)
Capital work-in-progress	(63,187)	(24,114)
Proceeds from sale of fixed assets	373	453
Dividend received	53,049	179,012
Investments sold	1,750,697	229,464
Investments purchased	(1,777,812)	(277,627)
Increase in long term deposits	(4)	(661)
Decrease in long term loans	585	229
<b>Net cash (used in) / generated from investing activities</b>	(102,070)	37,543
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(40,074)	(176,325)
<b>Net cash used in financing activities</b>	(40,074)	(176,325)
<b>Net increase / (decrease) in cash and cash equivalents</b>	575,085	(1,519,648)
Cash and cash equivalents at the beginning of the period	383,724	5,624,185
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	958,809	4,104,537

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

  
Chairman

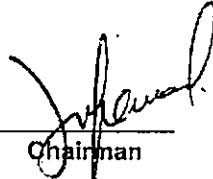
  
Managing Director

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**PAKISTAN STOCK EXCHANGE LIMITED**  
**(FORMERLY KARACHI STOCK EXCHANGE LIMITED)**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR HALF YEAR ENDED DECEMBER 31, 2016**  
**(UN-AUDITED)**

	Reserves			Total
	Share Capital	Un- appropriated profit	Share of Associates' Reserves	
	(Rupees in '000)			
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)
<b>Balance as at December 31, 2015</b>	<b>8,014,766</b>	<b>44,975</b>	<b>(11,121)</b>	<b>8,048,620</b>
Balance as at July 01, 2016	8,014,766	8,187	(21,218)	8,001,735
Profit for the period	-	107,980	-	107,980
Other comprehensive loss	-	(4,258)	(1,697)	(5,955)
Total comprehensive Income / (loss)	-	103,722	(1,697)	102,025
Dividend for the year ended June 30, 2016 @ Re. 0.05 per share	-	(40,074)	-	(40,074)
<b>Balance as at December 31, 2016</b>	<b>8,014,766</b>	<b>71,835</b>	<b>(22,915)</b>	<b>8,063,686</b>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

  
Chairman

  
Managing Director

EIP

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

**(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 (Corporatization, Demutualization 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, the Divestment process of 40% shares of Pakistan Stock Exchange Limited (PSX) as required under the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 read with the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations 2012, has been completed and the shares sold to the successful bidder i.e. a Consortium which includes China Financial Futures Exchange (CFFEX), Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE), Pak China Investment Company Limited (PCICL) and Habib Bank Limited (HBL).

The Share Purchase Agreement (SPA) between PSX, the Divestment Committee of PSX and the Consortium has been executed and signed on the December 27, 2016. The transaction is expected to be closed after the completion of all legal formalities and fulfillment of certain conditions precedent, as mentioned in the SPA.

**2. BASIS OF PREPARATION**

- 2.1 These condensed interim financial statements of the Company for the half year ended December 31, 2016 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 provision 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, 2016.

**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 Standards, Interpretations and Amendments**

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

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)

**Improvements to Accounting Standards Issued by the IASB in September 2014**

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 Financial Instruments: Disclosures - Servicing contracts

IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statement

IAS 19 Employee Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

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

EPA



PAKISTAN STOCK EXCHANGE LIMITED  
FORMERLY: KARACHI STOCK EXCHANGE LIMITED

	Note	December 31 2016 (Un-Audited)	June 30, 2016 (Audited)
----- (Rupees in '000) -----			
<b>4. PROPERTY AND EQUIPMENT</b>			
Operating fixed assets - tangible	4.1	3,264,831	3,175,605
Capital work-in-progress	4.2	13,422	136,701
		3,278,253	3,312,306

	For the Half Year Ended December 31, 2016 (Un-Audited)		For the Year Ended June 30, 2016 (Audited)	
	Additions / Transfers (Cost)	Deletions (Cost)	Additions / Transfers (Cost)	Deletions / Transfers (Cost)
----- (Rupees in '000') -----				
<b>4.1 Operating fixed assets - Tangible</b>				
Building on leasehold land	113,702	-	1,611	-
Lift, generators and electric installation	29,320	-	-	-
Furniture and fixtures	3,389	-	983	-
Office equipment	9,368	166	17,529	-
Computers and related accessories	36,027	6,116	45,826	-
Vehicles	1,434	931	2,110	833
	193,240	7,213	68,059	833

	December 31 2016 (Un-Audited)	June 30, 2016 (Audited)
----- (Rupees in '000) -----		
<b>4.2 Capital work-in-progress</b>		
- Computer hardware	4,695	13,344
- Lift generator and electric installation	254	-
- Civil work	6,573	904
- Furniture & fixture	-	51
- Construction of building / civil works	-	121,634
- Office equipment	1,900	768
	13,422	136,701

*6/7/16*



5. INVESTMENT IN ASSOCIATES - under equity method of accounting

	December 31, 2016 (Un-Audited)		June 30, 2016 (Audited)	
	Central Depository Company of Pakistan Limited	National Clearing Company of Pakistan Limited	Total	Total
	(Rupees in '000)			
Opening Balance	1,118,184	537,989	1,656,173	1,603,908
Share of profit for the period	109,276	55,941	165,217	246,166
Deficit on revaluation of associates' available-for-sale investments	(1,362)	(335)	(1,697)	(11,459)
Actuarial loss on employees' gratuity fund	-	-	-	(3,430)
Dividend received during the period	(7,961)	(45,088)	(53,049)	(179,012)
Closing balance	<u>1,218,137</u>	<u>548,507</u>	<u>1,766,644</u>	<u>1,656,173</u>

December 31,  
2016  
(Un-Audited)

June 30,  
2016  
(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, 2016: 250,000) Ordinary shares of Rs. 10 each, representing 12.50% (June 30, 2016: 12.50%) shareholding. The breakup value of each ordinary share in Rs. 40.96 (based on latest available financial statements for the half year ended December 31, 2016).

2,500                      2,500

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

8,909,052 (June 30, 2016: 8,909,052) Ordinary shares of Rs. 10 each representing 28.4% (June 30, 2016: 28.4%) shareholding. The break-up value of each ordinary share is negative Rs. 2.07 (based on latest available financial statements for the year ended June 30, 2016)

6.1

74,818                      74,818

Held to maturity

Pakistan Investment Bonds (PIBs)

-                                      1,600,467  
77,318                                      1,677,785

- 6.1 In the year 2014, the Company made additional investment of Rs. 52.727 million in Pakistan Mercantile Exchange Limited (PMEX) resulting in increase in the percentage holding from 19.14% to 32.32% as at the year ended June 30, 2015, which subsequently reduced to 28.4% as at June 30, 2016.

For the unsubscribed shares, financial advisor has been appointed for placement of shares to suitable investors at best price which is in process. The Company expects that on completion of subscription process of right issue of PMEX, the holding of PSX will be reduce to 18.88%.

Based on the above facts and considering the proportion of representation of the Company on the Board of PMEX, the investment is not accounted for as an associate investment.

Ertm





## 7. SHORT TERM INVESTMENTS

- 7.1 The cost of Pakistan Investment Bonds (PIBs) is Rs. 212.53 (June 30, 2016: 1,511.50) million and interest accrued thereon of Rs.10.98 (June 30, 2016: 77.41) million and amortization of discount of Rs. 1.14 (June 30, 2016:11.55) million. The effective rate of return 12.25% (June 30, 2016: 12.58%) per annum. These will mature latest by July 17, 2017.
- 7.2 The cost of treasury bills is Rs. 1,449.62 (June 30, 2016: 184.26) million and interest accrued thereon of Rs.31.42. (June 30, 2016: 3.25) million. The effective rate of return 5.87% (June 30, 2016: 6.55%) per annum. These will mature latest by July 20, 2017.

		December 31, 2016	June 30, 2016
		(Un-Audited)	(Audited)
	Note	----- (Rupees In '000) -----	
<b>8. CASH AND BANK BALANCES</b>			
In hand		69	10
With banks			
Current accounts	8.1 & 8.3	104	103
PLS accounts in:			
- foreign currency		2,541	2,843
- local currency	8.1 to 8.5	956,095	380,768
		958,740	383,714
		958,809	383,724

- 8.1 Rate of return on PLS accounts varies from 1.69% to 5.50% (June 30, 2016: 1.69% to 6.30%). However, the effective rate for the period is 4.97% (June 30, 2016: 5.18%).
- 8.2 Included herein are funds earmarked by the Company against the outstanding balance in the Dara F. Dastoor Scholarship Fund, amounting to Rs.2.078 (June 30, 2016: Rs.2.220) million.
- 8.3 Included herein are balances, aggregating to Rs. 8.470 (June 30, 2016: Rs.8.462) million, deposited with the Company by members and an ex-member with respect to certain arbitration cases pending settlement.
- 8.4 Included herein is Rs.292.266 (June 30, 2016: Rs 283.480) million held by the Company on account of disposal of membership cards of defaulting / expelled members.
- 8.5 Included herein is Rs.448.827 (June 30, 2016: nil) million deposited with the Company on account of Earnest money received with respect to the Divestment of 40% shares of PSX. The rate of return is 3.75 % (June 30, 2016: nil).

## 9. TRADE AND OTHER PAYABLES

- 9.1 Trade and other payables includes an amount of Rs.3.9 million with respect to 1% of the revenue of the Company and fines and penalties collected by the Company under the Pakistan Stock Exchange Regulations to any market participant in respect of non-compliance of regulations of the Company respectively. The said amount is booked as liability in line with the Boards decision in its meeting held on July 14, 2016 as required under clause 5(III)(b) & (c) of the draft Centralized Customer Protection Fund Regulations 2016. As the Centralized Customer Protection Fund Regulations 2016 are still in draft form, the amount has not been transferred to Investor Protection Fund and will only be transferred once the said Regulations are implemented by the SECP.
- 9.2 During the period, the Honorable Supreme Court of Pakistan passed a judgement declaring the insertion of amendments introduced in the Finance Acts pertaining to Workers Welfare Fund Ordinance 1971, as unlawful and thereby striking down such amendments. Pursuant to the same, the Company reversed the entire provision for WWF, amounting to Rs 18.78 million, as the Company is of the view that there is no basis to maintain such provision anymore.
- 9.3 Trade and other payables includes Rs.448.827 (June 30, 2016: nil) million deposited with the Company on account of Earnest money received with respect to the Divestment of 40% shares of PSX. The same shall be disbursed to the respective shareholders on the completion of the sale transaction.



## 10. CONTINGENCIES AND COMMITMENTS

### 10.1 Contingencies

10.1.1 There are no material changes in the status of contingencies, as reported in note 26.1.1 to 26.2.5 to the annual financial statements of the Company for the year ended June 30, 2016.

### 10.2 Commitments

Aggregate commitments for capital expenditure at the end of the period were Rs.31.875 (June 30, 2016: Rs. 7.664) million.

	Half Year Ended		Quarter Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in '000)			
	(Un-Audited)			

## 11. LISTING FEE

Annual fees	97,156	92,562	48,811	46,574
Initial fees	11,940	20,371	4,669	8,334
	<u>109,096</u>	<u>112,933</u>	<u>53,480</u>	<u>54,908</u>

## 12. INCOME FROM EXCHANGE OPERATIONS

Trading fee	152,870	112,175	85,598	48,857
Facilities and equipment fee	33,042	24,845	21,769	12,789
Income from non-trading facilities	12,720	9,555	5,838	4,367
Membership fee	1,920	965	960	483
Other fee	1,236	5,767	923	3,107
	<u>201,788</u>	<u>153,307</u>	<u>115,088</u>	<u>69,603</u>

## 13. SERVICE CHARGES

During the previous year, PSX received a directive from the SECP under section 12( c)(d) and 170 (i) of the Securities Act, 2015, to transfer the risk management function from PSX to National Clearing Company of Pakistan Limited (NCCPL). In this respect, all the deposits from members against the exposure and losses were transferred to NCCPL. Since the entire network of PSX will be used, the NCCPL will reimburse 1% service charge to PSX as approved by the board.

## 14. OTHER INCOME

This includes reversal of provision of WWF amounting to Rs.18.78 million as explained in note 9.2.

## 15. TAXATION

Current	45,082	31,873	29,481	4,887
Deferred	(26,985)	18,585	(14,762)	8,830
	<u>18,097</u>	<u>50,458</u>	<u>14,719</u>	<u>13,717</u>

## 16. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation	<u>107,980</u>	<u>85,147</u>	<u>75,977</u>	<u>27,629</u>
	(Numbers in '000)			
Weighted average number of ordinary shares 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>0.13</u>	<u>0.11</u>	<u>0.09</u>	<u>0.03</u>



17. 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, 2016 and December 31, 2015.

	Half Year Ended	
	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----	
	----- (Un-Audited) -----	
<b>Management fee</b>		
PSX Clearing House Protection Fund	-	40,103
PSX Investors Protection Fund	56,206	8,073
	<u>56,206</u>	<u>48,176</u>
<b>Dividend income</b>		
Central Depository Company of Pakistan (CDCPL)	7,961	84,088
National Clearing Company of Pakistan Limited (NCCPL)	45,088	94,924
	<u>53,049</u>	<u>179,012</u>
<b>Rental income from investment property</b>		
Central Depository Company of Pakistan (CDCPL)	3,040	3,040
National Clearing Company of Pakistan Limited (NCCPL)	7,027	7,032
	<u>10,067</u>	<u>10,072</u>
<b>Income from Margin Trading System- NCCPL</b>	<u>21,530</u>	<u>14,916</u>
<b>Central Depository Company fees</b>	<u>7,619</u>	<u>947</u>
<b>Trading fees</b>		
Aba Ali Habib Securities (Private) Limited	3,640	3,428
Adam Securities (Private) Limited	6,096	5,660
Lakhani Securities (Private) Limited	117	104
Topline Securities (Private) Limited	2,457	1,583
	<u>12,310</u>	<u>10,775</u>
<b>Profit on PLS account</b>		
Bank Islami Pakistan Limited	-	1,419
	<u>-</u>	<u>1,419</u>
<b>Facilities and equipment fees</b>		
Aba Ali Habib Securities (Private) Limited	404	339
Adam Securities (Private) Limited	1,484	1,334
Lakhani Securities (Private) Limited	72	12
Abid Ali Habib Securities (Pvt) Limited	6	2
Topline Securities (Private) Limited	325	224
	<u>2,291</u>	<u>1,911</u>
<b>Insurance Premium</b>		
EFU Life Assurance Limited	-	2,955
	<u>-</u>	<u>2,955</u>
<b>Retirement benefit plan</b>		
Payment made to gratuity fund during the period	<u>8,678</u>	<u>11,133</u>

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Half Year Ended

December 31, 2016	December 31, 2015
----- (Rupees in '000) -----	
----- (Un-Audited) -----	

**Donation**

Developments in Literacy	-	500
Sindh Institute of Urology and Transplantation	-	750
	-	1,250

**Listing fees**

Engro Corporation Limited	901	943
National Bank of Pakistan	1,032	947
Tri-Pack Films Limited	-	491
Thal Limited	-	610
Descon Oxychem Limited	-	254
Standard Chartered Bank (Pakistan) Limited	-	826
Bank Islami Pakistan Limited	-	575
EFU Life Assurance Limited	-	590
Sui Southern Gas Company Limited	-	641
Archroma Pakistan Limited	591	-
KSB Pumps Limited	394	-
Wyeth Pakistan Limited	400	-
	<b>3,318</b>	<b>5,877</b>

**18. DATE OF AUTHORISATION FOR ISSUE**

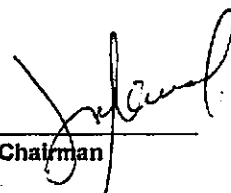
These financial statements have been authorised for issue on 27 FEB 2017 by the Board of Directors of the Company.

**19. GENERAL**

19.1 Figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2016 and December 31, 2015 have not been subject to limited scope review by the auditors.

19.2 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 million (December 31, 2015: 80.148) million in their meeting held on February 27, 2017. These condensed interim financial statements do not reflect this appropriation as the cash dividend is declared subsequent to the period ended December 31, 2016.

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

  
Chairman

  
Managing Director