PAKISTAN STOCK EXCHANGE LIMITED

Formerly: Karachi Stock Exchange Limited

INTERIM FINANCIAL STATEMENTS

FOR NINE MONTHS ENDED

MARCH 31, 2016

(AUDITED)

EY

Building a better working world

PAKISTAN STOCK EXCHANGE LIMITED
(FORMERLY KARACHI STOCK EXCHANGE LIMITED)

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying financial statements of **Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited) [the Company]** which comprise the balance sheet as at 31 March 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity for the nine months then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited) as at 31 March 2016, and its financial performance and its cash flows for the nine months then ended in accordance with the approved accounting standards as applicable in Pakistan.

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Emphasis of Matter

We draw attention to the contents of note26.1 and 26.2 to the accompanying 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 financial statements. Our conclusion is not qualified in respect of this matter.

Sd/-

Chartered Accountants

Audit Engagement Partner: Omer Chughtai

Date:

Place: Karachi

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

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISORS

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

BANKERS

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

SHARE REGISTRAR

Central Depository Company of Pakistan Limited
CDC House
99-B, Block "B",
S.M.C.H.S.
Main 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@psx.com.pk **Web:** www.psx.com.pk

DIRECTORS' REVIEW REPORT
Nine Months Ended March 31, 2016

The Board of Directors of Pakistan Stock Exchange Limited (Formerly: Karachi Stock Exchange Limited) [PSX/Exchange] is pleased to present the financial statements of the Exchange for the nine month period ended March 31, 2016.

SIGNIFICANT DEVELOPMENTS

Several significant developments occurred in the capital market during the period under review.

The most important was integration of Islamabad and Lahore stock exchanges operations into Karachi Stock Exchange and renaming the latter as Pakistan Stock Exchange (PSX) on January 11, 2016. As part of this integration, there are now over 400 stock brokerages with licence to trade in PSX. This integration opens a bold new chapter in the evolution of Pakistan's capital market enabling the Exchange to provide nationwide service to investors from a single, integrated platform.

Soon after the formal integration, there was reconstitution of the Board of Directors. The Extraordinary General Meeting of PSX was convened on February 24, 2016, to conduct election of four directors representing shareholders/TREC-Holders of the Exchange for the next term of three years. As a result, Mr. Abid Ali Habib, Mr. Abdul Majeed Adam and Mr. Muhammad Yasin Lakhani were re-elected and Mr. Ahmed Chinoy was elected in place of Mr. Mohammed Sohail who had retired with effect from the date of the meeting. Simultaneously, SECP also nominated directors, namely: Mr. Samir Ahmed, Mr. Moin M. Fudda, Ms. Rahat Kaunain Hassan, Mr. Tawfiq Asghar Hussain and Mr. Mohammad Naeem in place of Mr. Kamal Afsar, Mr. Shazad G. Dada, Mr. Abdul Qadir Memon, Mr. Asif Qadir and Syed Muhammad Shabbar Zaidi, while Mr. Muneer Kamal was retained. The new Board, in its inaugural meeting on March 01, 2016 elected Mr. Muneer Kamal to continue as Chairman of the Board of PSX.

The Exchange wishes to put on record its appreciation of the outgoing directors for their tremendous contribution during their tenure in guiding and consolidating the transition to a demutualized, professional corporate organization and providing full support to the management in the process. The Exchange also welcomes the new directors and looks forward to benefit from their vast experience, leadership and vision to chart a bold course in making PSX a key element in taking Pakistan's capital market to the next level of development and enabling it to fully contribute to economic growth of the country.

The third quarter of FY15-16 also saw a concerted effort by the PSX and SECP jointly to aggressively advocate Pakistan's entry into MSCI's Emerging Market Index after MSCI opened consultations in this regard. A joint marketing team comprising of SECP and PSX visited key international financial centres to apprise major global portfolio investors about reforms in capital market laws, regulations and institutional capacity enhancement. Detailed discussions were also held directly with MSCI and PSX is hopeful that based on both quantitative and qualitative criteria, Pakistan has more than an even chance of being re-designated from MSCI's Frontier Market Index to MSCI's Emerging Market Index by mid-year 2016 and be included in the Emerging Market Index in mid-2017.

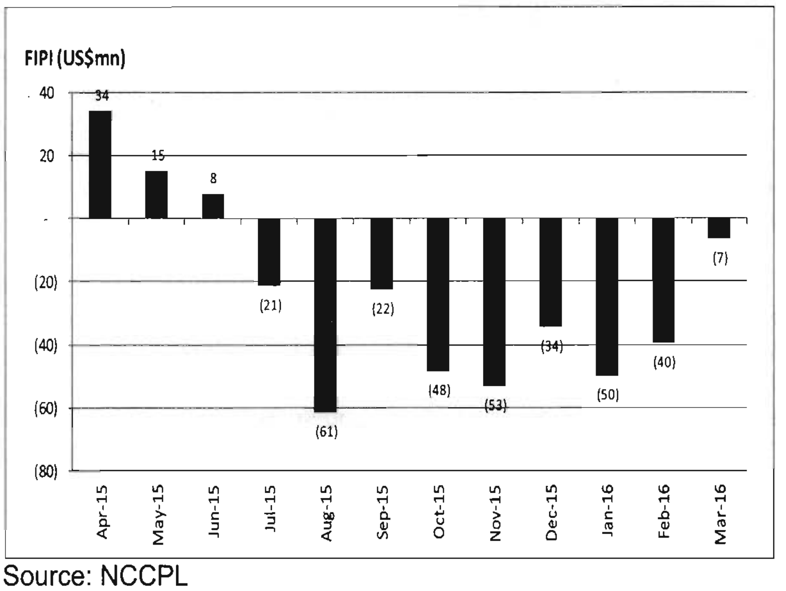
FINANCIAL PERFORMANCE

Total Revenue of Pakistan Stock Exchange Limited rose by 11% year-on-year to Rs 991 million during the nine month period under review from July 01, 2016. A major factor in this growth was significant rise in management fee received by PSX which was Rs 144.5 million in 9MFY15-16 versus Rs 86.0 million in 9MFY14-15. Excluding management fee, total revenue increased by 5% YoY to Rs 846 million versus Rs 807 million in the same period last year.

Core Operating Revenue (which includes fees related to listing, trading, facilities & equipment, data vending & other fees) grew by 4% YoY in 9MFY15-16 to Rs 403 million versus Rs 386 million in the same period last year. Total listing fee depicted an increase of 9% YoY and constituted 43.5% of core operating Revenue (41.7% in the same period last year). Within this, annual listing fees rose by 7% YoY based on higher market capitalization while initial listing fees showed 16% improvement, driven significantly by few large rights issues which helped neutralize the weaker showing of new listings (IPO's) in the period under review.

The most significant drag in Core Operating Revenue came from trading fees which were 3% lower YoY during the period under review and came in at Rs 156.7 million versus Rs 161.3 million in 9MFY14-15, and constituted 38.8% of total operating income (versus 41.8% last year). This lackluster performance is directly related to weak market environment witnessed since the second and third quarters of the current financial year (FY15-16). In the Ready Market, average daily trading volume during 9MFY15-16 was 214 million shares with average price per share of Rs45, leading to average daily traded value of Rs 9.6 billion. This contrasts with 9MFY14-15, when the Ready Market average daily trading volume was also 214 million shares but the average price per share was Rs 52, leading to average daily traded value of Rs 11.2 billion. There appears to be a confluence of several factors causing the decline. The sharp reduction in oil prices led to fall in prices of oil & gas sector stocks as well as reduced volumes. Further, there was constant selling pressure by foreign portfolio investors (see chart below) which kept domestic investors on the cautious side.

<u>Net Foreign Portfolio Funds Flow</u>



Source: NCCPL

Thus, despite reduction in the Central bank's discount rate to 6%, the traditional positive response of the market failed to materialise. Another liquid sector – banking, also displayed weakness as investors anticipated that after the CY2015 results, boosted by gains on investment in long-term bonds due to the fall in interest rates, margins were likely to come under pressure in CY16 as interest rates remained low. This, combined with some selling by foreign investors who had bought bank stocks in FY15 when the Government sold its shares in three banks, also put pressure in this important sector.

Besides the above market factors, other elements were also in play resulting in lower investor participation. One was tightening regulatory requirements, including those related to segregation of client assets and propriety assets of brokers, followed up by more aggressive inspection regime by both the Exchange and the SECP. While this development is greatly beneficial in restoring investor confidence in the market and better governance of market participants, in the short term it has led to a more cautious stance by both brokers and active investors. A second factor was direct notices to brokers by some law enforcement agencies bypassing the agreed practice of going through the industry regulator, the SECP. This created a lot of angst among market participants which has only recently been reduced somewhat after SECP took up the matter strongly with relevant law enforcement agencies and it was agreed that all enquires and related actions in the capital market would be pursued through the SECP. But the damage to investors' confidence was done and it will take time to recover. Finally, last year's Finance Bill (budget) made significant changes in the Capital Gains Tax (CGT) regime by increasing the rate of capital gains tax and extending the holding period before zero rating of tax rate would be applied. Investors were caught off guard and uncertainty was created about policy consistency at the Government level.

Investors require a stable policy environment to plan ahead. Continually changing the basis of taxation creates uncertainty which deters investment. Reduced investment activity leads to lower liquidity which makes the investment environment more difficult, not only in the secondary market but also in the primary market (listing of new companies). This creates a negative cycle with poor long term economic outcomes for both investors and the Government. The results are becoming evident. After collecting around Rs 3.85 billion in capital gains tax in the first half of the fiscal year 2015-16, in January 2016, CGT collected was only Rs 89 million while in February 2016 it was actually negative Rs 75 million (i.e. refunds). It is therefore important for policy makers to take a holistic and longer term view when designing policies and deeply consider each policy's full consequential implications. The capital market and the securities industry is one of the most documented sectors of our economy. Simply squeezing the documented sector rather than bringing non/poorly documented sectors in the tax net will negatively impact capital formation in the country and create a drag on GDP growth.

NON OPERATING REVENUE

In the nine months ending Market 31, 2016 Non-Operating Revenue (consisting of Management Fees, Net Treasury Income and Share of profit of Associates) rose 16% YoY to Rs 991 million and constituted almost 55% of total revenue (52% in same period last year). While the YoY change in Net Treasury Income and Share of profit of Associates was 5% and 4% respectively, the key driver of Non-Operating Revenue was 68% YoY increase in Management Fee which reached Rs 145 million in 9MFY16 versus Rs 86 million in 9MFY15.

PSX incurred significant costs in the integration of operations of the erstwhile Lahore and Islamabad stock exchanges, primarily in terms IT, HR and rental expenses. The total costs associated with integration, its awareness generation and branding campaign have been close to Rs 70 million. In order to ameliorate the stress on the financial condition of PSX due to these integration expenses, the Directors and management of PSX held extensive discussions with SECP regarding the economic viability of the integrated exchange operations in the near-term. Because the former Karachi Stock Exchange already accounted for over 95% of trading activity in the country, the incremental revenue from Lahore and Islamabad operations was no where near the cost incurred by the integrated Pakistan Stock Exchange. Further, the risk management function is being transferred from PSX to the National Clearing Company of Pakistan (NCCPL) which entails transferring approximately Rs 2.1 billion from the PSX's Clearing House Protection Fund (CHPF) to NCCPL, thus depriving the Exchange of significant fee income. The SECP has therefore approved raising the Management Fee rate from 2% to 4% charged to CHPF and IPF under a specific formula and certain conditionalities for a specific time period. Without this development the overall Non-Operating Revenue would have shown only a marginal increase over last year.

OPERATING EXPENSES

Total Operating Expenses in 9MFY16 stood at Rs 766 million versus Rs 639 million in 9MFY15, showing a rise of 20%. Excluding integration expenses, the increase would been nearer 10%. Within this head HR Costs rose by 15% YoY after incorporating 9% annual increment awarded last year and inducting 25 Lahore and Islamabad employees who became part of the PSX team from January 2016 onwards. Other notable expenses impacted by the integration (including legal and professional fees, travelling, market development and advertisement expenses, as well as printing and stationary expenses) more than doubled to Rs 75 million from Rs 35 million in the same period last year. Additionally, Information Technology and connectivity expenses rose by 87% YoY to Rs 60 million.

PROFITABILITY

With Total Revenue of Rs 991 million and Total Expenses of Rs 767, Pretax Profit for the nine months period ending March 31, 2016 came in at Rs 224 million, versus Rs 254 million last year, depicting a year-on-year decline of 12%. During this period, Earning before interest, tax, depreciation and amortization (EBITDA) turned negative to minus Rs 4.8 million from a positive of Rs 47 million. Net Treasury Income of Rs 220 million enabled the Exchange to show a positive pretax profit of Rs 224 million. Further, the effective tax rate rose to 37.7% in 9MFY16 taking taxation expense to Rs 85 million from Rs 52 million last year. As a result, Net Profit After Tax came in at Rs 140 million versus Rs 202 in the same period last year, leading to Earnings Per Share (EPS) of Re 0.17 versus Re 0.25 last year.

STOCK MARKET PERFORMANCE

In the nine month period under review, the Pakistan Stock Market continued to remain amongst top three best performing markets in Asia, even though in absolute terms the KSE-100 Index displayed a negative return of 3.7% between July 01, 2015 and March 31, 2016. Thus, PSX outperformed the MSCI Emerging Market Index (-13.9%) and the MSCI Frontier Market Index (-14.6%) by a wide margin.

Comparative market Performance: July 2015 – March 2016

	30-Jun-15	31-Mar-16	% Chg.
Malaysia	1,707	1,718	**0.6%**
Indonesia	4,911	4,845	**-1.3%**
Pakistan	34,399	33,139	**-3.7%**
Philippines	7,565	7,262	**-4.0%**
Vietnam	593	561	**-5.4%**
Brazil	22,029	20,659	**-6.2%**
Thailand	1,505	1,408	**-6.4%**
India	27,781	25,342	**-8.8%**
MSCI EM	972	837	**-13.9%**
MSCI FM	578	493	**-14.6%**
Hong Kong	26,250	20,777	**-20.9%**
China	4,277	3,004	**-29.8%**

OUTLOOK

With market conditions appearing to stabilize in the final quarter of FY2016 and bulk of one time integration costs accounted for, some improvement in both revenue and expenses should be seen which could improve the full year bottom line. However, much depends on the overall market conditions which directly impact trading activity and listing activity. With the financial year end approaching, the Directors and management's focus is now on charting a course for FY16-17 that enables PSX to leverage the opportunities opened up by integration and drive revenue from both widening and enhancing the product suite offered by the Exchange as well as playing a leading role in enhancing the overall investor base. The Exchange is in active discussions with the SECP in improving specifications of various leverage and derivatives products as well as providing the regulatory framework for new products such as single stock and stock index options. It is hoped that if some these initiatives can be rolled out before financial year end or very early in the next financial year commencing in July 2016, market activity can be boosted and with that, the Exchange's revenue generation. On the cost side the fixed cost base of the Exchange has risen due to integration, necessitating a detailed reassessment of operational efficiency. The coming twelve months are likely to provide both challenges and opportunities for the integrated Pakistan Stock Exchange to move to the next level of development and, in close working relationship with the SECP, raise the capacity of Pakistan's capital market to play an increasingly important role in the country's economic growth.

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 who were instrumental in achieving a smooth integration process within the stipulated timeline and seamless transition to a single national trading platform despite logistical and operational challenges.

For and on behalf of the Board of Directors

Sd/-	Sd/-
MUNEER KAMAL	**NADEEM NAQVI**
Chairman	Managing Director

Karachi
April 25, 2016

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

	Note	March 31, 2016 (Audited)	June 30, 2015 (Audited)
		----- (Rupees in '000) ----	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	**3,339,504**	3,400,601
Intangibles	8	**112,468**	74,240
Investment property	9	**694,549**	694,549
Investment in associates	10	**1,593,518**	1,340,236
Long term investments	11	**1,631,517**	2,030,724
Long term deposits	12	**39,219**	38,062
Long term loans	13	**1,503**	1,028
Deferred tax asset	14	**9,436**	53,348
		7,421,713	7,632,788
CURRENT ASSETS			
Trade debts	15	**41,894**	30,954
Loans and advances	16	**13,809**	9,380
Prepayments	17	**21,711**	13,623
Other receivables	18	**271,537**	168,433
Short term investments	19	**185,209**	177,394
Taxation – net		**468,879**	448,938
Cash and bank balances	20	**3,831,315**	5,624,185
		4,834,354	6,472,907
TOTAL ASSETS		**12,256,067**	14,105,695
EQUITY AND LIABILITIES			
Share capital	21	**8,014,766**	8,014,766
Reserves		**2,909**	134,452
Total equity		**8,017,675**	8,149,218
NON-CURRENT LIABILITIES			
Deferred liability – agent welfare fund		**-**	1,322
Nara F. Dastoor scholarship fund		**2,000**	2,000
Long term deposits	22	**154,560**	50,147
		156,560	53,469
CURRENT LIABILITIES			
Provision for wealth tax	23	**1,684**	1,684
Deposits from members against exposures and losses	24	**3,458,975**	5,330,422
Trade and other liabilities	25	**621,173**	570,902
		4,081,832	5,903,008
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		**12,256,067**	14,105,695

The annexed notes from 1 to 41 form an integral part of these financial statements.

Sd/- Sd/-

Chairman **Managing Director**

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
PROFIT AND LOSS ACCOUNT
FOR NINE MONTHS ENDED MARCH 31, 2016

	Note	March 31, 2016 (Audited)	March 31, 2015 (Un-Audited)
		------ (Rupees in '000) ------	
Revenue			
Listing fee	27	**175,607**	161,084
Income from exchange operations	28	**227,846**	225,261
Management fee	29	**144,528**	86,028
Mark-up / interest income	30	**346,012**	346,079
Rental income from investment property		**42,889**	37,923
		936,882	856,375
Operating cost			
Administrative expenses	31	**(761,278)**	(633,120)
Financial and other charges	32	**(131,605)**	(141,829)
		(892,883)	(774,949)
Operating Profit		**43,999**	81,426
Other income	33	**3,801**	2,953
Share of profit from associates	10	**176,684**	169,335
Net profit before taxation		**224,484**	253,714
Taxation	34	**(84,550)**	(51,631)
Net profit after taxation		**139,934**	202,083
Basic and diluted earnings per share	35	**0.17**	0.25

The annexed notes from 1 to 41 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Managing Director

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
FOR NINE MONTHS ENDED MARCH 31, 2016

	Note	March 31, 2016 (Audited)	March 31, 2015 (Un-Audited)
		------ (Rupees in '000) ------	
Net profit for the period		**139,934**	202,083
Other comprehensive loss			
Items not to be reclassified to profit and loss in subsequent periods:			
Actuarial loss on employees' gratuity fund - Company		**(10,209)**	(8,788)
Tax effect on Actuarial loss on employees' gratuity fund - Company		**3,267**	2,900
		(6,942)	(5,888)
Items to be reclassified to profit and loss in subsequent periods:			
Share of other comprehensive (loss) / income from associates' in respect of revaluation on available-for-sale investments	10.1	**(8,062)**	3,530
Total comprehensive income for the period		**124,930**	199,725

The annexed notes from 1 to 41 form an integral part of these financial statements.

Sd/-

Chairman

Sd/-

Managing Director

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED MARCH 31, 2016

	March 31, 2016 (Audited)	March 31, 2015 (Un-Audited)
	------- (Rupees in '000) -------	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**224,484**	253,714
Non-cash adjustments to reconcile income before tax to net cash flows		
Depreciation on tangible assets	**143,488**	139,634
Amortisation on intangible assets	**23,575**	33,024
Provision for gratuity	**15,169**	10,305
Mark-up / interest income	**(335,950)**	(346,079)
Discount on Pakistan Investment Bonds	**(10,062)**	(9,316)
Reversal of provision against receivables on recovery	**(1,971)**	(345)
Loss on disposal of fixed assets	**18**	390
Share of profit of associates	**(176,684)**	(169,335)
	(342,417)	(341,722)
	(117,933)	(88,008)
Working capital adjustments:		
(Increase) / decrease in current assets		
Trade debts	**(8,969)**	(11,652)
Loans and advances	**(4,429)**	3,628
Prepayments	**(8,088)**	(9,612)
Other receivables	**(134,342)**	(1,219)
	(155,828)	(18,855)
(Decrease) / increase in current liabilities		
Deposits from members against exposures and losses	**(1,871,447)**	(148,714)
Trade and other liabilities	**36,515**	157,457
	(2,108,693)	(98,120)
Income tax paid	**(57,255)**	(24,377)
Gratuity paid	**(11,133)**	(6,628)
(Decrease) / increase in deferred liability	**(1,322)**	3
Increase in long term deposit	**104,413**	10,944
Mark-up / interest received	**405,073**	293,957
	439,776	273,899
Net cash generated (used) in / from operating activities	**(1,668,917)**	175,779
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	**(105,049)**	(27,712)
Capital work-in-progress	**(39,719)**	(60,787)
Proceeds from sale of fixed assets	**504**	1,258
Dividend received	**179,012**	119,807
Purchase of right issue	**(263,672)**	(35,156)
Investment sold / matured	**743,502**	391,502
Investments purchased	**(380,426)**	(388,089)
Increase in long term deposits	**(1,157)**	(556)
Increase in long term loans	**(475)**	(281)
Net cash from / (used) in investing activities	**132,520**	(14)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(256,473)**	(240,442)
Net cash used in financing activities	**(256,473)**	(240,442)
Net decrease in cash and cash equivalents	**(1,792,870)**	(64,677)
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	**3,831,315**	3,950,483

The annexed notes from 1 to 41 form an integral part of these financial statements.

Sd/-

Chairman

Sd/-

Managing Director

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR NINE MONTHS ENDED MARCH 31, 2016

	Share Capital	Reserves: Un-appropriated profit	Reserves: Share of Associates' Reserves	Total
	(Rupees in '000)			
Balance as at July 01, 2014	8,014,766	72,974	(12,210)	**8,075,530**
Profit for the period	-	202,083	-	**202,083**
Other comprehensive loss	-	(5,888)	3,530	**(2,358)**
Total comprehensive income	-	196,195	3,530	**199,725**
Dividend for the year ended June 30, 2014 @ Re. 0.15 per share	-	(120,221)	-	**(120,221)**
Dividend for the period ended December 31, 2014 @ Re. 0.15 per share	-	(120,221)	-	**(120,221)**
Balance as at March 31, 2015	**8,014,766**	**28,727**	**(8,680)**	**8,034,813**
Balance as at July 01, 2015	**8,014,766**	**140,781**	**(6,329)**	**8,149,218**
Profit for the period	-	139,934	-	**139,934**
Other comprehensive loss	-	(6,942)	(8,062)	**(15,004)**
Total comprehensive income/(loss)	-	132,992	(8,062)	**124,930**
Dividend for the year ended June 30, 2015 @ Re. 0.22 per share	-	(176,325)	-	**(176,325)**
Dividend for the period ended December 31, 2015 @ Re. 0.10 per share	-	(80,148)	-	**(80,148)**
Balance as at March 31, 2016	**8,014,766**	**17,300**	**(14,391)**	**8,017,675**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Sd/-

Chairman

Sd/-

Managing Director

PAKISTAN STOCK EXCHANGE LIMITED (FORMERLY KARACHI STOCK EXCHANGE LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED MARCH 31, 2016

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, Demutialisation 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, Demutialisation 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 On January 11,2016 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 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. **STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. **BASIS OF MEASUREMENT**

3.1 These financial statements have been prepared under the historical cost convention except for operating fixed assets, investment property and certain investments which are valued on a fair value basis as stated in notes 4.2, 4.5 and 4.6 below.

3.2 These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

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 and improvements to accounting standards and interpretations did not have any effect on the financial statements.

4.2 Operating fixed assets - tangible

4.2.1 All categories of operating fixed assets are carried at revalued amount, being its fair value at the date of its revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

4.2.2 The surplus arising on revaluation of operating fixed assets is credited to the 'surplus on revaluation of assets' account shown below reserves. A revaluation deficit is recognised in the profit and loss account, except that the deficit offsets a previous surplus on any fixed asset, in which case, the deficit is charged to the balance of surplus on revaluation.

4.2.3 The depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year (net of deferred taxation) is transferred from surplus on revaluation of assets to retained earnings through statement of changes in funds and reserves to record realisation of surplus to the extent of the incremental depreciation charge for the year. Upon disposal, any balance of revaluation surplus is transferred to retained earnings.

4.2.4 The depreciation is charged to profit and loss account applying the diminishing balance method over its estimated useful life of the respective assets, except for "Computers and related accessories" which are depreciated using straight-line method. The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. In respect of additions and disposals of assets, depreciation is charged from the month in which asset is available to use and continue depreciating it until it is derecognised i.e. up to the month preceding the disposal, even if during that period the asset is idle. Useful lives are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

4.2.5 Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are included in income currently.

4.2.6 An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognised.

4.3 Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation.

4.4 Intangible assets

These are stated at cost less accumulated amortisation. Amortisation is charged to income using the straight-line method at the rate disclosed in note 8 to the financial statements.

Amortisation on additions is charged for the full month in which an asset is put to use and on deletions up to the month immediately preceding the deletion.

Gains or losses on disposal of intangible assets, if any, are included in income currently.

4.5 Investment property

According to the new accounting policy, investment property is stated at fair value, which reflects market conditions at the reporting date. Gain or loss on remeasurement of investment property at fair value is recognised in profit and loss account. Fair value is evaluated annually by an independent professional valuer on the basis of professional assessment of present market value. Previously, investment property of the Company was carried at cost less accumulated depreciation and accumulated impairment losses.

Investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised as income in the period of derecognition.

Maintenance and normal repairs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains or losses on disposal of investment property, if any, are included in income currently.

4.6 Investments

The management of the Company determines the appropriate classification of its investments at the time of purchase or increase in holding and classifies / reclassifies its investment as subsidiaries, associates and joint ventures, at fair value through profit or loss account, held to maturity and available for sale.

All investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment except in the case of investments at fair value through profit or loss account where transaction costs are charged to profit and loss account when incurred.

4.6.1 Available for sale investments

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. After initial recognition, these are stated at fair values (except for unquoted investments where active market does not exist) with any resulting gains or losses being taken to comprehensive income until the investment is disposed or impaired, at which time the respective surplus or deficit is transferred to profit and loss account.

Unquoted investments where active market does not exist and whose fair value cannot be reliably measured are stated at cost, less impairment ,if any.

4.6.2 Investments at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held-for-trading and financial assets designated upon initial recognition as at fair value through profit or loss. These securities are either acquired for generating a profit from short-term fluctuation in prices or are securities included in a portfolio in which a pattern of short-term profit taking exists, and related transaction costs are expensed out. These investments are measured at subsequent reporting dates at fair value and resulting gains and losses are included in the profit and loss account for the year.

4.6.3 Held to maturity investments

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised cost. Provision for impairment in value, if any, is taken to income currently.

4.6.4 Investment in associates

Investments in associates are accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Company's share of the net assets of the associate. The profit and loss account reflects the Company's share of the results of the operations of the associate. Where there has been a change recognised in the other comprehensive income or surplus on revaluation of assets of the associate, the Company recognises its share in its comprehensive income or surplus on revaluation of assets, as the case may be.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the same in the profit and loss account.

4.7 Trade debts and other receivables

These are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

4.8 Loans, advances and deposits

These are stated at cost, less allowance for any impairment.

4.9 Cash and cash equivalents

Cash in hand and at banks are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and at bank and short term investments that are highly liquid in nature and are readily convertible into known amounts of cash, which are subject to insignificant risks of changes in value.

4.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.11 Revenue recognition

- Income from initial listing fee is recognised when the securities are initially listed on the ready board. Income from annual listing fee is recognised on an accrual basis;
- Income in respect of trading by members in shares, contracts and bonds is recognised at the trade date;
- Rental income, facilities and equipment fees, non-operating facilities income and membership fees are recognised on accrual basis while other fees are recognised when received;
- Investments purchased at premium or discount, are amortized through the profit and loss account using the effective interest rate method;
- Income from investments and bank accounts is recognised on an accrual basis;
- Dividend income is recognised when the Company's right to receive dividend is established; and
- Management fee from PSX Clearing House Protection Fund and PSX Investors Protection Fund is recognised on accrual basis as disclosed in note 29 to the financial statements.

4.12 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account all tax credits and tax rebates available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001, and whichever is higher is provided for in the financial statements.

Deferred

Deferred tax is recognised, using the balance sheet liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except for taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit or taxable temporary differences will be available against which the deductible temporary differences and / or carry-forward of unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.13 Staff retirement benefits

The Company operates an approved gratuity fund (defined benefit plan) for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The Company's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit or loss in subsequent periods.

4.14 Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognised in the profit and loss account.

4.15 Foreign currency translation

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.16 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently.

All regular way purchases of financial assets are recognised on a transaction date i.e. the date the Company receives the financial asset. All regular way sales of financial assets are recognized on the settlement date i.e. the date the asset is delivered to the counter party. Regular way purchases or sales of financial assets that require delivery of assets within the time generally established by regulation or convention the market place.

4.17 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making, judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

	Notes
- Operating fixed assets	4.2, 4.3, 4.4,7 and 8
- Investment property	4.5 and 9
- Classification of investments	4.6, 10, 11 and 19
- Provisions and contingencies	4.10, 23 and 26
- Taxation and Deferred tax	4.12 and 14
- Staff retirement benefits	4.13 and 25.3

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTVE

The following revised standards, interpretations and amendments with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard, interpretation or amendment:

6.1 Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
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)	January 01, 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application

6.2 Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019

7. PROPERTY AND EQUIPMENT

	Note	March 31, 2016	June 30, 2015
		------ (Rupees in '000) ------	
Operating fixed assets - Tangible	7.1	**3,200,725**	3,302,015
Capital work-in-progress	7.2	**138,779**	98,586
		3,339,504	3,400,601

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7.1 OPERATING FIXED ASSETS – Tangible

	March 31,2016							
	Cost/Revalued Amount				Accumulated depreciation			Written Down Value
	As at July 01, 2015	Additions / (disposals)	As at March 31, 2016	Rate / period	As at July 01, 2015	Charge for the period/ (deletions)	As at March 31, 2016	As at March 31, 2016
	(Rupees in '000)				(Rupees in '000)			
Leasehold land	**2,677,882**	**-**	**2,677,882**	**99 years**	**275,663**	**59,072**	**334,735**	**2,343,147**
Building on leasehold land	**837,128**	**1,611**	**838,739**	**5%**	**132,003**	**26,466**	**158,469**	**680,270**
Lift, generators and electric installation	**96,629**	**-**	**96,629**	**25%**	**45,263**	**9,631**	**54,894**	**41,735**
Furniture and fixtures	**8,001**	**747**	**8,748**	**20%**	**3,951**	**647**	**4,598**	**4,150**
Office equipment	**37,400**	**8,527**	**45,927**	**20%**	**16,572**	**3,714**	**20,286**	**25,641**
Computers and related accessories	**261,569**	**29,777**	**291,346**	**20% & 33.33%**	**151,009**	**42,715**	**193,724**	**97,622**
Vehicles	**11,710**	**2,110**	**13,117**	**20%**	**3,843**	**1,243**	**4,957**	**8,160**
		(703)				**(129)**		
	3,930,319	**42,772**	**3,972,388**		**628,304**	**143,488**	**771,663**	**3,200,725**
		(703)				**(129)**		

	June 30, 2015							
	Cost/Revalued Amount				Accumulated depreciation			Written Down Value
	As at July 01, 2014	Additions / (Disposals)	As at June 30, 2015	Rate / period	As at July 1, 2014	Charge for the period / (deletions)	As at June 30, 2015	As at June 30, 2015
	(Rupees in '000)				(Rupees in '000)			
Leasehold land	2,677,882	-	2,677,882	99 years	196,902	78,761	275,663	2,402,219
Building on leasehold land	834,066	3,062	837,128	5%	94,988	37,015	132,003	705,125
Lift, generators and electric installation	93,574	4,426	96,629	25%	28,945	17,042	45,263	51,366
		(1,371)				(724)		
Furniture and fixtures	7,564	437	8,001	20%	3,019	932	3,951	4,050
Office equipment	30,987	6,413	37,400	20%	12,043	4,529	16,572	20,828
Computers and related accessories	216,532	45,163	261,569	20% & 33.33%	102,079	49,053	151,009	110,560
		(126)				(123)		
Vehicles	8,171	4,980	11,710	20%	2,805	1,478	3,843	7,867
		(1,441)				(440)		
	3,868,776	64,481	3,930,319		440,781	188,810	628,304	3,302,015
		(2,938)				(1,287)		

7.1.1 In accordance with the Company's accounting policy, operating fixed assets were revalued in year 2012. The revaluation was carried out by an independent valuer, FAMCO Associates (Private) Limited on the basis of professional assessment of market values, which resulted in a surplus of Rs.3,390.421 million over the book value of the respective assets at the time of revaluation.

Had there been no revaluation, the net book value of the opening fixed assets would have been as follows:

	Note	March 31, 2016	June 30, 2015
		--------- (Rupees in '000) ---------	
Leasehold land		**27**	28
Building on leasehold land		**60,729**	61,443
Lift, generators and electric installation		**41,649**	51,260
Furniture and fixtures		**4,029**	3,906
Office equipment		**24,152**	19,079
Computers and related accessories		**154,218**	75,234
Vehicles		**8,997**	8,267
		293,801	**219,217**

7.1.2 Cost of fully depreciated assets is Rs. 355.42 (June 30, 2015: Rs. 309.781) million for nine months ended March 31, 2016

7.2 Capital work-in-progress

Advances against:			
- Computer hardware		**15,893**	979
- Construction of building /civil works		**120,544**	97,607
- Office equipment		**1,575**	-
- Civil works		**655**	-
- Furniture and Fixtures		**112**	-
		138,779	98,586

8. INTANGIBLES

Operating intangibles	8.1	**79,732**	**41,030**
Intangibles under development	8.2	**32,736**	**33,210**
		112,468	**74,240**

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8.1 Operating Intangibles

March 31, 2016

	COST				ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
	As at July 01, 2015	Additions	As at March 31, 2016	Rate	As at July 01, 2015	Charge for the period	As at March 31, 2016	As at March 31, 2016
	(Rupees in '000)			%	(Rupees in '000)			
Computer software	222,218	47,603	269,821	25	219,147	7,125	226,272	43,549
Internally developed software and market products	194,687	14,674	209,361	25	156,728	16,450	173,178	36,183
	416,905	62,277	479,182		375,875	23,575	399,450	79,732

June 30, 2015

	COST				ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
	As at July 01, 2014	Additions	As at June 30, 2015	Rate	As at July 01, 2014	Charge for the period	As at June 30, 2015	As at June 30, 2015
	(Rupees in '000)			%	(Rupees in '000)			
Computer software	222,188	30	222,218	25	207,711	11,436	219,147	3,071
Internally developed software and market products	184,440	10,247	194,687	25	127,471	29,257	156,728	37,959
	406,628	10,277	416,905		335,182	40,693	375,875	41,030

	Note	March 31, 2016	June 30, 2015
		-- (Rupees in '000) --	
8.2 Intangibles under development			
Internally developed software		**14,858**	13,651
Internally developed market products		**6,163**	6,163
Computer software		**21,865**	23,546
		42,886	43,360
Less: Provision for impairment	8.2.1	**(10,150)**	(10,150)
		32,736	33,210

8.2.1 This represents provision for impairment against a software which failed to operate and consequently, the Company terminated the agreement and raised demand for the refund from the supplier, which is currently

9. INVESTMENT PROPERTY

	Note	March 31, 2016	June 30, 2015
Balance as at 1 July		**694,549**	680,729
Gain from changes in fair value	9.1	**-**	13,820
Balance as at		**694,549**	694,549

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9.1 Represents office spaces in the PSX's building, the latest fair value of this property was carried out by Iqbal A.Nanjee & Company (Private) Limited, independent valuers as at June 30, 2015. However, the management has not carried out the valuation during the period. Hence, no gain from changes in the fair value of investment property is recorded during the period ended March 31, 2016 (June 30, 2015: Rs 13.82 million.)

9.2 The rental income for nine months from the investment property amounted to Rs. 42.889 (March 31, 2015: Rs.37.923) million.

	Note	March 31, 2016	June 30, 2015
		-- (Rupees in '000) --	
10. INVESTMENT IN ASSOCIATES - under equity method of accounting			
Unquoted companies			
Central Depository Company of Pakistan Limited [(CDC) (25,875,200 shares having face value Rs. 258,752,000)] (based on the unaudited financial statements for the period ended ended March 31, 2016)		**1,072,454**	1,029,809
National Clearing Company of Pakistan Limited [(NCCPL) (10,546,874 shares having face value Rs. 105,468,740)] (based on the unaudited financial statements for the period ended ended March 31, 2016)		**521,064**	310,427
	10.1	**1,593,518**	1,340,236

10.1 Reconciliation of changes in carrying value of investment in associate

	Note	March 31,2016 CDC	NCCPL	Total
		---------------- (Rupees in '000) ----------------		
Opening Balance		**1,029,809**	**310,427**	**1,340,236**
Additional investment during the period	10.1.1	**-**	**263,672**	**263,672**
		1,029,809	**574,099**	**1,603,908**
Share of profit for the period		**132,318**	**44,366**	**176,684**
Surplus on revaluation of associates' available-for-sale investments		**(5,585)**	**(2,477)**	**(8,062)**
Dividend received during the period		**(84,088)**	**(94,924)**	**(179,012)**
Closing balance		**1,072,454**	**521,064**	**1,593,518**

10.1.1 During the period, the Company made a further investment of Rs.263.672 million in National Clearing Company of Pakistan Limited (NCCPL) by accepting the offer of 125% right issue of NCCPL and accordingly subscribing to 13,183,588 ordinary shares of Rs.10 each at a premium of Rs.10 per share, which shall rank pari passu with existing ordinary shares of NCCPL in all respects as approved under special resolution passed at Extra Ordinary General Meeting held on February 24, 2016. Shareholding of the Company after taking into account the aforementioned right issue remains at 47.06% (June 30, 2015: 47.06%).

	June 30, 2015 CDC	NCCPL	Total
	------------- (Rupees In '000) -------------		
Opening Balance	935,754	266,173	1,201,927
Share of profit for the year	166,794	85,441	252,235
Deficit on revaluation of associates' available-for-sale investments	9,971	3,874	13,845
Actuarial loss on employees' gratuity fund	(5,090)	(2,874)	(7,964)
Dividend received during the year	(77,620)	(42,187)	(119,807)
Closing balance	1,029,809	310,427	1,340,236

10.2 Summarised financial information of the associates of the Company are as follows:

	March 31, 2016					
Name of associate	Country of incorporation	Total assets	Total liabilities	Profit	Revenue	Interest held %
		(Rupees in '000)				
Central Depository Company of Pakistan Limited Break-up value of each ordinary share of Rs.10 is Rs .41.47 based on the latest unaudited financial statements available for the period ended March 31, 2016.	Pakistan	**3,246,475**	**550,842**	**332,375**	**1,089,508**	39.81
National Clearing Company of Pakistan Limited Break-up value of each ordinary share of Rs.10 is Rs 14.12 based on the latest unaudited financial statements available for the period ended March 31, 2016.	Pakistan	**7,018,039**	**5,910,793**	**94,275**	**419,821**	**47.06**
		7,018,039	**5,910,793**	**94,275**	**419,821**	

	June 30, 2015					
Name of associate	Country of incorporation	Total assets	Total liabilities	Profit	Revenues	Interest held %
		(Rupees in '000)				
Central Depository Company of Pakistan Limited Break-up value of each ordinary share of Rs.10 is Rs. 36.16 based on the latest audited accounts available for the year ended June 30, 2015.	Pakistan	3,169,761	581,222	418,975	1,378,196	39.81
National Clearing Company of Pakistan Limited Break-up value of each ordinary share of Rs.10 is Rs. 32.85 based on the latest audited accounts available for the year ended June 30, 2015.	Pakistan	3,683,433	3,023,793	181,558	582,599	47.06
		6,853,194	3,605,015	600,533	1,960,795	

11. LONG TERM INVESTMENTS

	Note	March 31, 2016	June 30, 2015
		(Rupees in '000)	
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 break-up 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% (2015: 32.32%) shareholding. The break-up value of each ordinary share is negative Rs.3.45 (based on latest unaudited financial statements for the period ended December 31, 2015). (June 30, 2015: negative Rs. 4.85)	11.1	**74,818**	74,818
Held to maturity			
Pakistan Investment Bonds (PIBs)	11.2	**1,554,199**	1,953,406
		1,631,517	2,030,724

11.1 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 30% as at March 31, 2016.

For the unsubscribed shares, the process of appointment of a financial advisor is underway, and is expected to complete by June 30, 2016. The Company expects that on completion of subscription process of right issue of PMEX, the holding of PSX will be reduce to 19.14%.

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."

11.2 These represent Pakistan Investment Bonds (PIBs) having cost of Rs. 1,510.670 (June 30, 2015: 1,846.036) million and interest accrued thereon of Rs. 34.316 (June 30, 2015: 94.385) million and amortization of discount of Rs.9.213 (June 30, 2015:12.991) million. The effective rate of return 12.34% per annum (June 30, 2015:12.36%). These will mature latest by July 18, 2017.

	Note	March 31, 2016	June 30, 2015
		---- (Rupees in '000) ----	
12. LONG TERM DEPOSITS			
Earnest money	12.1	**33,819**	33,819
Utilities		**3,320**	2,666
Others		**2,080**	1,577
		39,219	38,062

12.1 This includes 10% of the bid amount, amounting to Rs.32.999 (June 30, 2015: Rs.32.999) million, paid by the Company to Pakistan Railways during the year ended June 30, 1993 as earnest money against the purchase of land. However, as a result of initiation of certain legal proceedings by one of the bidders, further action for purchase of land could not take place. Subsequently, Pakistan Railways cancelled the sale of railway land to the Company and requested the Company to apply for the refund of the above-referred amount. The Court has dismissed the suit on merit, which was filed by above-referred bidder.

During the year ended June 30, 2002, based upon the legal advice obtained, the Company filed a counter suit against Pakistan Railways for specific performance of the agreement which, if decided in favour of the Company, may require the Company to purchase the land and pay the balance of the purchase consideration, amounting to Rs.296.995 (June 30, 2015: Rs.296.995) million. The said case is pending adjudication in High Court of Sindh.

	Note	March 31, 2016	June 30, 2015
13. LONG TERM LOANS			
Employees - Considered good, secured	13.1	**5,105**	2,495
Recoverable within one year shown under current assets		**(3,602)**	(1,467)
		1,503	1,028

13.1 These personal loans are sanctioned for the purchase of motorcycles, performing Hajj and other domestic purposes. These are secured against the outstanding balances in the Employees' Gratuity Fund. These are recoverable in monthly instalments over a period, with original maturity between 2 and 6 (June 30, 2015: 2 and 6) years and are interest free. All outstanding long term loans at the year end will mature within one to three years.

	Note	March 31, 2016	June 30, 2015
14. DEFERRED TAX ASSET			
Deductible temporary differences arising from:			
Provision for debts considered doubtful		**9,438**	10,384
Carry forward tax losses		**289,165**	324,473
Provision for defined benefit liability		**16,303**	13,303
Minimum tax		**28,846**	24,089
		343,752	372,249
Taxable temporary differences arising from:			
Differences between written down value and tax base of assets		**(312,230)**	(306,920)
Share of profit from associates		**(22,086)**	(11,981)
		(334,316)	(318,901)
	14.1	**9,436**	53,348

14.1 The management, based on the nine months results and the future years projections, estimates that sufficient taxable profits would be available in the future against which the deferred tax asset of Rs. 9.436 million as at the nine months ended could be realized. Accordingly, the deferred tax asset has been fully recognised in these financial statements in accordance with the accounting policy of the Company as disclosed in note 4.12.

	Note	March 31, 2016	June 30, 2015
		---- (Rupees in '000) ----	
15. TRADE DEBTS			
Unsecured			
Considered good			
Due from members	15.1	**7,317**	5,222
Due from companies	15.2	**34,577**	25,732
		41,894	30,954
Considered doubtful			
Due from companies		**26,153**	28,124
		68,047	59,078
Provision for doubtful debts	15.3	**(26,153)**	(28,124)
		41,894	30,954

15.1 Included herein is a sum of Rs. 0.426 (June 30,2015: Rs. 0.771) million due from related parties.

15.2 Included herein is a sum of Rs. 0.55 (June 30,2015: Rs. 1.05) million due from related parties.

15.3 Reconciliation of provision for trade debts

	Note	March 31, 2016	June 30, 2015
Opening balance		**28,124**	22,837
Provision for the period/ year	31	**-**	5,632
Amount recovered	33	**(1,971)**	(345)
Closing balance		**26,153**	28,124

16. LOANS AND ADVANCES

	Note	March 31, 2016	June 30, 2015
Loans - secured, considered good			
- Current portion of long term loans to employees	13	**3,602**	1,467
Advances, considered good			
- Employees		**5,615**	3,974
- Suppliers		**4,592**	3,939
		10,207	7,913
		13,809	9,380

17. PREPAYMENTS

	Note	March 31, 2016	June 30, 2015
Maintenance of information technology equipment / software		**14,339**	12,423
Insurance		**3,814**	517
Others		**3,558**	683
		21,711	13,623

18. OTHER RECEIVABLES

	Note	March 31, 2016	June 30, 2015
Due from members		**6,118**	6,090
Due from non-members	18.1	**15,408**	14,452
Interest / profit accrued on PLS savings accounts		**13,822**	13,943
Due from an ex-member	18.2	**6,574**	6,574
Management fee receivable	18.3 & 25.4	**162,783**	68,383
Others	18.4	**70,173**	62,332
		274,878	171,774
Less: Provision for doubtful receivable		**(3,341)**	(3,341)
		271,537	168,433

18.1 This represents amount due on account of license fee and reimbursement of electricity charges, etc. incurred by the Company.

'18.2 This represents amount due from an ex-member upon the cancellation of his membership and declaration as a defaulter. As a result thereof, certain shares of the ex-member were taken over by the Company in order to square up the ex-member's position and are held pending the outcome of a law suit brought against the Company by him In the Honourable High Court of Sindh. The market value of these shares (including bonus shares) as at March 31, 2016 amounted to Rs. 21.740 (June 30, 2015: Rs.32.360) million. Further, as disclosed in note 20.6 included in bank balances Rs. 10.182 and Rs.7.416 (June 30, 2015: Rs 9.375 and Rs 6.761) million received as dividend and bank profit respectively.

18.3 Management fee receivable includes receivable of Rs. 80.206 (June 30, 2015: Rs.37.672) million from PSX Clearing House Protection Fund and Rs.16.146 (June 30, 2015: Rs.8.526) million from PSX Investors Protection Fund, in respect of Sindh Sales Tax demand raised from the Sindh Revenue Board against the management service fee charged by the Company to respective funds (also see note 25.4).

18.4 This includes receivable from NCCPL amounting to Rs. 8.556 (June 30, 2015: Rs. 24.042) million.

	Note	March 31, 2016	June 30, 2015
		-------- (Rupees in '000) --------	
19. SHORT TERM INVESTMENTS			
Held to maturity			
Market Treasury Bills	19.1	185,209	177,394

19.1 These represent Market Treasury Bills having cost of Rs. 182.306 (June 30, 2015: Rs. 175.858) million and interest accrued thereon of Rs. 2.903 (June 30, 2015: Rs. 1.536) million. The effective rate of return 6.65% (June 30, 2015: 6.79%) per annum. These will mature latest by August 04, 2016.

	Note	March 31, 2016	June 30, 2015
20. CASH AND BANK BALANCES			
In hand		62	12
With banks on:			
Current accounts	20.1& 20.3	103	104
PLS accounts in:			
foreign currency		9,061	7,567
local currency	20.1 to 20.4	3,822,089	5,616,502
		3,831,315	5,624,185

20.1 Included in 'current accounts' and 'PLS accounts' are Rs. 0.06 (June 30, 2015: Rs.0.06) million and Rs. 3,458.915 (June 30, 2015: Rs.5,330.362) million, respectively, aggregating to Rs. 3,458.975 (June 30, 2015: Rs.5,330.422) million, representing deposits from members against exposures and losses (refer note 24). These deposits are utilised by the Company in the event of default of members to recover losses there from, as provided for in the relevant regulations of the Company. Rate of return on PLS accounts varies from 2.18% to 6.30% (June 30, 2015: 2.97% to 9%). However, the effective rate for the year is 5.19% (June 30, 2015: 7.87%).

20.2 Included herein are funds earmarked by the Company against the outstanding balance in the Dara F. Dastoor Scholarship Fund, amounting to Rs. 2.168 (June 30, 2015: Rs. 2.239) million .

20.3 Included herein are balances, aggregating to Rs. 8.428 (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 (note 25.1).

20.4 Included herein is Rs. 276.991 (June 30, 2015: Rs. 293.690) million held by the Company on account of disposal of membership cards of defaulting / expelled members (note 25.2).

20.5 Included herein Rs. 0.04 (June 30, 2015: Rs. 183.635) million deposited with related parties.

20.6 Included herein Rs 17.597 (June 30, 2015: Rs.16.136) million related to bank profit and dividends received on the shares of an ex-member as disclosed in note 18.2.

21. SHARE CAPITAL

March 31, 2016	June 30, 2015		March 31, 2016	June 30, 2015
-----Number of shares------			-------- (Rupees in '000) --------	
		Authorised capital		
1,000,000,000	1,000,000,000	Ordinary shares of Rs.10/- each	10,000,000	10,000,000
		Issued, subscribed and paid-up capital		
801,476,600	801,476,600	Ordinary shares of Rs. 10/- each	8,014,766	8,014,766

	March 31, 2016	June 30, 2015
22. LONG TERM DEPOSITS		
Clearing house deposits from members	151,070	46,657
Other security deposits	3,490	3,490
	154,560	50,147

		Note	March 31, 2016	June 30, 2015
			-------- (Rupees in '000) --------	
23.	PROVISION FOR WEALTH TAX	23.1	1,684	1,684

23.1 Included herein are (a) a sum of Rs. 0.500 (June 30, 2015: Rs. 0.500) million, representing provision in respect of the assessed liability for the assessment year 1999-2000 and (b) a sum of Rs. 1.184 (June 30, 2015: Rs. 1.184) million, representing provision for the assessment year 2000-2001 the assessment of which is currently pending finalisation by the relevant tax authorities.

Further, the Inspecting Additional Commissioner raised an additional demand of Rs.19.184 million in respect of assessment years 1996-97 to 1999-2000 against which various appeals have been filed by the Company with the Income Tax Appellate Tribunal (ITAT). During the year ended June 30, 2002, the ITAT on appeals filed by the Company allowed relief to the Company by cancelling the wealth tax orders and allowing exemption under the Wealth Tax Act 1963. Against this decision of the ITAT, during the year ended June 30, 2007, the Income Tax Department filed an appeal with the Honourable High Court of Sindh against the order issued by the ITAT. Pending the resolution of these matters, no provision has been made in these financial statements for a sum of Rs.19.184 (June 30, 2015: Rs.19.184) million (note 26.1).

24. DEPOSITS FROM MEMBERS AGAINST EXPOSURES AND LOSSES

	Note	March 31, 2016	June 30, 2015
Deposits from members against exposures and losses	24.1 to 24.3	3,458,975	5,330,422

24.1 Included herein is a sum of Rs.84.463 (June 30, 2015: Rs. 355.270) million of deposits against exposures and losses from related parties.

24.2 In addition to the amount deposited by members against their exposures and losses, the members have also (a) pledged their shares, amounting to Rs.8,791.201 (June 30, 2015: Rs.10,908.173) million, in the CDC account of the Company and (b) provided bank guarantees amounting to Rs.1,020.8 (June 30, 2015: Rs.635.8) million and (c) pledged government securities amounting to Rs 49.880 (2015: 56.064) million.

24.3 Deposits from members against exposures and losses are placed in saving accounts on which interest is paid to members at the rate ranging from 1.18% to 5.3% (June 30, 2015: 1.97% to 8%).

25. TRADE AND OTHER LIABILITIES

	Note	March 31, 2016	June 30, 2015
Deposits against Arbitration	25.1	8,428	8,683
Accrued expenses		41,744	32,616
Provision for staff bonus		20,625	31,280
		70,797	72,579
Other liabilities			
Due to members		214	274
Due to non-members		503	977
Retention money		535	535
Fees and rent received in advance		66,424	10,940
Amount held against defaulted members	25.2	276,991	293,690
Employees' Gratuity Fund	25.3	72,475	58,230
Provision for Sind Sales Tax on management fee	25.4	36,514	46,198
Tax deducted at source		487	1,900
Various taxes collected from members		14,860	39,345
SECP supervision fee		1,388	1,842
SECP transaction fee		649	1,386
Payable to members against return on cash margins on future contracts	32.1	24,474	14,743
Workers' Welfare Fund payable		18,273	13,541
Others		36,589	14,722
		550,376	498,323
		621,173	570,902

25.1 This represents amount deposited with the Company by members with respect to certain arbitration cases pending settlement (note 20.3).

25.2 This represents amount obtained on disposal of membership cards of defaulting / expelled members, including profit accrued thereon, deposited in a separate bank account to be utilised for the settlement of dues of the defaulting members, including investors claim, if any (note 20.4).

25.3 The latest actuarial valuation was carried out as at June 30, 2015 however, the Management has not carried out actuarial valuation during the period and hence, the management of the Company has calculated on its best estimate and judgment.

25.4 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 had applied for the said exemption and the matter was under discussion with Sindh Revenue Board. Further, the Company has filed an appeal against the order of the Commissioner (Appeals-SRB) before the Appellate Tribunal Sindh Revenue Board. The Appellate Tribunal in view of the pendency of the matter with the SRB of waiver of penalty and default surcharge instructed the Company to pay the principal amount of sales tax and also directed SRB to dispose of the request made by the Company. In view of this, the Company has deposited the principal amount of sale tax of Rs.29.198 million and awaiting a favorable response from SRB on its request for waiver. Accordingly, the Company has continued to maintain the provision against the principal sales tax demand as at March 31, 2016 which amounted to Rs. 36.514 (June 30, 2015: Rs. 46.198) million.'

26. CONTINGENCIES AND COMMITMENTS

26.1 Tax related contingencies

26.1.1 Contingency relating to wealth tax amounts to Rs.19.184 (June 30, 2015: Rs.19.184) million is discussed in detail in note 23. Pending resolution of this matter, no provision has been made in these financial statements for any liability that may arise on this account.

26.1.2 Contingency relating to penalty amounting to Rs. 30.018 (June 30, 2015: Rs. 34.096) million and default surcharge imposed by the Sindh Revenue Board, due to non-payment of Sind Sales Tax is discussed in detail in note 25.4. Pending resolution of this matter, no provision has been made in these financial statements in respect of penalty of Rs. 30.018 million and default surcharge.

26.2 Contingencies relating to KSE's operations

Law suits filed during 1997

26.2.1 A lawsuit was filed by five investors against the Company and an ex-member for declaration, injunction and recovery of damages, aggregating to Rs.70.00 (June 30, 2015: Rs.70.00) million together with interest thereon. The investors alleged that the Company had unlawfully taken possession and disposed off some shares belonging to the petitioners that were lying with the ex-member. The legal advisor of the Company considers that above mentioned lawsuit is expected to be decided in favour of the Company. Hence, no provision has been made in the financial statements for any liability that may arise as a result of these lawsuits.

Law suits filed during 2000

26.2.2 An ex-member filed a lawsuit against the Company, CDC and the SECP, in the Honourable High Court of Sindh, for cancelling his membership and declaring him as a defaulter for a claim of Rs.300 (June 30, 2015: Rs. 300) million, from each. The Company is of the view that the ex-member was declared as a defaulter in accordance with its regulations as the said member had not made payments to settle his liability to the Company for the ready clearing dues and exposure and losses aggregating to Rs.351.392 (June 30, 2015: Rs.351.392) million. A sum of Rs.302.882 (June 30, 2015: Rs.302.882) million, including Rs. 6.574 (June 30, 2015: Rs. 6.574) million was subsequently realized by the Company from the sale of the assets of the ex-member.

Subsequently, a fund management and investment company filed a lawsuit in the Honourable High Court of Sindh against the above mentioned ex-member, CDC, SECP and the Company. The petitioners, alleged that the company had unlawfully taken the delivery of shares for which the petitioners had entered into that the Company had unlawfully taken the delivery of shares for which the petitioners had entered into contracts for purchase with the ex-member. The petitioners claimed declaration, injunction and delivery of the undelivered shares and damages of Rs 500 (June 30, 2015: Rs 500) million from the Company

In addition to the lawsuits referred above, five lawsuits involving the ex-members' default were filed against several other defendants and the Company in the Honourable High Court of Sindh for the recovery of damages of Rs.6,851.274 (June 30, 2015: Rs.6,851.274) million for declaration, injunction, recovery of shares, damages and compensation.

The legal advisor of the Company considers that above mentioned lawsuits would be decided in favour of the Company. Hence, no provision has been made in the financial statements for any liability that may arise as a result of these

Law suits filed during 2008

26.2.3 As a result of a dispute between the Company and a member (suspended), whereby the member (suspended) was not sharing certain information relating to trading of shares, the Company complained to the SECP and the member (suspended) fearing about any coercive action by the Company and SECP, filed a suit against the Company in the Honourable High Court of Sindh. However, the SECP before filing the law suit by the member , had already suspended the license of the brokerage of the member. The member (suspended) has filed the above law suit for declaration, permanent injunction, mandatory injunction and damages of Rs. 2,000 (June 30, 2015: Rs 2,000) million against the Company. The legal advisor of the Company considers that above mentioned lawsuits would be decided in favour of the Company. Hence, no provision has been made in the financial statements for any liability that may arise as a result of these lawsuits.

26.2.4 The Islamabad Stock Exchange (Guarantee) Limited filed a complaint with the Competition Commission of Pakistan (CCP) against the Company alleging abuse of its dominant position in securities market in contravention of Section 3 of the Competition Ordinance, 2007. The CCP passed directed the Company to take corrective measures along with the other exchanges of Pakistan and in case of failure to comply with the direction of the CCP, the Company will be liable to pay a penalty of Rs.50 (June 30, 2015: Rs. 50) million and additional penalty of Rs.250,000 per day for each day of non-compliance. The Company has filed an appeal before the Supreme Court against the CCP's Order. As per the legal advisor, the Company has a reasonable case in respect of the above. Hence, no provision for any liability which may arise in this regard has been made in the financial statements.

26.2.5 A customer of the member of the Company has filed a case against the Company in Honourable High Court of Sindh, wherein, an amount of Rs. 91 (June 30, 2015: Rs. 91) million has been claimed by the customer of the member from the Company on account of alleged loss of investment and damages said to have been arisen due to fixation of a floor price and closure of the exchange in the year 2008. The legal advisor the Company anticipate a positive outcome to the matter from the standpoint of the Company and accordingly no provision against the above matter has been made by the management in the financial statements.

Law suits filed during 2011

26.2.6 A member filed a suit in the Honourable High Court of Sindh against the SECP, the Company and others whereby the member pleaded that it has suffered losses on account of trades executed by one of its client / investor. Further, the SECP asks the Company to initiate any inquiry against the member and thereafter requiring the member to maintain status qou in respect of the securities retained by the Company. The member has therefore sought judgment in decree of the Court, among others to award damages of Rs. 50 million against all the defendants (jointly and severally liable) for harassing and damaging the member's reputation. As per the legal advisor, the Company has a reasonable case in respect of the above. Hence, no provision for any liability which may arise in this regard has been made in the financial statements of the Company.

Law suits filed during 2012

26.2.7 One of the then member of the Company ceased to perform its function in the year 2012 and the Company gave ninety days period to the said then member to settle all its obligations towards its customers. In this regard, as alleged in plaint, (one of the common director and shareholder of another Trading Rights Entitlement Certificate Holder of the Company and the aforementioned then member) gave an undertaking to the Company that he will ensure that all claims lodged by customers of the said then outgoing member within the stipulated time will be settled by him. However, some investors filed a complaint with the SECP against such Director and shareholder of the then member that the claims lodged by them were not paid. In view of the same, SECP suspended the registration of the brokerage house of such Director. The Director is of the view that all claims lodged by investors were fully settled within the stipulated time and the suspension of his brokerage house is not justified. Accordingly, the plaintiff filed the case in the Honorable High Court of Sindh against suspension order of SECP and claimed Rs. 50 million against the Company jointly and severally with the main Defendant, i.e. SECP. As per the legal advisor, the Company has a reasonable case in respect of the above. Hence, no provision for any liability which may arise in this regard has been made in the financial statements of the Company.

26.2.8 Law suits filed during 2016

During the period, a law suit was filed by a suspended TREC holder of the exchange in which TREC holder raised allegations against the management / Board of Directors of PSX and sought among others, reliefs from the Court to suspend the notice dated December 10, 2015 issued by PSX subject to an TREC holder's undertaking to deposit 75% of their monthly income derived from the trading at Stock Market with the Nazir of the Court so that the claimants be paid their money in the shortest possible time, declare that investor cannot be stopped from doing brokerage business and award damages of Rs.500 million jointly and severally against defendants. In the present suit, an application has been filed for suspending PSX's notice dated December 10, 2015 and restoration of TRE Certificate of member. The Court vide its interim order dated February 11, 2016 suspended the operation of PSX's show cause notice issued to member. As per the legal advisor, no foreseeable claims/ losses are likely to arise due to above mentioned law suit. Hence, no provision for any liability which may arise in this regard has been made in the financial statements of the Company.

26.2.9 In addition to the above stated litigations, there are various other lawsuits filed by ex-members and / or their customers and penalties imposed by the CCP and SECP, which the Company is currently contesting in various courts of laws / forums. Following are the issues in relation to such litigations / penalties:

- Customer of members claiming for losses on their investments arising due to fixation of floor prices by the Company.
- CCP imposing penalty for placement of floor.
- Customer of members claiming for losses due to certain activities of members resulting in financial loss to the customers.
- Third party claiming for damages from Company for putting restriction for operating in office premises which the third party bought from ex-member.
- Counter claim of a member against the penalties imposed by the KSE due to non-compliance of certain Regulations by the member.

The cumulative financial impact of these various litigations is estimated to be Rs. 68.357 (June 30, 2015: Rs. 58.257) million. The management of the Company, based on legal advisors opinions, believes that the Company has reasonable position in respect of these litigations. Hence, no provision for any liability which may arise in this regard has been made in the financial statements of the Company.

26.3 Commitments

Aggregate commitments for capital expenditure at the end of nine months were Rs. 8.307 (June 30, 2015: Rs. 17.461) million.

	March 31, 2016 (Audited)	March 31, 2015 (Unaudited)
	-------- (Rupees in '000) --------	
27. LISTING FEE		
Annual fees	**139,257**	129,784
Initial fees	**36,350**	31,300
	175,607	161,084
28. INCOME FROM EXCHANGE OPERATIONS		
Trading fee	**156,731**	161,326
Facilities and equipment fee	**39,513**	32,547
Income from non-trading facilities	**21,799**	21,937
Membership fee	**1,447**	1,496
Other fee	**8,356**	7,955
	227,846	225,261

29. MANAGEMENT FEE

The Company manages PSX Clearing House Protection Fund (CHPF) and PSX Investors Protection Fund (IPF) which includes provision of services related to finance & investment, risk management and customers services and investors complaints. The management fee is charged based on the following rates as approved by the Board of Directors of the Company:

	CHPF		IPF	
	2016	2015	2016	2015
	----------------- % -----------------			
<u>On fund size of CHPF</u>				
For the period from July 1 to September 30	4%	4%	-	-
For the period from October 1 to March 31	4%	2%	-	-
<u>On fund size of IPF</u>				
For the period from July 1 to March 31	-	-	4%	2%

During the period, the Company after obtaining the approval of SECP has changed the basis of management fee charged to CHPF and IPF and now the management fee is charged on CHPF and IPF at rate of 4% each with effect from July 01, 2015.

	March 31, 2016 (Audited)	March 31, 2015 (Unaudited)
	-------- (Rupees in '000) --------	
30. MARK-UP / INTEREST INCOME		
Return on:		
Government securities	**172,917**	174,621
PLS saving accounts	**173,095**	171,458
	346,012	346,079

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	Note	March 31, 2016 (Audited)	March 31, 2015 (Unaudited)
		-------- (Rupees in '000) --------	
31. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	31.1	**314,579**	273,771
Rent, rates and taxes		**1,492**	665
Fuel and power		**45,068**	43,695
Repairs and maintenance		**32,702**	23,879
Computer maintenance and related expenses		**59,475**	31,889
Insurance		**7,337**	7,281
Telephone, courier and postage		**4,660**	2,571
Printing and stationery		**10,920**	5,104
Donations	31.2	**4,500**	4,000
Auditors' remuneration	31.3	**2,683**	934
Legal and professional charges		**26,518**	13,834
Demerger expenses		**6,700**	-
Depreciation	7.1	**143,488**	139,634
Amortisation	8.1	**23,575**	33,024
Travelling and conveyance		**20,751**	7,473
Entertainment expense		**5,494**	3,694
Receptions, meetings and functions		**14,093**	12,095
Advertisement, marketing and development		**16,530**	8,143
SECP supervision fee		**4,035**	7,344
Security expenses		**13,820**	10,166
Subscription fee		**1,544**	1,986
Loss on sale of fixed assets		**18**	390
Other expenses		**1,296**	1,548
		761,278	633,120

31.1 Included herein is a sum of Rs.15.17 (June 30, 2015: Rs.10.305) million in respect of retirement benefits.

31.2 Donations are paid to a Educational and Medical Institutions, as per the policy approved by Board of Directors, in which none of the directors of the Company is interested in any capacity.

31.3 Auditors' remuneration

Special Audit	**239**	-
Annual Audit	**577**	570
Half yearly review	**262**	260
Other special assignment	**1,500**	-
Out of pocket expenses	**105**	105
	2,683	935

32. FINANCIAL AND OTHER CHARGES

	Note		
Return on cash margin against ready and future exposure and loses	32.1	**126,386**	135,970
Bank charges		**638**	681
Workers' Welfare Fund		**4,581**	5,177
		131,605	141,829

32.1 This represents return on cash margins deposited by members against future contracts at various rates ranging between 1.18% and 5.3% (March 31, 2015: 4.4% and 7.85%) per annum, after deducting 1% service charge, as per the Directive issued by the Securities and Exchange Commission of Pakistan.

	Note	March 31, 2016 (Audited)	March 31, 2015 (Unaudited)
		-------- (Rupees in '000) --------	
33. OTHER INCOME			
Bad debts recovered	15.3	**1,971**	345
Miscellaneous income		**1,605**	623
Exchange gain		**225**	1,986
		3,801	2,953
34. TAXATION			
Current		**37,371**	20,283
Deferred		**47,179**	31,348
	34.1	**84,550**	51,631

34.1 Reconciliation between tax and accounting profit

	March 31, 2016 (Audited)	March 31, 2015 (Unaudited)
Profit before taxation	**224,484**	253,714
Tax expense applicable at the rate of 32% (2015: 33%)	**(71,835)**	(83,726)
Tax effects of:		
- Income exempt from tax	**72**	655
- Expenses not deductible for tax purpose	**1,422**	1,306
- Income taxed at reduced rate	**34,162**	43,900
- Effect of change in tax rate and other temporary differences	**(45,527)**	(11,351)
- Others	**(2,844)**	(2,416)
	(84,550)	(51,631)

35. BASIC AND DILUTED EARNINGS PER SHARE

	March 31, 2016 (Audited)	March 31, 2015 (Unaudited)
Profit after taxation	**139,934**	202,083
	(Numbers in '000)	
Weighted average number of ordinary shares outstanding during the period	**801,476**	801,476
	(Rupees)	
Basic and diluted earnings per share (Rupees)	**0.17**	0.25

36. REMUNERATION OF MANAGING DIRECTOR AND DIRECTORS

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including benefits, to the Managing Director and Directors of the Company are as follows:

	March 31,2016 (Audited)		
	Managing Director	**Directors**	**Total**
	------------- (Rupees in '000) -------------		
Managerial remuneration	**13,465**	-	**13,465**
Annual performance payout	-	-	-
Reimbursement of expenses	**810**	-	**810**
Fees	-	**8,000**	**8,000**
	14,275	**8,000**	**22,275**
Number	**1**	**10**	

	March 31, 2015 (Unaudited)		
	Managing Director	**Directors**	**Total**
	------------- (Rupees in '000) -------------		
Managerial remuneration	12,023	-	12,023
Annual performance payout	-	-	-
Reimbursement of expenses	864	-	864
Fees	-	7,450	7,450
	12,887	7,450	20,337
Number	1	10	

36.1 The Managing Director of the Company is also provided with the free use of Company owned and maintained car.

37. 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

The balances with related parties are disclosed in respective notes to the financial statements. Following are the details of transactions with related parties during the period ended March 31, 2016 and March 31, 2015.

	MARCH 31,	
	2016 (Audited)	2015 (Unaudited)
	-------- (Rupees in '000) --------	
Management fee		
KSE Clearing House Protection Fund	120,310	74,469
KSE Investors Protection Fund	24,218	11,559
	144,528	86,028
Dividend income		
Central Depository Company of Pakistan Limited (CDCPL)	84,088	77,620
National Clearing Company of Pakistan Limited (NCCPL)	94,924	42,167
	179,012	119,787
Income from investment property		
CDCPL	4,560	4,145
NCCPL	10,548	9,583
	15,108	13,728
Income from Marginal Trading System - **NCCPL**	22,279	15,733
CDC fees - **CDCPL**	1,279	681
Trading fees		
Aba Ali Habib Securities (Private) Limited	4,674	5,292
Adam Securities (Private) Limited	7,787	7,881
Topline Securities (Private) Limited	1,952	2,180
Lakhani Securities (Private) Limited	138	157
	14,551	15,510
Profit on PLS account		
Barclays Bank PLC, Pakistan (now Habib Bank Limited)	-	12,613
BankIslami Pakistan Limited	1,539	
KASB Bank Limited (now BankIslami Pakistan Limited)	-	3,063
	1,539	15,676
Facilities and equipment fees		
Aba Ali Habib Securities (Private) Limited	339	375
Adam Securities (Private) Limited	1,342	1,182
Topline Securities (Private) Limited	224	224
Lakhani Securities (Private) Limited	12	12
Abid Ali Habib Securities (Private) Limited	2	-
	1,919	1,793
Listing fees		
National Bank of Pakistan	947	898
Tri-Pack Films Limited	320	485
Thal Limited	398	585
Descon Oxychem Limited	166	274
KASB Bank Limited (now BankIslami Pakistan Limited)	375	426
EFU Life Assurance Limited	385	542
Sui Southern Gas Company Limited	418	618
Standard Chartered Bank (Pakistan) Limited	539	795
Engro Corporation Limited	943	-
Archroma Pakistan Limited	601	-
KSB Pumps Limited	368	-
WYETH Pakistan Limited	465	-
	5,925	4,623
Insurance Premium		
EFU Life Assurance Limited	1,927	2,254
Retirement benefit plan		
Payment made to gratuity fund during the year	11,133	6,628
Donation		
Developments in Literacy	326	-
Sindh Institute of Urology and Transplantation	489	750
	815	750

38. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise long term and short term deposits, accrued and other liabilities. The financial assets comprise of short term investments, cash at bank, trade debts, loans and advances, long term deposits and other receivables.

The Company is exposed to market risk, credit risk and liquidity risk.

38.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest rate risk, equity price risk and currency risk. The Company is exposed to market risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

38.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term investments and bank deposits in saving accounts. At the balance sheet date, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	March 31,2016			
	Interest / mark-up bearing			
	Effective yield / mark-up rate %	Upto six months	More than six months	Total
		(Rupees in '000)		
Financial assets				
Government securities	**6.65 - 12.34**	**185,209**	**1,554,199**	**1,739,408**
Cash and bank balances	**2.18 - 6.30**	**3,831,150**	**-**	**3,831,150**
		4,016,359	**1,554,199**	**5,570,558**
Financial liabilities				
Deposits from members against exposures and losses	**1.18 - 5.3**	**3,458,975**	**-**	**3,458,975**

	June 30,2015			
	Interest / mark-up bearing			
	Effective yield / mark-up rate %	Upto six months	More than six months	Total
		(Rupees in '000)		
Financial assets				
Government Securities	6.79 - 12.36	177,394	1,953,406	2,130,800
Cash and bank balances	2.97 - 9	5,624,069	-	5,624,069
		5,801,463	1,953,406	7,754,869
Financial liabilities				
Deposits from members against exposures and losses	1.97 - 8	5,330,422	-	5,330,422

The following table demonstrates the sensitivity of Company's income for the year to a reasonably possible change in interest rates, with all other variables held constant.

	Effect on profit	
	2016	2015
Change in basis point	(Rupees in '000)	
+ 100	**21,116**	24,244
- 100	**(21,116)**	(24,244)

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38.3 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of change in foreign exchange rates relates only to the bank balance in saving accounts maintained in US dollars amounting to Rs. 9.061 (June 30, 2015: Rs. 7.567) million [US dollars 0.086 (June 30, 2015: US dollars 0.074) million].

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before tax and reserves.

	Change in US dollar rate	Effect on profit before tax	Effect on reserves
		------ (Rupees in '000) ------	
2016	+10%	**906**	**906**
	-10%	**(906)**	**(906)**
2015	+10%	**757**	**757**
	-10%	**(757)**	**(757)**

38.4 Credit risk

38.4.1 Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk on its short term investments, deposits, trade debts, loans and advances, cash at bank and other receivables. The table below shows the maximum exposure to credit risk for the components of the balance sheet.

	Note	March 31, 2016	June 30, 2015
		------ (Rupees in '000) ------	
Financial assets			
Government Securities			
- Market treasury bills		**185,209**	177,394
- Pakistan Investment Bonds (PIBs)		**1,554,199**	1,953,406
Cash at bank		**3,831,253**	5,624,173
Trade debts	38.4.2	**41,894**	30,954
Loans and advances		**13,809**	9,380
Long term deposits		**39,219**	38,062
Other receivables		**271,537**	168,433
		5,937,119	8,001,802

38.4.2 This includes trade debts of Rs. 9.805 million which are past due but not impaired.

38.4.3 Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyses the credit quality of Company's exposure with respect to cash at bank only:

Ratings *	March 31, 2016	June 30, 2015
	------------------ (%) ------------------	
AAA	**40.76**	25.32
AA+	**23.47**	30.16
AA	**11.83**	8.32
AA-	**4.41**	2.62
A+	**13.20**	14.41
A	**6.33**	7.06
A-	**-**	9.34
BBB	**-**	2.77
	100.00	100.00

* Ratings are performed by PACRA and JCR-VIS

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38.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in releasing funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring losses or risking damage to the Company's reputation. The table below summarizes the maturity profile of Company's financial liability:

	March 31,2016			
	On demand	Upto three months	More than one year	Total
	-------Rupees in '000-------			
Long term deposits	-	-	154,560	154,560
Deposits from members against exposures and losses	3,458,975	-	-	3,458,975
Trade and other liabilities	596,699	24,474	-	621,173
Total	4,055,674	24,474	154,560	4,234,708

	June 30,2015			
	On demand	Upto three months	More than one year	Total
	-------Rupees in '000-------			
Long term deposits	-	-	50,147	50,147
Deposits from members against exposures and losses	5,330,422	-	-	5,330,422
Trade and other liabilities	556,159	14,743	-	570,902
Total	5,886,581	14,743	50,147	5,951,471

39. DATE OF AUTHORISATION FOR ISSUE

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

40. NUMBER OF EMPLOYEES

The number of employees as at March 31, 2016 were 269 (June 30,2015 : 237).

41. GENERAL

41.1 Comparative figures in the profit and loss account, statement of comprehensive income and statement of cash flows are for the period ended March 31, 2015 which are not audited or reviewed by the statutory auditors of the Company.

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

41.3 Certain prior year figures have reclassified for comparison purposes. However, there are no material reclassifications to report.

Sd/-

Chairman

Sd/-

Managing Director