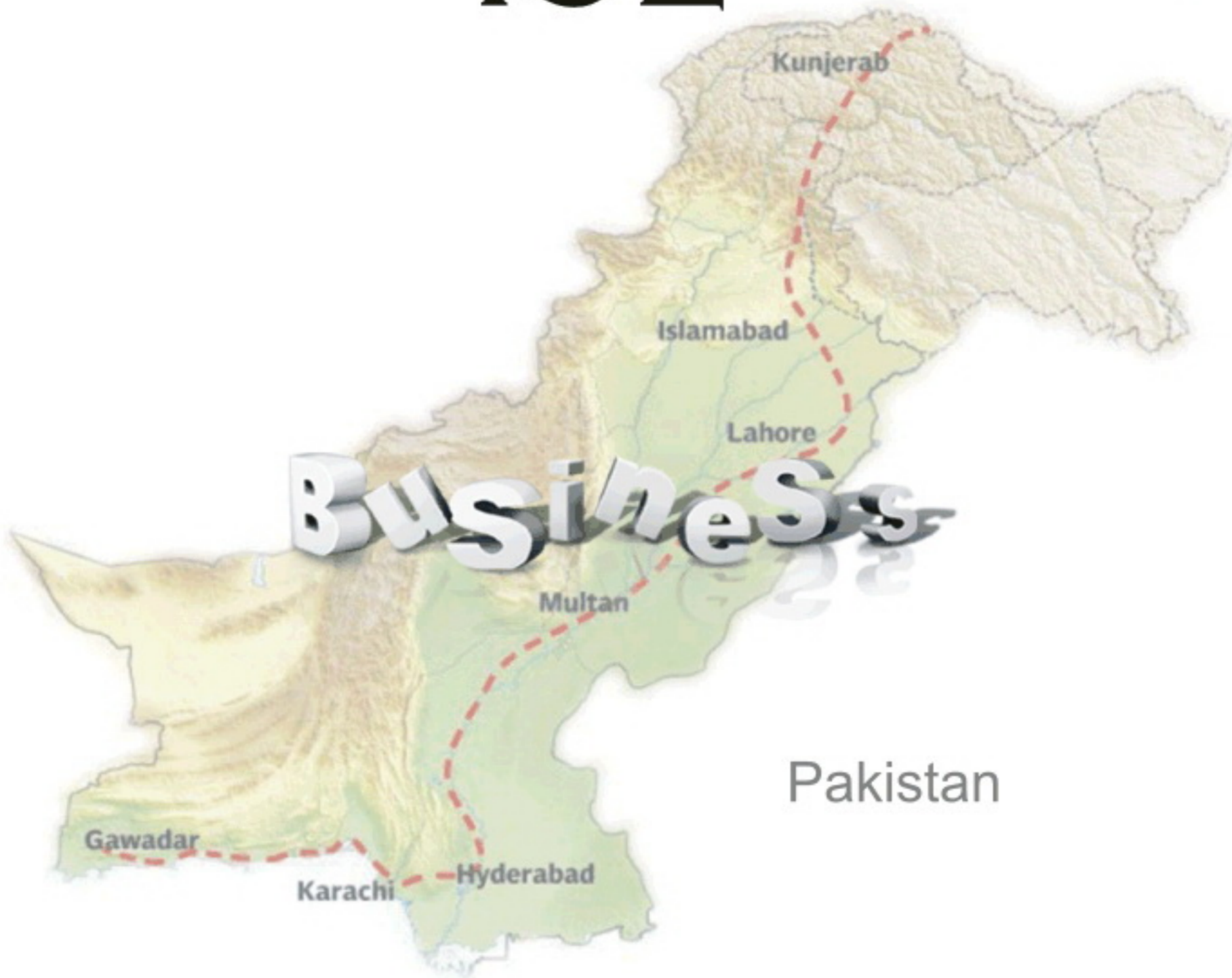




ISE

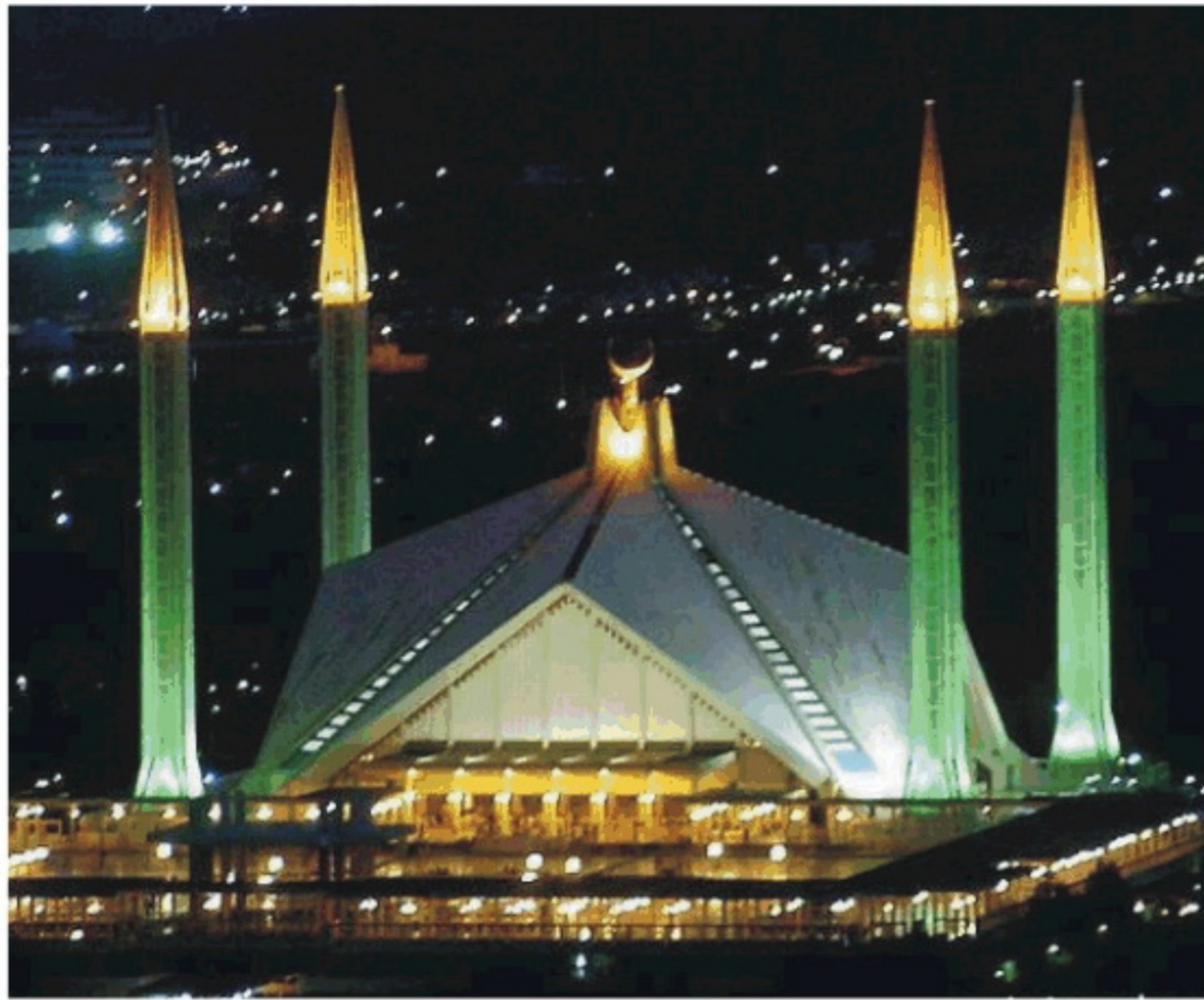
China

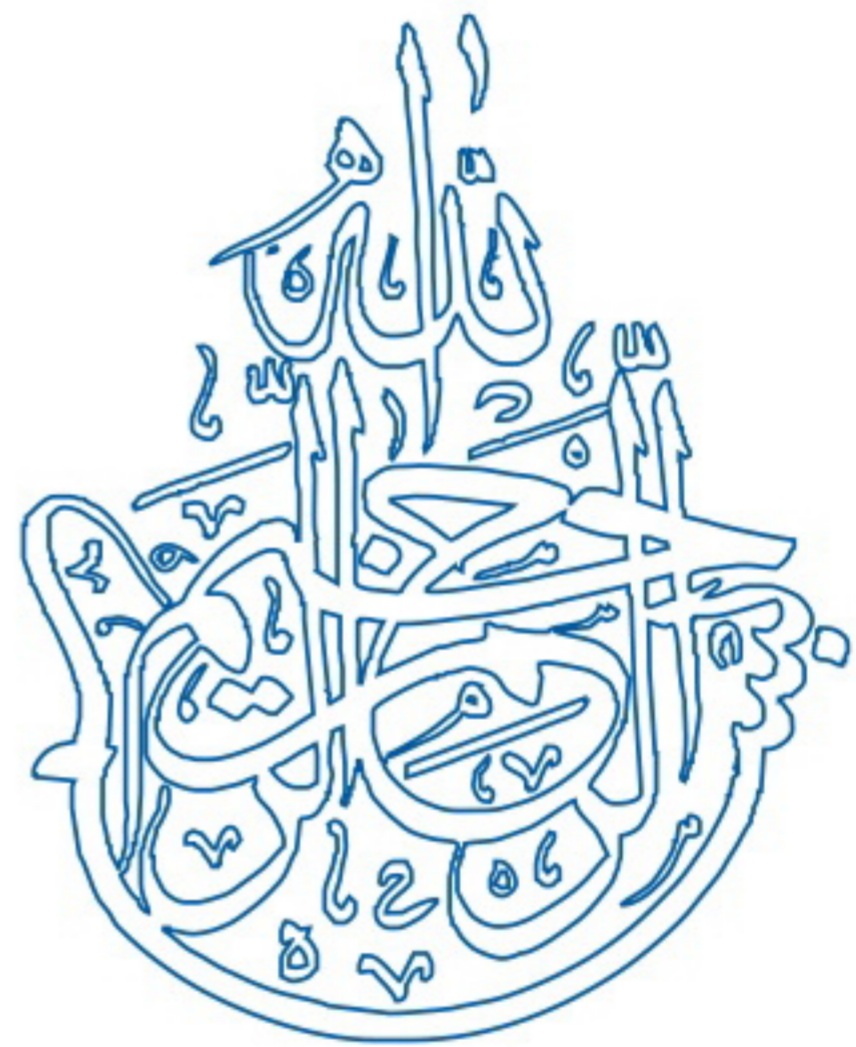


Pakistan

ANNUAL REPORT 2015

ISLAMABAD STOCK EXCHANGE LIMITED





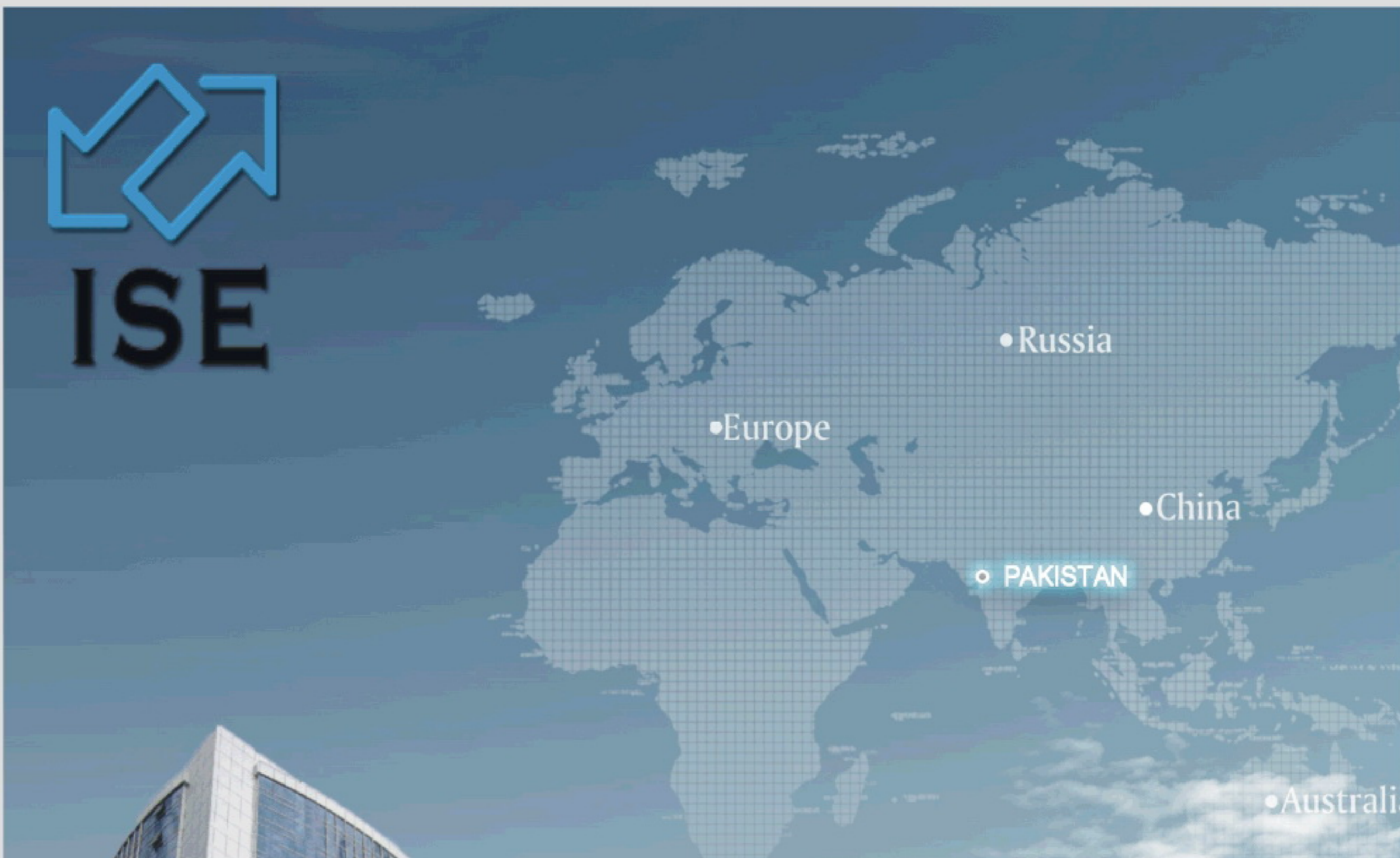


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ISE



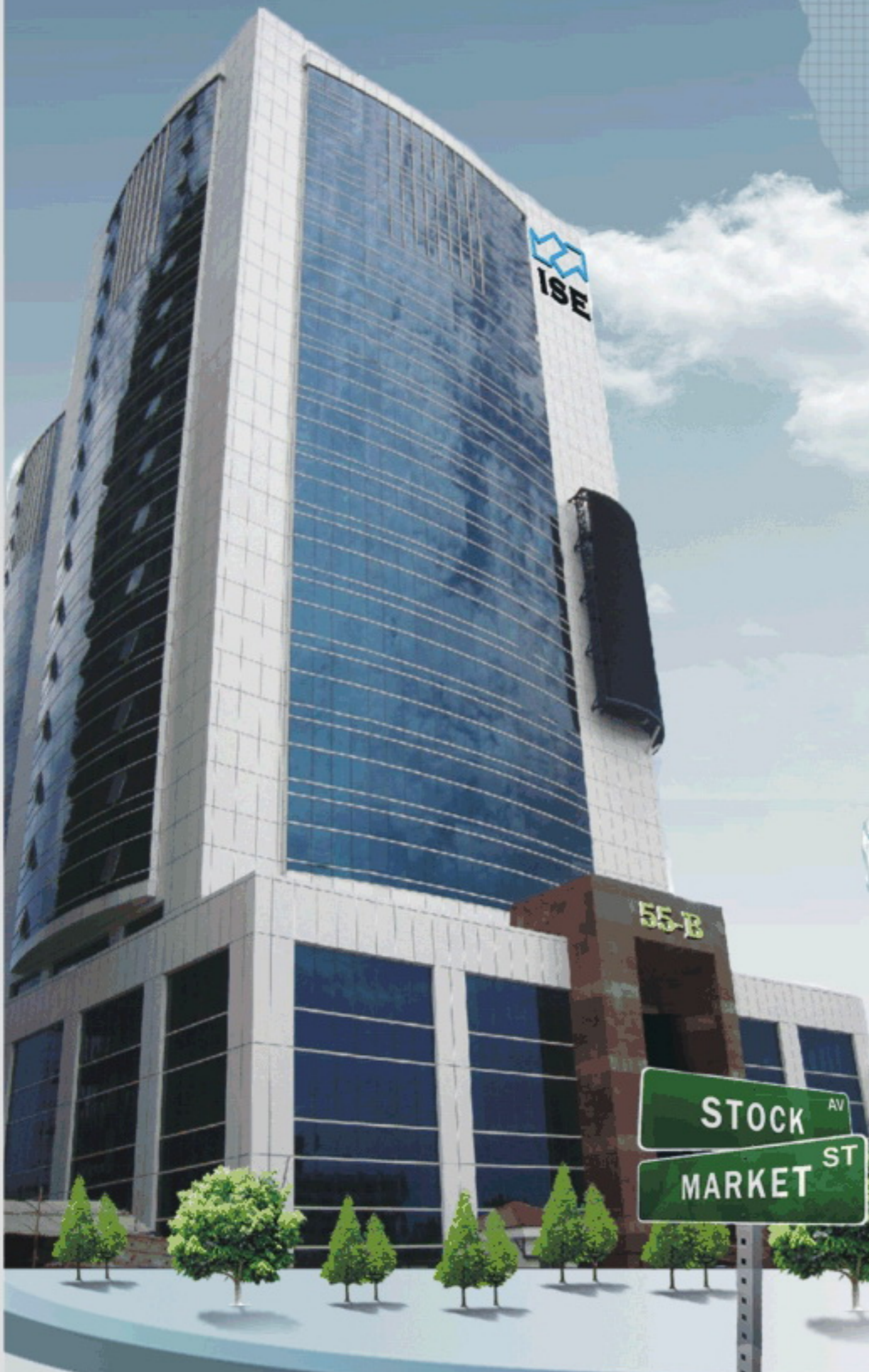
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• Europe

• China

• PAKISTAN

• Australia



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STOCK AV
MARKET ST



Vision

- Canada

- United States

To be the pre-eminent Stock Market in Pakistan and achieve market recognition both in terms of quality and delivery of our services.

Mission

To create value for our Investors and Listed Companies through dynamic market operations, fair and transparent business practices and effective management.



CORE VALUES

We aim to be an organization that is founded on:

Highest standards of commercial honour and integrity.
Just and equitable principles of trade and business.

We shall work to:

Regulate our market in accordance with international best practices.
Settle and decide promptly points of dispute arising out of investors' complaints.

We have confidence in our ability to:

Lead through the strengths of our commitments and willingness to excel.
Continuously respond to the changing needs of internal and external environments.





COMPANY INFORMATION

Board of Directors

Mr. Moin M. Fudda	Chairman
Mian Ayyaz Afzal	Managing Director/CEO
Mr. Asif Saeed Malik	Elected
Chaudhry Mujeeb Ullah	SECP's Nominee
Mr. Hussain Ahmed Ozgen	SECP's Nominee
Malik Qamar Afzal	SECP's Nominee
Mian Humayun Parvez	Elected
Mr. Mohammad Masud Ch.	Elected
Mr. Rashid Akhtar Chughtai	SECP's Nominee
Mr. Umar Hayat Khan	SECP's Nominee
Mr. Zahid Latif Khan	Elected
Mr. Ahmed Noman	Secretary/COO

Chief Regulatory Officer

Mr. Sagheer Mushtaq

Legal Advisors

M/s. Hassan & Hassan (Advocates)
M/s. Hassan Kaunain Nafees (Legal Practitioners and Advisers)

Bankers

Allied Bank Limited	Askari Bank Limited
Bank Alfalah Limited	MCB Bank Limited
NIB Bank Limited	Silk Bank Limited
Summit Bank Limited	United Bank Limited

Auditors

BDO Ebrahim & Co. Chartered Accountants

Registered Office

Islamabad Stock Exchange Limited
55-B, ISE Towers, Jinnah Avenue,
Islamabad.
Tel: +(92-51) 111 473-473
Fax: +(92-51) 111-473-329
Email: info@ise.com.pk
URL: www.ise.com.pk

PROFILE OF THE BOARD OF DIRECTORS



Mr. Moin M. Fudda
Chairman

Mr. Moin Mohammed Fudda is a nominee Director of the Securities and Exchange Commission of Pakistan and elected Chairman of the Board.

He is the Country Director of Center for International Private Enterprise (CIPE) Washington, (an affiliate of US Chamber of Commerce) engaged in Private Sector Development and Market Oriented Reforms in Pakistan since 2005. He has led CIPE Pakistan Office by focusing on projects involving, Chambers and Associations Development, Economic Journalism, Corporate Governance, creation of Women Chambers, Youth Entrepreneurship, outreach and availability of Micro Finance in association with Pakistan Microfinance Network and the State Bank of Pakistan, drafting of regulations for Private Equity and Venture Capital and Micro Insurance and creation of Securities Market Institute of Pakistan.

Prior to joining CIPE; Mr. Fudda was Managing Director of the Karachi Stock Exchange (KSE) from 2002 to 2005. During the period, he served as Chairman, National Clearing & Settlement Company, Director, Central Depository Company and National Commodity Exchange. He represented KSE at several international events and was elected to the Technical Committee of South Asian Federation of Exchanges (SAFE) and Chairman of the Task Force on Corporate Governance in the Federation of European and Asian Stock Exchanges (FEAS).

He is certified trainer for Corporate Governance and is a Member of the Faculty of the Pakistan Institute of Corporate Governance (PICG). He is the Chairman/Director of Alternate Dispute Resolution Committees of the Federal Board of Revenue and Members of Board of Governors of the National Centre for Dispute Resolution and Karachi Council of Foreign Relations.

He has been the CEO of, Commercial Union, British Insurers (CU), now AVIVA and New Zealand Insurance Company (NZI). He is also the Honorary Consul General of New Zealand for Pakistan and in 2002, was conferred the civil award "New Zealand Order of Merit, for services to New Zealand's interest in Pakistan.

He is the former President of Overseas Investors Chamber of Commerce & Industry and Management Association of Pakistan. He has also served as a Member Boards of Privatization Commission and Investment, Pakistan Britain Business Advisory Group, Pakistan Institute of Management, Federation of Pakistan Chamber of Commerce & Industry, Insurance Association of Pakistan, Reinsurance Pool of Economic Cooperation Organization (ECO) of Iran, Pakistan & Turkey, Federation of Afro-Asian Insurers and Reinsurers (FAIR) and Indus Valley School of Arts & Architecture. He has authored papers on Corporate Governance, Insurance & Re-insurance, Risk Management and Capital Market and has also delivered papers at domestic and international events. In recognition of his services, in 2006, he was conferred the Civil Award "Sitara-e- Imtiaz" by the President of Pakistan.

He holds MBA in Insurance and Risk Management from St. Jones University, New York and B.S. in Insurance and Economics from The RCD College of Insurance. He has traveled to more than 100 countries in 7 Continents.

PROFILE OF THE BOARD OF DIRECTORS



Mian Ayyaz Afzal
**Managing Director/
CEO**

Mian Ayyaz Afzal is the Managing Director/Chief Executive Officer of the Islamabad Stock Exchange (ISE) since 2011. He has vast experience of Capital Market as well as real estate market. He has served Central Depository Company as the Head of its Islamabad office during 1996 to 2005. He has also served JS Abamco as its Vice President and also worked as Chief Capital Market Operations in a stock brokerage company. He has been providing consultancy services for capital market, corporate finance and real estate development projects.

Presently, Mr. Afzal is serving as Director on the Boards of National Clearing Company of Pakistan Limited and JCR-VIS Credit Rating Company Limited. He is also Member of Executive Board of South Asian Federation of Exchanges (SAFE). His contribution towards improving operational efficiency, governance standard and effectiveness of these institutions has been acknowledged immensely. He has also been a Director of Central Depository Company of Pakistan Limited, Pakistan Institute of Corporate Governance and Pakistan Mercantile Exchange Limited. He has participated in many national and international institutes on securities markets including institutes organized by US Securities & Exchange Commission and by OIC forums. He has also attended National Security Workshop at National Defense University, Islamabad. He has been very instrumental in the Corporatization, Demutualization and Integration of ISE. Under his dynamic and sterling leadership, ISE is making notable progress.

Mian Ayyaz Afzal holds a Master degree in Economics from Northeastern University, Boston, USA. He is also a certified Director from Institute of Cost and Management Accountants of Pakistan.



Mr. Asif Saeed Malik
Director

Mr. Asif Saeed Malik has been elected as Member of the ISE Board in September 2012 and is also a Member of the Board Audit Committee. He is qualified Chartered and Management Accountant and also holds MBA degree with major in Finance. He has more than 12 years experience in the field of Treasury, Corporate Finance and project appraisals in the telecommunication and financial service industry at various senior level positions. He has also participated in the Directors' Training Program duly approved by SECP under the Code of Corporate Governance.

Presently, Mr. Asif Saeed Malik is the Chief Executive of M/s AAA Securities (Pvt.) Limited, a shareholder as well as TRE Certificate holder of the Islamabad Stock Exchange Limited.

Mr. Asif Saeed Malik also serves on the Board of Directors of Hawwa Memorial Hospital, a public company "not for profit" established under section 42 of the Companies Ordinance 1984.

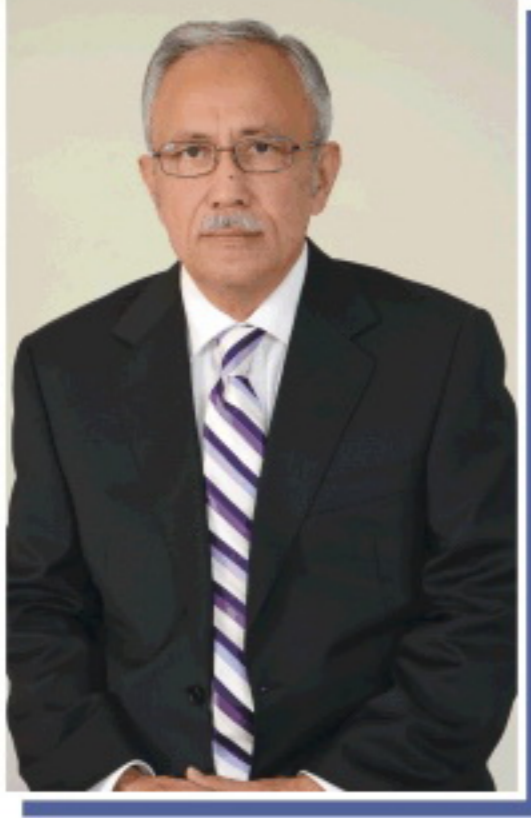


Ch. Mujeeb Ullah
Director

Mr. Mujeeb Ullah is SECP Nominee Director on the Board. He is consultant by profession. He has served M/s. Naunahar bottling Company (Pvt) Ltd as General Manager from 1989 to 1995. He has also served Haidri Beverages (Pvt.) Ltd. as General Manager from 1995 to 2012. Ch. Mujeeb Ullah holds MBA degree. He has specialized in Operations Management with focus on energy conservation projects in SMEs.

He has developed special indigenous fuel to be used in boilers thus directly saving precious foreign exchange. He has extensively worked for development of rural economy by managing supply chain from village to urban areas. He is a certified director by the Institute of Cost and Management Accountants of Pakistan (ICMAP).

PROFILE OF THE BOARD OF DIRECTORS



Mr. Hussain Ahmed Ozgen
Director

Mr. Hussain Ahmed Ozgen is the SECP Nominated Director of ISE. He is the Chief Executive of M/s Rahat Woollen Mills (Pvt.) Limited. He is the former President of Rawalpindi Chamber of Commerce and Industry. He also remained the chairman of various Standing Committees of Rawalpindi Chamber of Commerce and Industry. He represented the Chamber of Commerce and Industry on various international forums. He has been a Nominee Director on the Board of Pakistan Mercantile Exchange Limited. During his tenure as a Director of Pakistan Mercantile Exchange Limited, the exchange became one of the leading Commodity Exchange in the region which itself speaks of his intellectual capacity. He was also a nominee Director of M/s SME Leasing Limited and Technical Education and Vocational Training Authority (TEFTA).



Malik Qamar Afzal
Director

Malik Qamar Afzal is nominee director on the Board. He is an eminent Supreme Court Lawyer. He is the senior partner of Afzal & Afzal, a law firm working in Rawalpindi and Islamabad since 1990. He has written for various national dailies on legal matters and delivered speeches and lectures on various legal issues. He is Professor at law in a law school; and has been legal advisor to Rawalpindi Chamber of Commerce (RCCI) and legal representative of leading National and Multi-National Companies. He has vast experience in Commercial Law practice.



PROFILE OF THE BOARD OF DIRECTORS



Mian Humayun Parvez
Director

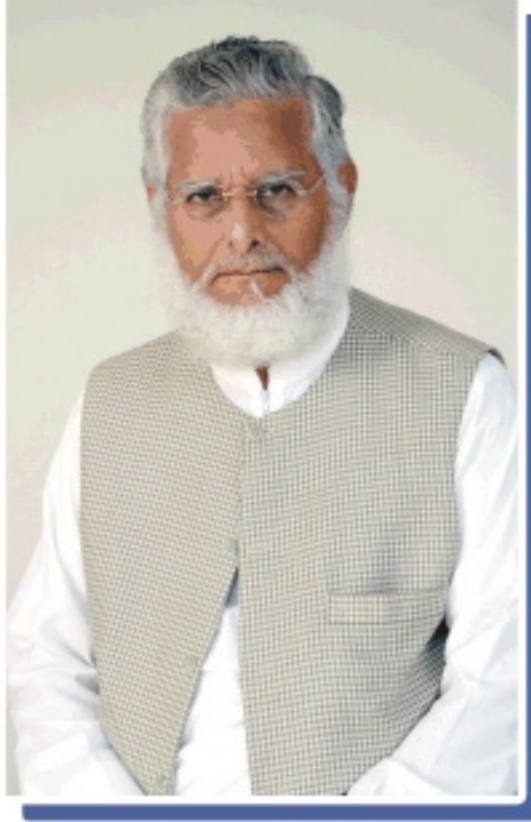
Mian Humayun Parvez is an elected director on the Board of the Exchange. He has served as director on the ISE Board of Directors of 2008-09 and has been Member of various Committees of the Exchange. He is Vice Chairman of the Demutualization and Corporatization Committee and is member of the Human Resource and Remuneration Committee of the Board. He is the Chief Executive of a brokerage house namely M/s. Mian Parvez Aslam Securities (Pvt.) Limited, an initial shareholder as well as TRE Certificate Holder of the Exchange. Like his late father, Mian Parvez Aslam, who was on the first Board of the Exchange, Mian Humayun Parvez has the honor to be on the first demutualized Board of Islamabad Stock Exchange Limited. He is a certified broker by the Institute of Capital Market (ICM) , a certified director by the Institute of Cost and Management Accountants of Pakistan (ICMAP) and possesses more than 15 years of experience in the stocks brokerage business. He has represented the Exchange in the National Security Workshop organized by National Defense University during 2008.-09. He is the President of Rawalpindi Chamber of Commerce and Industry (RCCI). He is a graduate with a degree in Industrial Engineering from University of Arizona and is a lifetime member of the Engineering Council of Pakistan.



Mr. Mohammad Masud Ch.
Director

Mr. Mohammad Masud Ch. is the elected director on the Board of ISE. He is the Chief Executive of M/s. Chenab Stocks Services (Pvt.) Limited. He is Managing Director, Chenab Associates dealing mainly in real estate projects. Mr. Mohammad Masud Ch. was the director on the Board of Elite Stocks Services (Pvt.) Limited, another Corporate Member of ISE. He has extensive experience of capital and real estate market. He is a graduate with professional D.A.E (Mech) certification. He has participated in various seminars and training programs relating to capital market both at national and international level. He got professional computer certifications from Quaid-e-Azam University, Islamabad. He is a certified director by the Institute of Cost and Management Accountants of Pakistan (ICMAP) and possesses more than 20 years of experience in the stock market

PROFILE OF THE BOARD OF DIRECTORS



Mr. Rashid Akhtar Chughtai
Director

Mr. R.A. Chughtai is a SECP Nominee Director of Islamabad Stock Exchange. He is a banker by profession having 43 years extensive experience of banking. He has served the State Bank of Pakistan as Deputy Governor. He has been President and Chief Executive of Zarai Traqiati Bank Limited. Besides having served as director on the Board of Pakistan Mercantile Exchange Limited, he has also been Chairman of the Islamabad Stock Exchange in 2006 and 2010. Mr. R.A. Chughtai has also served as President and CEO of SME Bank Limited. He has been a Director on the Board of ISE during 2011.



Mr. Umar Hayat Khan
Director

Mr. Umar Hayat Khan is a SECP Nominee Director on the Board of ISE. He is a seasoned banker having a vast experience of 31 years in banking and finance. He has served ICP and NDFC in senior positions and gained in-depth knowledge of Securities and Capital Markets. As a Head of Capital Market Division in NDFC, he managed an investment portfolio of over Rs 4 billion. He served as ICP/ NDFC Nominee Director on the Boards of various companies providing him practical exposure in corporate affairs, regulatory issues and corporate governance. He has also served the Securities & Exchange Commission of Pakistan as Director, Specialized Companies Division for ten years. He has been looking after registration, licensing and monitoring of Investment Banks, Leasing Companies, Asset management Companies, Mutual Funds, Venture Capital Companies and Modarabas. He also served as Registrar of Modaraba Companies and Modarabas for five years. Mr. Khan has been serving as a resource person for SBP, NIBAF and Staff Colleges/ Training academies of banks, DFIs and various Institutes of Business Management. He holds master degrees in Economics and Business Administration. He is also a law graduate and member of the Institute of Bankers. He has attended many local and foreign courses on banking, portfolio management, project management, corporate finance and Islamic Banking and Finance. He is a certified director by the Institute of Cost and Management Accountants of Pakistan (ICMAP). He has also been a Director on the Board of ISE during 2011 and 2012."

PROFILE OF THE BOARD OF DIRECTORS



Mr. Zahid Latif Khan
Director

Mr. Zahid Latif Khan is the Chairman and Chief Executive Officer of M/s Zahid Latif Khan Securities (Private) Limited-one of the leading corporate brokerage entities at ISE. Besides running an independent corporate brokerage entity, Mr. Zahid also has the distinction of serving as Board member of other capital market institutions such as ISE, National Commodity Exchange Limited and NCEL Building Management Limited.

During his involvement at the leadership level on the Boards of other capital market institutions, Mr. Zahid has been instrumental in advancing the idea of corporate social responsibility, and in the implementation of modern governance standards at these companies. In addition to his regular contributions at the Board level, Mr. Zahid has the distinction of playing key role in the establishment of Unified Trading Platform between Lahore & Islamabad Stock Exchanges, and the operating the National Commodity Exchange, both of which are considered to be the landmark initiatives at the capital market landscape of the country. At business/community leadership level, Mr. Zahid has also served as a member of the Executive Committee and the chairman of the Banking Coordination Committee of the Rawalpindi Chamber of Commerce & Industries (RCCI).

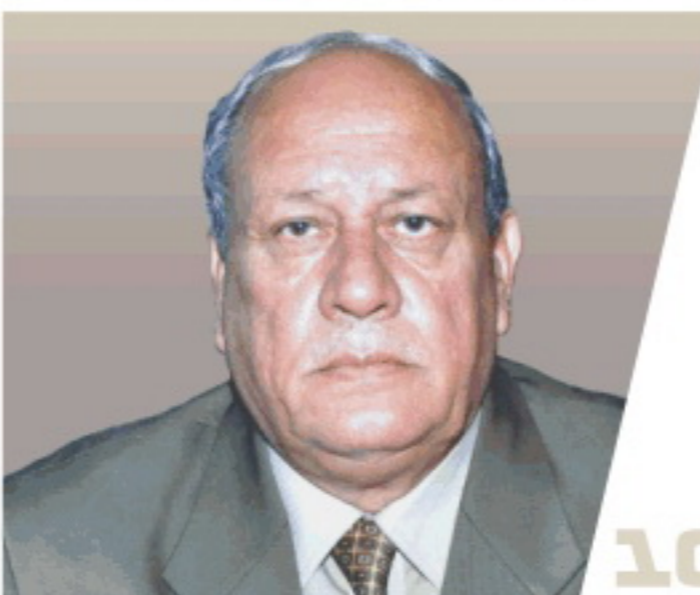
Mr. Zahid has wide-ranging experience of the stock brokerage business spanning over a period of more than 15 years. During his association with the securities industry, Mr. Zahid has gained extensive hands on familiarity with various multi-faceted operational aspects such as Initial Public Offerings, Risk Management Operations, Customer Account Relationships, Order Executions and Clearing & Settlement functions. As the Chairman & CEO of his securities firm, Mr. Zahid is credited for expanding the network of retail brokerage outlets which has seen remarkable growth in the business of his firm besides promoting the culture of stock investments amongst the smaller investors.

Mr. Zahid holds a Bachelor degree and has also participated in various other domestic and international training programs, seminars and conferences including United States Securities & Exchange Commission, United Nations Institute for Training and Research, Asian Development Initiatives etc. Mr. Zahid is also a graduate of National Security Workshop (NSW) organized by National Defense University for the leading parliamentarians, bureaucrats, armed forces officers and business leaders in Pakistan. He is a certified director by the Institute of Cost and Management Accountants of Pakistan (ICMAP), a duly licensed body for the purpose by SECP in terms of Code of Corporate Governance. Besides the above professional responsibilities Mr. Zahid also takes time out for delivering talks on stock market issues to various educational institutions, trade bodies and investors' gatherings in Pakistan. Mr. Zahid travels extensively and has undertaken many exploratory visits to the leading stock markets of the world.

Presently Mr. Zahid Khan is Director on the Governing Board of Directors of ISE, Pakistan Mercantile Exchange Ltd, NCEL Building Management Ltd and Metropolitan Solutions (Pvt) Ltd.

He is President, Banking and Capital Market Development Committee of Rawalpindi Chamber of Commerce and Industries.

SENIOR MANAGEMENT OF EXCHANGE



1. **Mian Ayyaz Afzal**
(Managing Director/CEO)
2. **Mr. Sagheer Mushtaq**
(Chief Regulatory Officer)
3. **Mr. Ahmed Noman**
(Secretary & Chief Operating Officer)
4. **Mr. Kamran Anjum**
(Chief Internal Auditor)
5. **Ishfaq Ahmad Saqi**
(Chief Financial Officer - Acting)
6. **Syed M. Asghar Abbas Naqvi**
(Senior Manager Operations)

7. **Syed Nayyer Ashfaq**
(Senior Manager Administration and O & M)
8. **Mr. Farhan Malik**
(Senior Manager IT)
9. **Ms. Shahana Ilyas**
(Senior Manager HR)
10. **Mr. Ghulam Sarwar**
(Chief Security Officer/Manager HSE)



ISE TEAM



Saqib Jalil Malik
Manager
RAD



Farhan Ahmed
Manager
IT



Sohail Mehmood
Manager
RAD



Usman Rashid
Deputy Manger
HR



Hafeez ur Rehman
Deputy Mangager
Operations



S. Rashid Mehmood
Deputy Manager
HVAC



Amjad Iqbal
Assistant Manager
Operations



Muhammad Sajid
Assistant Manager
Operations



Muzamil Saeed
Assistant Manager
Operations



Touqeer Mustafa
Assistant Manager
IT



Darakshan
Assistant Manager
Internal Audit



Saleem Shahzad
Assistant Manager
RAD



Habib ur Rehman
Assistant Manager
Electrical



Faisal Hanif Ramay
Assistant Manager
Finance



Imran Khan
Assistant Manager
Administration



Umair Safdar
Senior Officer
Finance & Marketing



Zaheer Ahmed
Senior Officer
Operations



Muhammad Saleem
Senior Officer
R & I



Ali Asghar
Senior Officer
Administration



Saqib Ali
Senior Officer
O & M



Saif ullah Khan Abid
Senior Officer
IT



Riffat Feroze
Senior Officer
Operations



Muhammad Saqib
Senior Officer
Internal Audit



Abdul Hanan Mirza
Senior Officer
HR



Qasim Javed
IT Support



Nadeem Akhter
IT Support

NOTICE OF TWENTY SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Islamabad Stock Exchange Limited will be held on Tuesday, October 27, 2015 at 12:30 P.M. at ISE Towers Auditorium, 55-B, Jinnah Avenue, Islamabad to transact the following business:-

Agenda Items

- 1) To confirm the minutes of Thirtieth Extraordinary General Meeting of the Islamabad Stock Exchange Limited held on December 12, 2014.

Ordinary Business

- 2) To receive, consider and adopt the audited accounts for the year ended June 30, 2015 together with the Directors' and Auditors' Reports.
- 3) To consider and approve final cash dividend at Re.0.125 per share i.e., 1.25 as recommended by the Board of Directors for the year ended June 30, 2015.
- 4) To appoint Auditors for the year ending on June 30, 2016 and to fix their remuneration. The retiring auditors M/s. BDO Ebrahim and Co., Chartered Accountants have given their consent for re-appointment.

Special Business

- 5) a) To consider and, if deemed fit, approve with or without modification(s), the proposed scheme of integration of ISE with Karachi Stock Exchange Limited (the "KSE") (the "Scheme of Integration"), which provides for the integration of, inter alia, the core business operations of ISE with KSE under Section 17 read with Section 18 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the "Act") in terms of the draft Scheme of Integration approved by the Board, which is being presented in pursuance of the Memorandum of Understanding dated 25 August 2015 (the "MoU").
- b) As of the "Effective Date" of the Scheme specified by the Securities and Exchange Commission of Pakistan, ISE shall continue as a Non-Banking Finance Company. It has been resolved to re-name it with the name and style of ISE Towers REIT Management Company Limited. Accordingly, as a consequence of shareholders' approval of the Scheme of Integration, the objects in the Memorandum and Articles of Association of ISE would be altered so as to incorporate the objects of a REIT management company, pursuant to Section 39 read with Sections 21 and 28 of the Companies Ordinance, 1984 (the "Ordinance").

- c) Upon approval of the above Scheme of Integration by the shareholders, to authorize the Board of Directors and/or a committee thereof and/or the Managing Director to do all such acts, deeds, matters and things as they/he may, in their/his absolute discretion, deem necessary, expedient, usual or proper to effectively implement the arrangement as embodied in the Scheme of Integration and to obtain any necessary clearance from the concerned competent authorities, including but not limited to the Competition Commission of Pakistan, through a designated officer and/or counsel.
- d) TAKE FURTHER NOTICE that as resolved and directed in the meeting of the Board of Directors of ISE, the matter will be presented to the shareholders in the Annual General Meeting as a special business and the following resolutions shall be considered for approval with or without modification the following Special Resolutions:

5.1 "RESOLVED THAT:

- (a) the scheme of integration of Karachi Stock Exchange Limited ("KSE") and Islamabad Stock Exchange Limited ("ISE") ("ISE Scheme of Integration"), as placed before [and/or modified] as a special business in the Annual General Meeting held on October 27, 2015 pursuant to Sections 17 and 18 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the "Act") and other enabling provisions of the Act be and is hereby approved for filing before the Securities and Exchange Commission of Pakistan (the "Commission") in accordance with law.
- (b) for the purpose of giving effect to the above Resolution and for removal of any difficulties or doubts, the Board of Directors of ISE is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual or proper to effectively implement the arrangement as embodied in the ISE Scheme of Integration, and approved (with or without modification) by the Commission and to resolve, settle any questions or difficulties that may arise or to

NOTICE OF TWENTY SIXTH ANNUAL GENERAL MEETING

comply with, effect, implement and/or carry out such necessary action, which may be required/directed/ordered by the Commission during, prior or subsequent to the sanctioning the ISE Scheme of Integration and to obtain any necessary clearance from the concerned competent authorities. The Board of Directors of ISE is also authorized to delegate any of the aforesaid powers and functions to a Committee thereof and/or the Managing Director of ISE."

5.2 "RESOLVED THAT for the purpose of giving effect to the above Resolution(s), the change in name of ISE to 'ISE Towers REIT Management Company Limited' or such other name as may be approved by the Commission be and is hereby approved and to affect such change through necessary amendments in the Memorandum and Articles of Association, pursuant to Section 39 read with Sections 21 and 28 of the Companies Ordinance, 1984 (the "Ordinance") and all enabling provisions under law as provided hereunder be and are hereby approved."

5.3 RESOLVED THAT for the purpose of giving effect to the above Resolution(s), the change in the objects clause of the Memorandum of Association of ISE and corresponding changes in the Articles of Association of ISE (as per text of amendments attached) so as to allow it to continue as Non-Banking Finance Company under the name and style of 'ISE Towers REIT Management Company Limited' (REIT Management Company), be and is hereby approved and that necessary amendments in the Memorandum and Articles of Association, pursuant to Sections 21 and 28 of the Companies Ordinance, 1984 (the "Ordinance") and all enabling provisions under law as provided hereunder be and are hereby approved."

5.4 "RESOLVED THAT for the purpose of giving effect to the above Resolution(s), deletion of the objects clause in the Memorandum of ISE in relation to the stock exchange business being carried out be and is hereby approved to affect such change through necessary amendments in the Memorandum of Association (as per text attached), pursuant to Sections 21 and 28 of the Companies Ordinance, 1984 (the "Ordinance") and all enabling provisions under law as provided hereunder be and are hereby approved."

5.5 "RESOLVED FURTHER THAT the revised/amended Memorandum and

Articles of Association of the Company (as per text attached) be and are hereby approved such that the additions therein shall be given effect as of the Effective Date of the Scheme of Integration, as approved by the Commission."

5.6 "RESOLVED FURTHER THAT the revisions/amendments in the attached approved draft of the Memorandum and Articles of Association of the Company, namely, the deletion of objects clauses to the Memorandum of Association of ISE, shall be deemed incorporated and given effect to as if made after the approval of the Scheme of Integration by the Commission".

5.7 "RESOLVED THAT Mian Ayyaz Afzal, the Managing Director of ISE and/or Mr. Ahmed Noman, Company Secretary of ISE, be and are/is hereby singly authorized on behalf of ISE, to take all necessary actions in relation to filing of above Resolutions with the Registrar of Companies and submission of the above Scheme before the Commission with a view to obtain sanction of the same."

6) To transact any other ordinary business with the permission of the Chair.

By order of the Board


(Ahmed Noman)
Secretary

Islamabad, October 05, 2015



NOTICE OF TWENTY SIXTH ANNUAL GENERAL MEETING

Notes for Attending AGM

1. Share Transfer Books of the Islamabad Stock Exchange Limited will remain closed from October 19, 2015 to October 27, 2015 (both days inclusive) to determine the entitlements to attend and vote at the meeting and the dividend if approved by the meeting.
2. The CDC account holders and sub-account holders are required to bring with them their Computerized National Identity Card along with the participant ID numbers and their account numbers in order to facilitate identification.
3. A statement and information as required under section 160(1)(b) of the Companies Ordinance, 1984, setting out all material facts concerning the matter described in above Agenda is annexed to this notice. The Scheme of Integration is attached herewith.
4. All shareholders of the Exchange are entitled to attend the meeting. In accordance with Article 66 of the Articles of Association, any company or other body corporate which is a Member of the Exchange may by resolution of its Directors or other governing body authorize such person as it thinks fit to act as its representative in the general meeting of the Exchange. The person so authorized shall be entitled to exercise the same powers on behalf of the company or body corporate which he represents as that company or body corporate could exercise if it were an individual Member of the Exchange, present in person. The production before or at the meeting of a copy of such resolution purporting to be signed by a director or the secretary of such company or body corporate and certified by him as being a true copy of the resolution shall be accepted by the Exchange as sufficient evidence of the validity of the appointment of such representative.
5. A member entitled to attend and vote is also entitled to appoint proxy (format attached) in terms of Article 68, 69 and 70 of the Articles of Association of the Exchange under his/her own hand or through duly authorized attorney to attend and vote instead of himself/herself and the proxy must be a member of the Exchange. A Member shall not be entitled to appoint more than one proxy to attend any one meeting. If any member appoints more than one proxy for any one meeting and more than one instruments of proxy are deposited with the Exchange, all such instruments shall be rendered invalid.
6. The proxy is required to be deposited at least forty eight hours before the time for holding the meeting. In this regard, the last date for receipt of proxies has been fixed to be October 25, 2015 till 12:30 p.m. at the office of the Secretary ISE. An instrument appointing a proxy may be in accordance

with the attached form or a form as near thereto as may be.

7. Shareholders are requested to inform the ISE Secretariat about the change in their respective addresses, if any.

EXPLANATORY STATEMENT UNDER SECTION 160 (1)(b) OF THE COMPANIES ORDINANCE, 1984 IN CONNECTION WITH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF ISE

1. There are three stock exchanges presently working in Pakistan, namely, Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited. The Object Clause of the Memorandum of Association of each of the said stock exchanges is largely the same.
2. Pursuant to the directions of the Board of Directors, the matter has been presented to the Annual General Meeting as a special business for consideration and if thought fit, approving, with or without modification, the proposed Scheme of Integration ("Scheme") under Sections 17 and 18 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the "Act").

RATIONALE AND BENEFITS:

The integration of KSE and ISE will inter alia benefit the stakeholders of KSE and ISE, respectively, as also generally for the markets. This Scheme of Integration shall afford benefits to the capital markets in general and investors in particular, as is set out in Section 3 and 4 of the Scheme attached.

SALIENT FEATURES OF THE SCHEME

Subject to the provisions of the Scheme and pursuant to the order of the Commission under Section 17 of the Act and other enabling provisions of law, and the resulting operation of law, from the Effective Date, that is the date of approval of the Scheme by the Commission:

1. PSE will emerge as the national exchange to be called the Pakistan Stock Exchange (PSE) and ISE will continue as limited liability company having the status of non-banking finance company for purposes of undertaking a REIT Scheme.
2. Only part of the Undertaking of ISE as defined in Section 2 of the Scheme will be integrated.
3. All existing registered TREC Holders of the ISE shall become TREC Holders of the PSE and shall be deemed TREC Holders of the PSE without need to execute any separate instrument or undertake any registration with PSE and/or without payment of any fee, cost or expense of any kind. All TREC Holders shall have and enjoy the same rights and



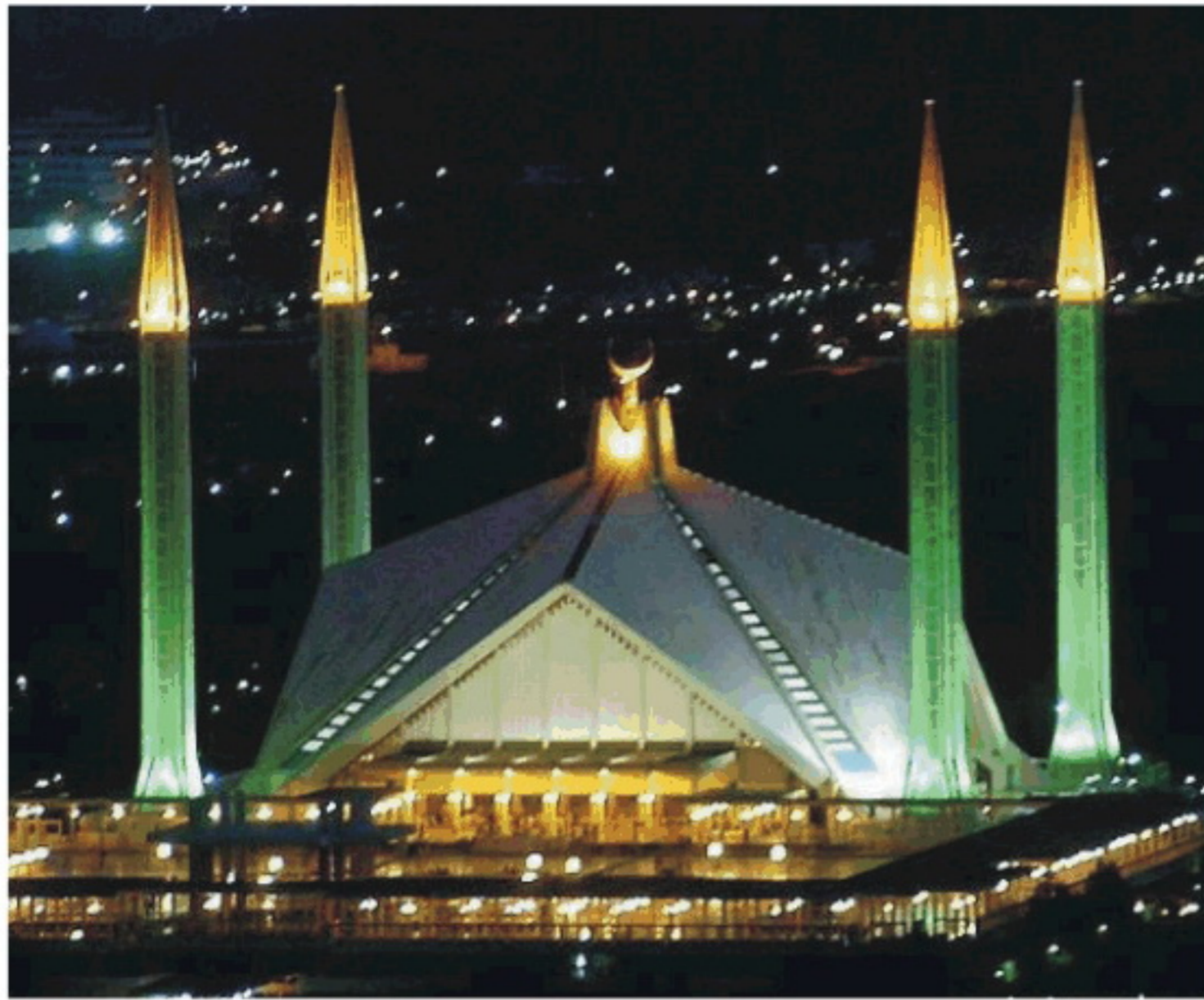
NOTICE OF TWENTY SIXTH ANNUAL GENERAL MEETING

- entitlements under the Act as if they were TREC Holders of the PSE without affecting in any manner whatsoever their rights existing as at the Effective Date.
4. There shall be no change in ownership of properties (movable or immovable), accounts (banking or investment or otherwise), assets and liabilities of the ISE except and limited to the Undertaking.
 5. All securities or companies listed on ISE shall be deemed listed on the PSE without the need to comply with any further requirements of the PSE, provided, always, that the status of such securities or companies vis-a-vis default or otherwise shall not be changed or affected in any manner.
 6. The existing premises of the ISE shall be rebranded as "Pakistan Stock Exchange" without creation or assumption of any right, interest or title or any proprietary interest in the property owned or possessed by the ISE.
 7. Approval of the Competition Commission of Pakistan is required before the Scheme becomes effective.
- Further aspects are addressed in Section 6 of the Scheme attached. Other miscellaneous provisions are addresses in Section 7 onwards.

AMENDMENTS IN THE MEMORANDUM AND ARTICLES

The Memorandum and Articles of Association of the ISE are required to be amended for purposes of the Scheme, and continuation of business by the Company after approval of the Scheme by the Commission. The additions are recommended in the first phase and deletions to do away with the stock exchange business shall be effected subsequently. comparison table of existing Memorandum and Articles of Association with the proposed/amended/revised Memorandum and Articles of Association of the Company to undertake the NBFC business is attached.





CHAIRMANs' MESSAGE

It gives me immense pleasure to welcome the shareholders to the Twenty sixth Annual General Meeting of Islamabad Stock Exchange Limited and to present the Company's performance for the year ended June 30, 2015 together with the items relating to integration of the stock exchanges under Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2015 and the transformation of the Exchange into a Non-Banking Finance Company/REIT.

During the financial year, 2015, the Company has earned net profit of Rs. 47.90 million resulting EPS of Rupee 0.13 per share. The operating revenue of the Company amounted to Rs. 69.89 million showing an increase of Rs. 17.53 million as compared to last year. This increase is mainly attributable to additional listing fee received by the Exchange during the year. The total revenue of the company marginally increased by Rs. 7.86 million. The Exchange has observed strict budgetary controls over the expenses of the Exchange during the year under review.

The shareholder's equity increased by Rs 54.78 million over the previous year. During the year ended June 30, 2015 total assets of the Company increased to Rs 4,676.45 million from the figure of Rs. 4,626.21 million of previous year. As a result of improved financial health the Board has recommended a dividend of 1.25 per cent for the shareholders. The Board remained focused on policies aimed at augmentation and value addition for the business of the Exchange.

You would be pleased to note that the Board has performed its role of supervising and monitoring the affairs of the Exchange independently and in a transparent manner in line with the provisions of Code of Corporate Governance.

Similarly, the Board Committees comprising the Audit, Human Resource and Remuneration, as well as other Committees including Demutualization, Regulatory Affairs, Default and Arbitration have performed their respective functions diligently.

The year 2015 was very crucial from the aspect of divestment of blocked shares held in the blocked account. SECP in terms of the provisions of Stock Exchanges (Corporatization, Demutualization and integration) Act 2012 had given the timelines till August 25, 2015 to the Exchanges for the divestment of respective shares allocations to strategic investor and general public but the objective could not fulfilled primarily due to the reason of fragmented securities market. The potential strategic investors indicated that the option for a strategic equity stake can only be considered by them provided that the stock exchanges get consolidated.

Taking a cue from this response, the Demutualization Committee of ISE took the initiative and after series of negotiations, the three Stock Exchanges have finally agreed on integration in terms of the provisions of the Act and hence a scheme of integration has been tabled before the shareholders to be considered as a special business of this meeting. According to the scheme the TREC holders of ISE shall become the brokers of Pakistan Stock Exchange Limited which will emerged as a sole Exchange of the country after the change of name of Karachi Stock Exchange. Once the process is completed, ISE and LSE shall surrender their license to operate the Stock Exchange. Subsequently, the ISE will continue as a NBFC/REIT Management Company and a special resolution to this effect is also part of the special business of

Chairman - ISE Board
Mr. Moin M. Fudda



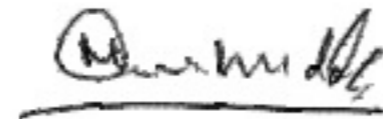
CHAIRMANs' MESSAGE

the AGM. I must add here that Syed Mukhtar Hussain Jaffery, Chairman Demutualization Committee and Mr. Zahid Latif Khan together with other members of Committee have rendered un-tired efforts during the whole process of negotiations and framing scheme of integration. The Board has highly appreciated their contributions for the integration of the Exchanges.

I may add that after the approval of the Scheme of Integration, the Board of the surviving entity will be left with the elected Directors on the effective date of the Scheme and all SECP nominee Directors would stand withdrawn. The Company may then elect its new Board from amongst shareholders in accordance with the provisions contained in its new Articles of Association.

Towards the end, I would record appreciation for the contribution made by my colleagues on the Board particularly the erstwhile Chairman Mr. Muhammad Rashid Zahir, and the Members of the Sub-Committees. Their professional contributions and support has greatly helped me to perform my functions as a non-executive Chairman of the Board. The Managing Director, Mian Ayyaz Afzal supported by his team, also has performed splendidly during the year. I would also like to express my best wishes for the success of the Company in its new business domain post integration.

In the end, I would also like to thank the Chairman of the Securities and Exchange Commission of Pakistan for his supportive role for the integration of the Exchanges and thereby, in the larger national interest, creation of the upcoming Pakistan Stock Exchange.



Moin M. Fudda
Chairman



ISE



ISE TOWERS
55-B JINNAH AVENUE

Managing Director/CEO - ISE
Mian Ayyaz Afzal





DIRECTORS' REPORT

The Board of Directors of Islamabad Stock Exchange is pleased to present the Annual Report for the year ended June 30, 2015 along with the audited financial statements and the Auditor's Report to the members. The annual financial statements have been audited by the audit firm, M/s BDO Ebrahim and Co., Chartered Accountants.

The Audit Committee of the Board reviewed the financial statements in its meeting held on September 09, 2015 and on its recommendations, the Board of Directors approved the financial statements in its meeting held on September 17, 2015. The financial statements are being presented to the Shareholders of Exchange for their consideration and approval.

Economic Review

The fiscal year 2014-15 has registered some significant achievements. The discount rate set at 7 percent was the lowest in last 42 years, securities market touched its historic peak, the international rating agencies improved the credit rating of Pakistan, historical agreement with Chinese Government on China Pak Economic Corridor (CPEC), successful reviews with IMF, issuance of Ijara Sakuk Bond after a period of 9 year etc. The Commodities Producing Sector and services sector showed improved performance despite gas shortages, power outages and security related challenges.

The pace of growth is getting momentum. The factors contributing this growth may be attributed to a calibrated fiscal and monetary management and an overall improvement in macroeconomic fundamentals. The impact of these

factors was beefed up by a steep decline in oil prices, rise in foreign exchange reserves, growth in remittances and proceeds from privatization.

The GDP growth remained 4.1. Investment witnessed a growth of 10.21 percent as compared to 8.4 percent last year. Public investment recorded growth rate at 25.56 percent as compared to 6.82 percent last year. The indicators of growth are quite positive on the basis of forecasts of better production from agriculture, improvement in energy supplies, and better investment prospects on account of improved security situation in the country.

Securities Market Performance

Over the past few years, the securities market of Pakistan has witnessed gigantic progress in terms of introduction of high-tech infrastructure, efficient trading mechanisms, capable processes and comprehensive regulations. The year 2014-2015 has witnessed historic performance of Pakistani Stock Market.

During the year 17 new securities were listed at Exchange out of which 11 were companies, 4 were open ended funds and 2 debt instruments. The total listed paid-up capital grew by Rs. 5.3 billion due to new listings, rights and bonuses issues and reached at 902.4 billion. The market capitalization also recorded an increase of 197 billion which was 3.6 percent higher as compared to the previous year. ISE-10 index recorded volatile movements during the year under review. The pace of new listings remained satisfactory this year. Total volume of traded shares at official systems of Exchange i.e. IEES and UTS was 25.84 million.

DIRECTORS' REPORT

However, Broker to Broker inter-exchanges trade by ISE participants recorded a volume of 1947 million shares having value Rs. 99,998.77 million during the year under review as reported by NCCPL.

Financial Overview

The Exchange achieved net profit after tax of Rs.47.91 million resulting in EPS of Re. 0.13. The operating revenue of the Company amounted to Rs. 69.89 million showed an increase of Rs. 17.53 million as compared to last year, and this increase positively correlates to additional listing fee. The total revenue of the company marginally increased by Rs. 7.86 million. The Exchange has adopted various new strategies during the year to improve its revenues which produced healthy response.

The operating expenses of the company increased to Rs. 178.44 million showing 24 percent increase

as compared to the previous year figure of Rs. 143.83. The major impact on this increase is due to payment of ISE's e-registration fee of Rs. 17.52 million paid to SECP during the year and Salaries of employees which increased to Rs.48.93 million from previous year figure of Rs.36.11 million. The finance cost was reduced substantially to Rs. 20.64 million from Rs. 45.55 million through reduction in mark-up base and payment of installments of debt.

The other income witnessed a decrease of Rs. 9.68 million from the previous year. The Exchange by following an effective investment strategy during the year realized profit of Rs.17.21 million on short term investments.

Financial Highlights

Financial highlights of the Exchange during the last six (6) years are given hereunder:

	2015	2014	2013	2012	2011	2010
Rupees in million						
Profit & Loss						
Revenue	257.62	249.77	366.71	343.16	410.54	767.66
Administrative expenses	178.44	143.83	252.71	184.80	168.98	136.99
Fair value gain	-	0.11	1,427.30	124.84	-	867.07
Finance cost	20.64	45.55	65.03	128.36	142.27	76.82
Income before taxation	85.33	46.11	1,487.98	162.76	102.64	548.37
Income after taxation	47.9	40.92	1,463.88	266.98	369.00	285.51
Balance Sheet						
Property and equipment	1,041.27	1,101.74	1,103.89	2,195.91	2,313.69	2,424.62
Intangible assets	3.01	5.25	4.93	2.53	-	-
Investment property	3,008.65	3,008.65	3,008.53	1,722.94	1,904.26	1,932.83
Long term investments	133.87	107.80	97.33	91.86	87.40	85.78
Current assets	365.11	276.59	436.97	265.84	285.41	243.07
Total assets	4,676.45	4,626.21	4,793.42	4,372.05	4,607.27	4,707.47
Equity / funds	4,011.71	3,956.93	3,917.76	2,216.25	1,935.25	1,572.85
Non current liabilities	204.78	160.67	442.39	625.43	937.72	1,526.07
Current liabilities	396.46	444.33	433.27	334.34	522.85	381.78



DIRECTORS' REPORT

Dividend

The Board of Directors has proposed a cash dividend of 1.25 (Re. 0.125 per share) in respect of year ended June 30, 2015 (2014: Nil). The appropriation will be approved in the forthcoming Annual General Meeting.

Demutualization and Integration

The core of demutualization under Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 was to enhance governance standards and transparency at stock exchanges besides bringing greater balance between interests of various stakeholders by clear segregation of commercial and regulatory functions and separation of trading rights and ownership rights thereby limiting the shareholding of trading right entitlement holders and their connected persons in minority for all times to come. In order to achieve these objectives, 60 percent shares allotted to all initial shareholders at the time of corporatization were reserved and blocked in CDC sub-accounts with a view to disinvest 40 percent of total stake to strategic investor and financial institutions whereas 20 percent was reserved for general public as per scheme of arrangement laid down in the Act.

The demutualization process was largely dependent on the sale of blocked shares to the strategic investor which should have been a stock exchange or clearing/settlement company of international repute. SECP issued a directive under the Act on August 25, 2014 for sale of blocked shares to a strategic investor within one year and make an IPO within six months from the date of directive. However, the timeline for IPO was further extended for six months by SECP on the petition of the Exchange.

The Demutualization Committee after achieving all other milestones took up this challenging task of disinvestment of the blocked shares quite vigorously. In this regard, ISE made serious efforts to find out a strategic investor in terms of Stock Exchanges Demutualization Act and the Regulations framed there-under by SECP but unfortunately remained unable to attract any Strategic Investor on "stand alone" basis for the purpose because of the following facts:

- i. The law of Demutualization was originally drafted in 2005 when the economic and market conditions were very conducive but it took seven long years for the enactment when the environment had changed to a large extent. Particularly the debacle of stock market of 2008 greatly affected the securities market outlook.
- ii. According to the Demutualization Act, a very stringent definition of Strategic Investor was provided thereby narrowing the scope for such investor.
- iii. Apart from the definition, the criteria laid down by SECP under the Demutualization Regulations was also very hard to be fulfilled by the prospective strategic investor.
- iv. Global economic melt down post 2008 created a severe impact on global merger and acquisition activities including the securities industry across the world.
- v. The law and order situation of the country since 2007

DIRECTORS' REPORT

continuously remained unfavorable to attract such investor for a long term investment in securities market of Pakistan.

- vi. For a small sized fragmented securities market of Pakistan, three exchanges were approaching the same potential investors thus making it a difficult choice for them where to invest. As a result none of the Pakistani Exchange could attract any Strategic Investor.
- vii. Although the Experts Committee formed by SECP had originally recommended that the integration shall take place first and demutualization would follow and as such a strategic investor was to be approached for an integrated exchange. Later on due to policy shift, the integration was made an optional subject to be based on the consideration largely driven by commercial interests, therefore, the prospects of the Exchange for getting a strategic investor in isolation were very much diminished.

In view of above there was a dire need to consolidate the securities market of Pakistan in order to pave the way for the progress and to bring a strategic investor in Pakistan in the larger national interest. After realizing that a potential strategic investor would only be interested to invest in Pakistan once the issue of fragmentation of securities market would be addressed and the Stock Exchanges be integrated. This view was also shared by the Demutualization Committee with SECP's higher authorities. The

Commission also appreciated this concern and advised ISE's Demutualization Committee to initiate discussions on integrations with other bourses.

Besides, ISE had been receiving this argument from the prospective strategic investors that the real estate of the Exchange comprises the major portion of valuation of ISE and the resultant paid-up capital, was not the requirement for the modern days exchange business. Therefore, this issue was also proving to be an impediment for the strategic investors to consider investment in ISE's equity. Although the Committee was quite willing to consider any genuine offer pertaining to the Exchange's business thereby separating the real estate element, yet ISE did not receive any such isolated offer because of other reasons stated above. Since stock exchanges are mostly driven by technology and do not require any structure having significant investment in real estate, the valuation and the price negotiation process may also get affected adversely on this account. Accordingly ISE was also advised by SECP to explore the possibility of segregating the real estate value from its balance sheet side by side approaching the other Exchanges to explore the possibilities for integration.

ISE therefore, took the initiative and invited the Demutualization Committees representing the stakeholders of other two Exchanges to find common grounds for integration. As a result of this initiative the Demutualization Committee of three Exchanges sat together and shared their ideas for integration. After series of meetings and discussions, a memorandum of understanding was signed amongst



DIRECTORS' REPORT

the Demutualization Committees of three Exchanges on August 25, 2015 whereby it was agreed that the TREC holders of ISE and LSE shall become the brokers of Pakistan Stock Exchange Limited which will be emerged as a consequence of change of name of Karachi Stock Exchange and after completion of the process, ISE and LSE shall surrender their license to operate the Stock Exchange. The modalities for implementation are being worked out in a scheme of arrangements which would be presented to the shareholders for approval.

Future Outlook

Given the fact that the business of ISE was continuously shrinking. Besides, the enactment of Securities Act 2015 made the conditions for continuity of the exchanges more difficult on account of annual renewal of the license of the Exchange based on certain criteria. In such a scenario it was quite hard for the Company to continue as a Stock Exchange. It is also a fact that in order to provide trade infrastructure of the Exchange a huge setup had to be maintained at a substantial cost viz a viz meager revenue. As this state of affairs could not be maintained any further in view of the demutualization scenario, therefore, it was the need of the hour that a solution to this scenario be found. As such the integration scheme of arrangements as narrated above has created an opportunity whereby all TREC Holders of ISE would become the TREC Holders of Pakistan Stock Exchange and as a result ISE would surrender its license to operate the stock exchange. As a result of scheme of arrangement, the company will be converted into a Non-Banking Finance Company to form a Real Estate Investment Trust

(REIT) which will also be listed at Pakistan Stock Exchange.

Corporate Governance

ISE has adopted the Code of Corporate Governance on voluntary basis being a frontline regulator for market constituents including the listed companies.

The Directors of the Exchange possess the required capability to discharge their responsibilities industriously and with high regards for corporate governance. The Board of Directors of the Exchange has also decided to get the Directors certified in a phased manner from the Institute of Cost and Management Accountants of Pakistan under their Directors Training Program, which has been duly accredited by SECP. At present, eight Directors including the MD have got such certifications.

Board of Directors

The composition of the Board of Directors of the Exchange is in accordance with the provisions contained in the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 and the Code of Corporate Governance. It has a blend of representatives of stakeholders and independent Directors nominated by SECP. The present Board was formed after election of four Directors representing shareholding interest of TRE certificate holders for three years term with effect from September 18, 2012 under the provisions of Articles of Association of the Exchange and Companies Ordinance, 1984. Six independent Directors have been nominated by SECP. The Managing Director is an ex-officio Member of Board. Nevertheless the Board had decided in its meeting of June 15, 2015 to conduct elections in an

DIRECTORS' REPORT

extraordinary general meeting in respect of four representative seats of shareholders on September 17, 2015, however, in view of ongoing process of integration, SECP vide its letter dated August 25, 2015 has given direction for the continuity of the present Board till the approval of the scheme of integration. Accordingly the matter of elections shall be taken up in accordance with the new scheme of arrangements.

Chairman of the Board

The Board soon after its election had elected Mr. Muhammad Rashid Zahir as its Chairman who resigned due to his personal reasons on February 25, 2015. ISE highly appreciates his role as Chairman of the Board as ISE achieved several milestones with his able guidance. Since he was a SECP nominee Directors, therefore, the Commission in his place Mr. Moin M

Fudda as Director on the Board of ISE. The Board in its meeting held on March 04, 2015 elected him as Chairman of the Board of the Exchange. Mr. Moin M. Fudda is the Country Director of Center for International Private Enterprise (CIPE), engaged in Private Sector Development and Market Oriented Reforms in Pakistan since 2005. Prior to joining CIPE, Mr. Fudda has been the Managing Director of the Karachi Stock Exchange. In recognition of his services, in 2006, he was conferred the Civil Award "Sitara-e- Imtiaz" by the President of Pakistan.

Meetings and Attendance

Nine (9) meetings of the Board of Directors were held till June 30, 2015 after its constitution and Directors attendance in these meetings was as follows.

Sr. No.	Directors	Total Numbers of meetings attended out of nine	Remarks
1	Mr. Moin M Fudda	3/3	Elected by Board on March 04, 2015
2	Mr. Muhammad Rashid Zahir	6/6	Resigned on February 25, 2015
2	Mr. Asif Saeed Malik	9/9	
3	Chaudhry Mujeeb Ullah	9/9	
4	Mr. Hussain Ahmed Ozgen	9/9	
5	Malik Qamar Afzal	9/9	
6	Mian Humayun Parvez	9/9	
7	Mian Ayyaz Afzal	9/9	
8	Mr. Mohammad Masud Ch.	8/9	
9	Mr. Rashid Akhtar Chughtai	9/9	
10	Mr. Umar Hayat Khan	9/9	
11	Mr. Zahid Latif Khan	7/9	



DIRECTORS' REPORT

Remuneration and other Benefits to the Board Members

The MD of the Exchange is paid emoluments as per his service contract. Other Directors including the Chairman were paid fee of Rs.30,000/- each for attending the Board meetings in terms of Article 87 of the Articles of Association of the Exchange.

Internal Audit

The Internal Audit Department is headed by a professional chartered accountant. The Head of Internal Audit department is responsible for ensuring effective controls and oversight of system, procedures and processes. He reports functionally to the Chairman, Board's Audit Committee and administratively to the Managing Director.

Legal Issues

The Board is of the view that out of the existing legal cases, none is likely to have any significant impact over the business and financial viability of ISE in future. From contingencies point of view, the cases wherein ISE is a party have been disclosed in the notes annexed to the audited accounts.

Appointment of Auditors

M/s BDO Ebrahim and Co, Chartered Accountants, auditors of the Exchange for the FY 2015 retire and being eligible, have offered themselves for reappointment for the term 2015-16. The Audit Committee of the Board has recommended the re-appointment of M/s BDO Ebrahim

and Co, Chartered Accountants as statutory auditors of the Exchange for the year 2015-16 for the approval of the shareholders.

The external auditors have been given satisfactory rating under the Quality Control Review Program of Institute of Chartered Accountants of Pakistan (ICAP). They have confirmed that their firm is in compliance with clause xxvii of the Code of Corporate Governance and International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

The external auditors have not been appointed to provide any other service which may impair their independence and they have confirmed having observed IFAC guidelines in this respect.

Pattern of Shareholding

The Pattern of Shareholding as at June 30, 2015 along with the necessary information is annexed to this report.

Acknowledgement

The Board of Directors of the Exchange is pleased to place on record the valuable cooperation of the TREC Holders and the dedication of the members of the Demutualization Committee. The Board would like to specially thank the Directors for their commitment and the members of the Board Committees for their support and untiring efforts in the Board to perform its duties efficiently.



DIRECTORS' REPORT

The Board also appreciates the dedication of the Management and the continued hard work by the employees. The Board avails the opportunity to thank the Ministry of Finance, Securities and Exchange Commission of

Pakistan, State Bank of Pakistan and Federal Board of Revenue for their guidance and assistance in matters related to the Exchange.

For and on behalf of the Board

Mian Ayyaz Afzal
Managing Director

Islamabad, September 17, 2015



DIRECTORS' REPORT







FINANCIAL HIGHLIGHTS
&
MARKET PERFORMANCE

FINANCIAL HIGHLIGHTS

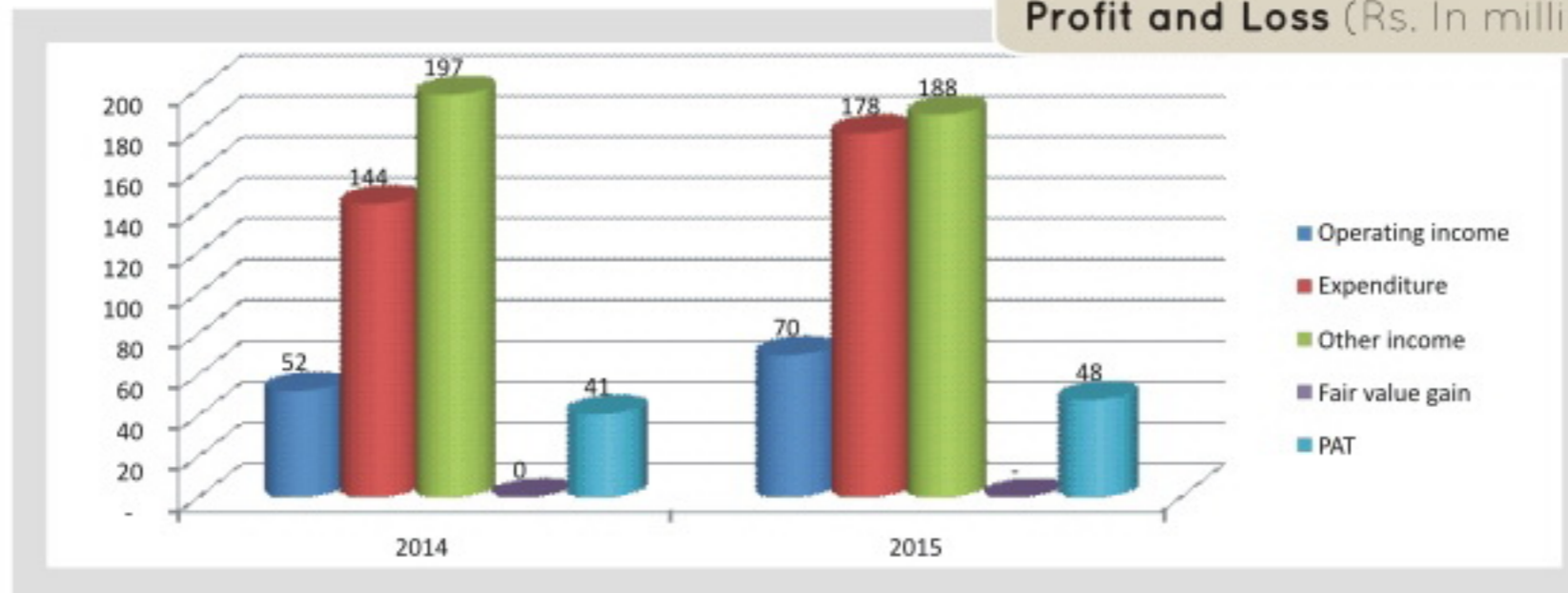
Five Years Performance

	2015	2014	2013	2012	2011
Rupees in million					
Profit & Loss					
Revenue	257.62	249.77	366.71	343.16	388.40
Administrative expenses	178.44	143.83	252.74	184.80	168.98
Fair value gain	-	0.11	1,427.30	124.84	
Finance cost	20.64	45.55	65.03	128.36	142.27
Income before taxation	85.33	46.11	1,487.95	162.76	80.50
Income after taxation	47.91	40.92	1,463.85	266.98	346.87
Balance Sheet					
Property and equipment	1,041.27	1,101.74	1,103.89	2,195.91	2,313.69
Intangible assets	3.01	5.25	4.93	2.53	
Investment property	3,008.65	3,008.65	3,008.53	1,722.94	1,904.26
Long term investments - Equity investment	81.04	107.80	97.33	91.86	87.40
Long term investments - Available for Sale	52.84	-	-	-	
Current assets	365.11	276.59	436.97	232.92	152.03
Total assets	4,676.45	4,626.21	4,793.42	4,372.05	4,607.27
Equity / funds	4,011.71	3,956.93	3,917.76	2,216.25	1,935.25
Non current liabilities	204.78	160.67	442.39	625.43	937.72
Current liabilities	396.46	444.33	433.27	334.34	522.85
Cash Flow Summary					
Net cash generated / (used) in operating activities	156.03	33.91	260.79	68.98	234.66
Net cash generated / (used) in investing activities	4.62	115.01	176.97	424.84	107.78
Net cash generated / (used) in financing activities	(109.53)	(220.75)	(229.86)	(481.15)	(333.09)
Increase / (decrease) in cash & cash equivalents	51.11	(71.83)	207.90	12.68	9.35
Cash & cash equivalents at start of the year	195.51	267.34	59.44	46.77	37.42
Cash & cash equivalents at end of the year	246.62	195.51	267.34	59.44	46.77
Key Indicators					
Net profit (%)	18.60%	16.38%	81.60%	57.05%	89.31%
Return on equity (%)	1.19%	1.03%	37.36%	12.05%	17.92%
Return on assets (%)	1.02%	0.88%	30.54%	6.11%	7.53%
Current ratio	0.92 : 1	0.62 : 1	1.01 : 1	0.80 : 1	0.29 : 1
Quick / acid test ratio	0.71 : 1	0.53 : 1	0.95 : 1	0.63 : 1	0.27 : 1
Debt : equity	13 : 87	13 : 87	18 : 82	22 : 78	32 : 68
Interest cover (times)	5.13	2.01	23.88	2.27	1.57



FINANCIAL HIGHLIGHTS

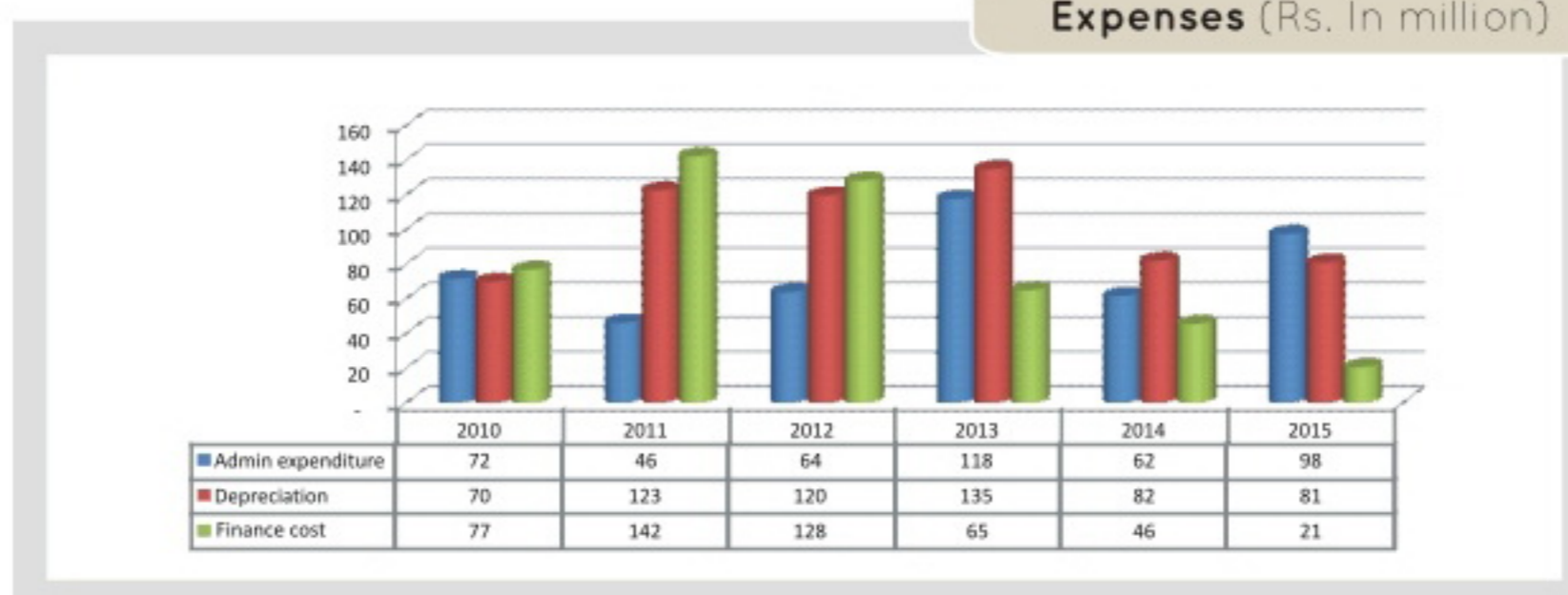
Profit and Loss (Rs. In million)



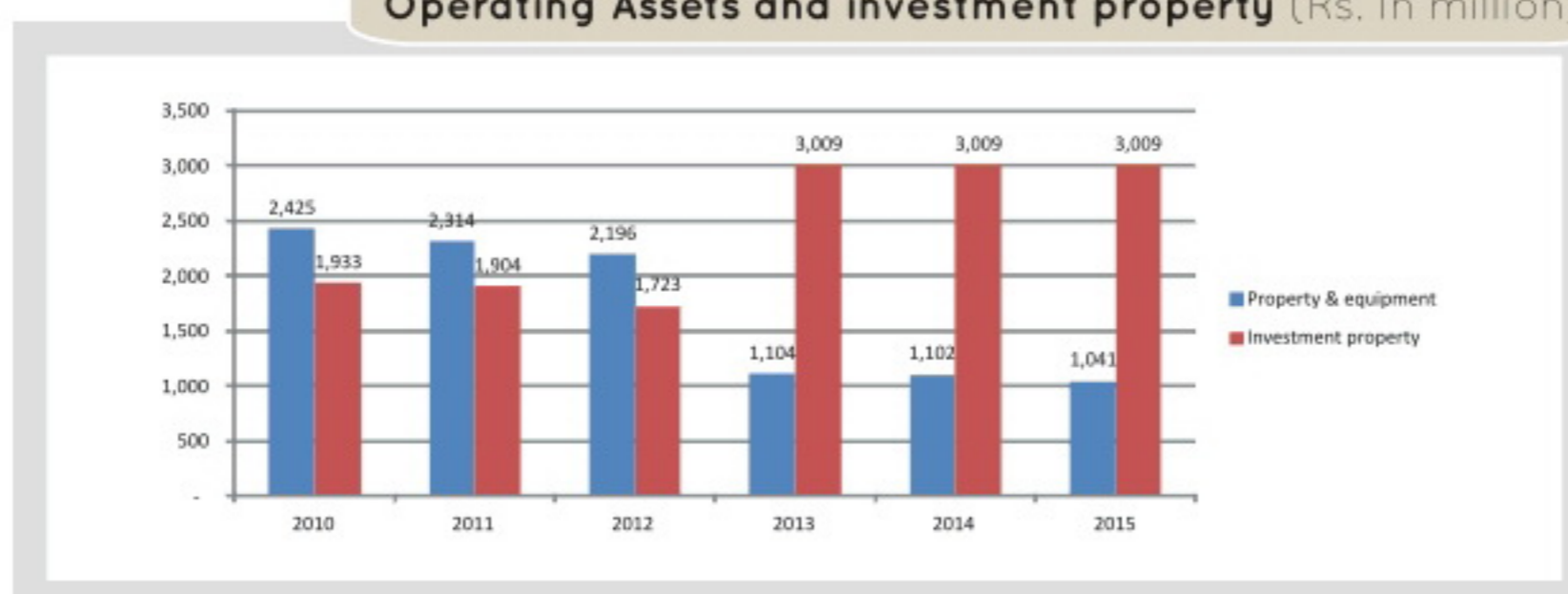
Operation and Other Income (Rs. In million)



Expenses (Rs. In million)

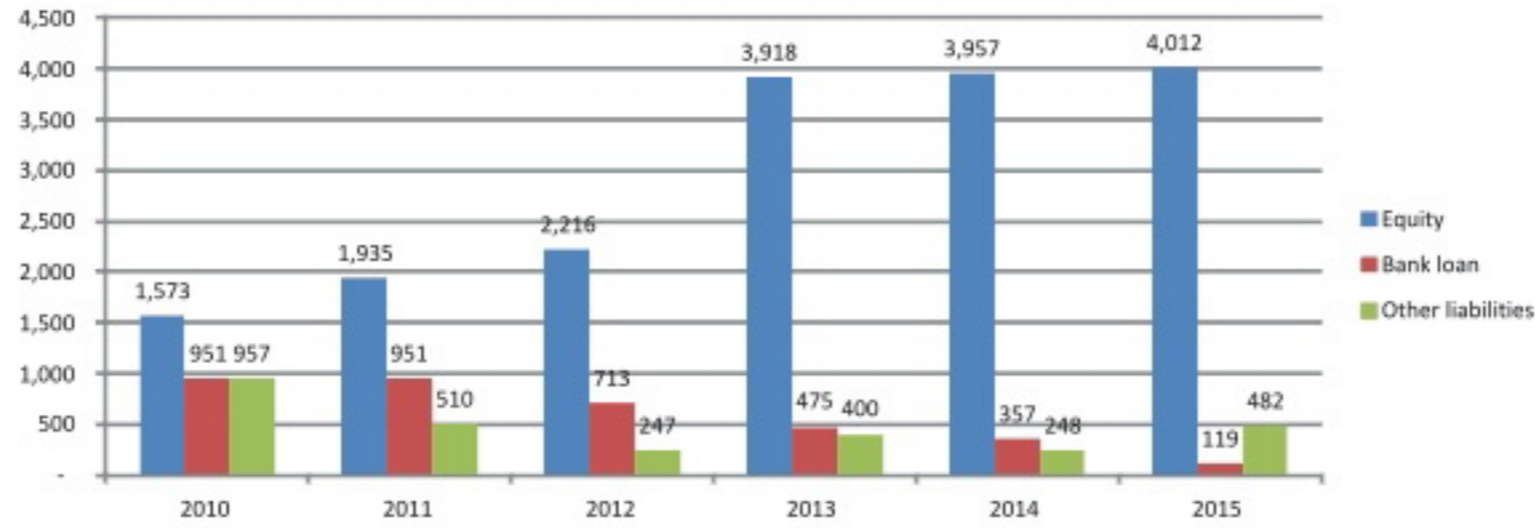


Operating Assets and investment property (Rs. In million)

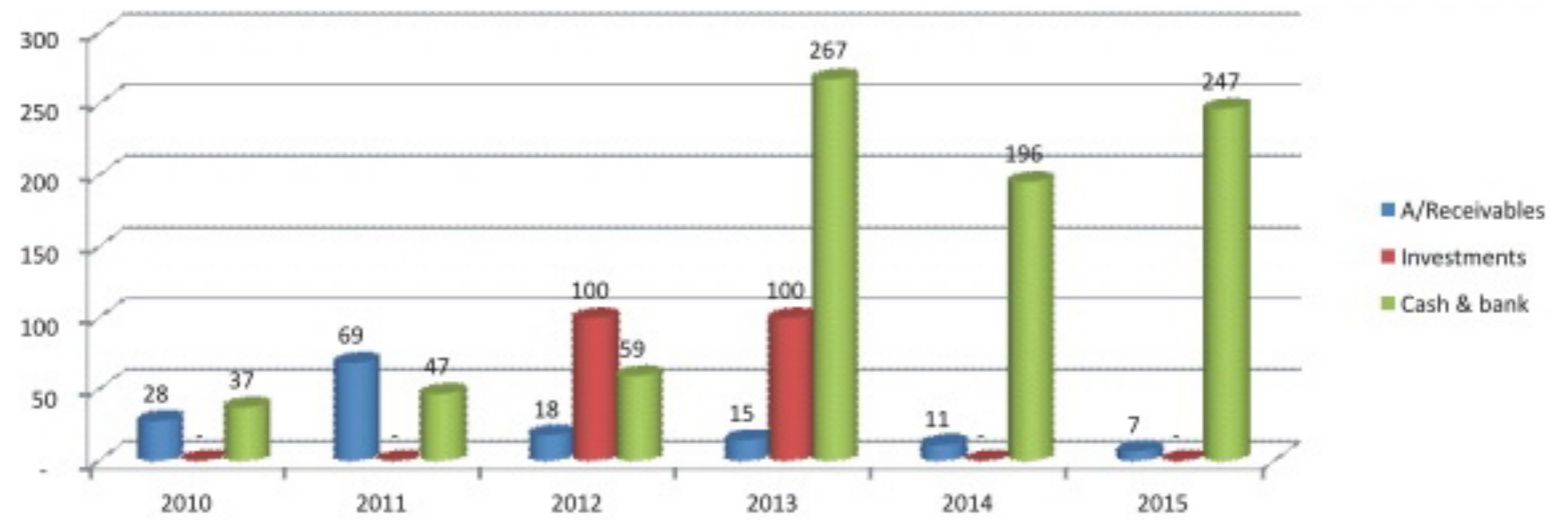


FINANCIAL HIGHLIGHTS

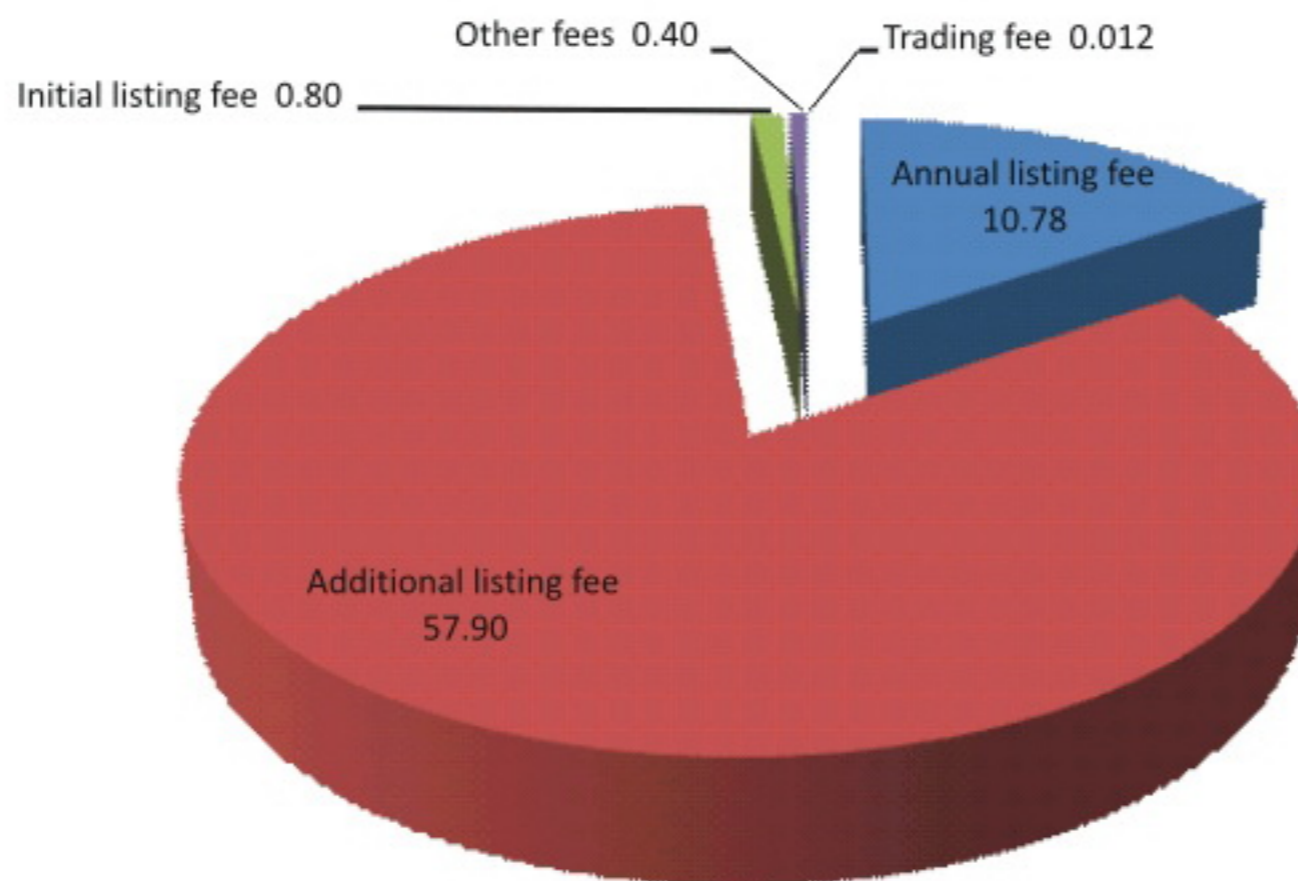
Equity and Liabilities (Rs. In million)



Current Assets (Rs. In million)



Operating income (Rs. In million)

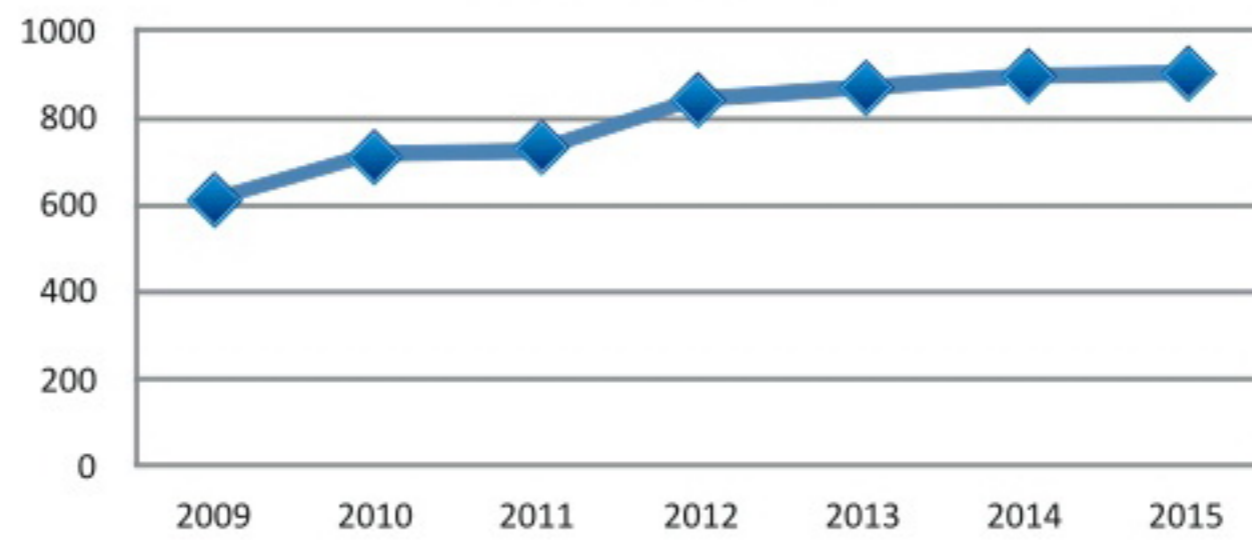




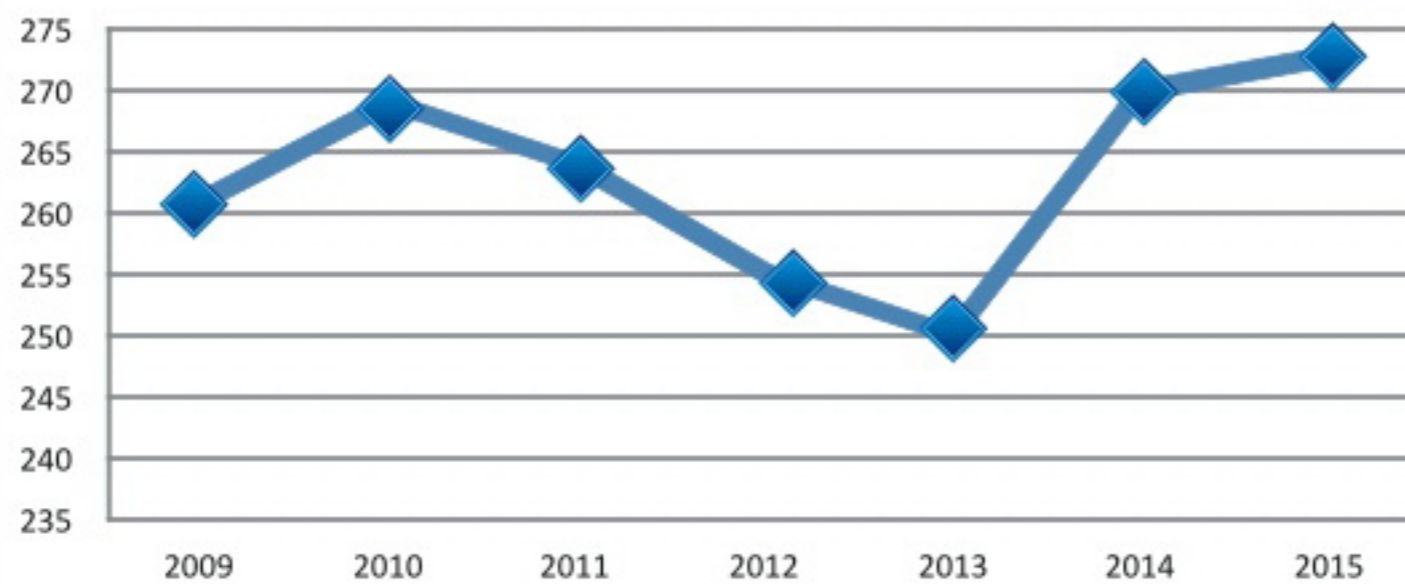
Market Performance

	2015	2014	2013	2012	2011	2010	2009
DESCRIPTION							
Total Number of Listed Securities	273	270	250	255	264	269	261
Total Listed Paid up Capital (Rs. in Billion)	902.477	897.163	871.095	840.973	726.960	715.650	608.4
Total Market Capitalisation (Rs. in Billion)	5,669.21	5,471.85	4,017.22	2,785.88	2,621.07	2,261.69	1705.02
ISE 10 Index	3594.79	4572.31	3904.61	2774.14	2722.83	2441.15	1713.03
New Securities Listed during the year	17	29	7	8	5	13	15
Listed Paid up Capital new Companies (Rs. in million)	19501.139	20431.313	464.432	0	-	26,174.715	11881.7
Total Turnover of Shares (in million)	25.84	46.240	33.560	29.33	37.343	225.170	272.97
Average Daily Turnover of Shares (in million)	0.10	0.18	0.126	0.116	0.14	0.9	1.11

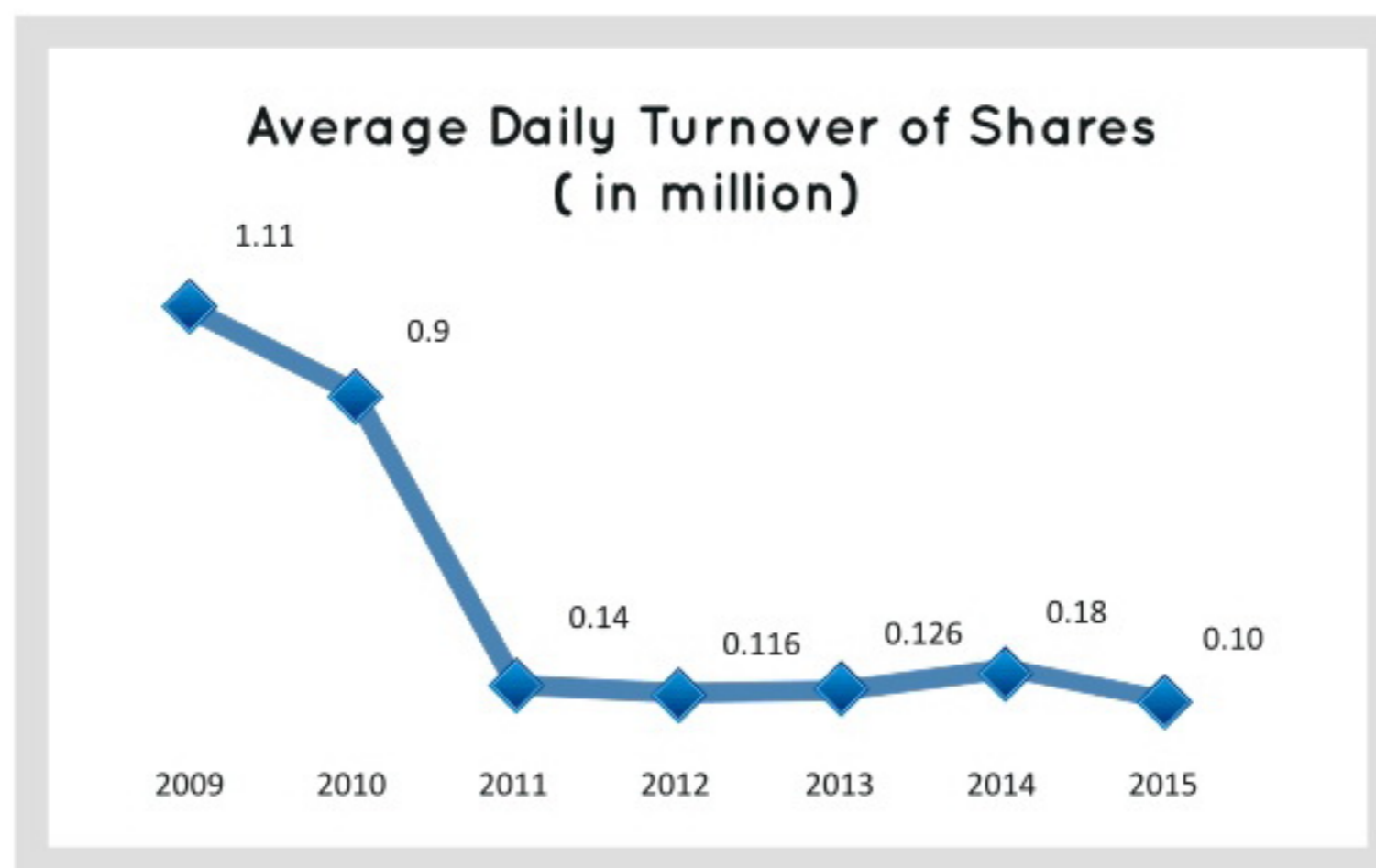
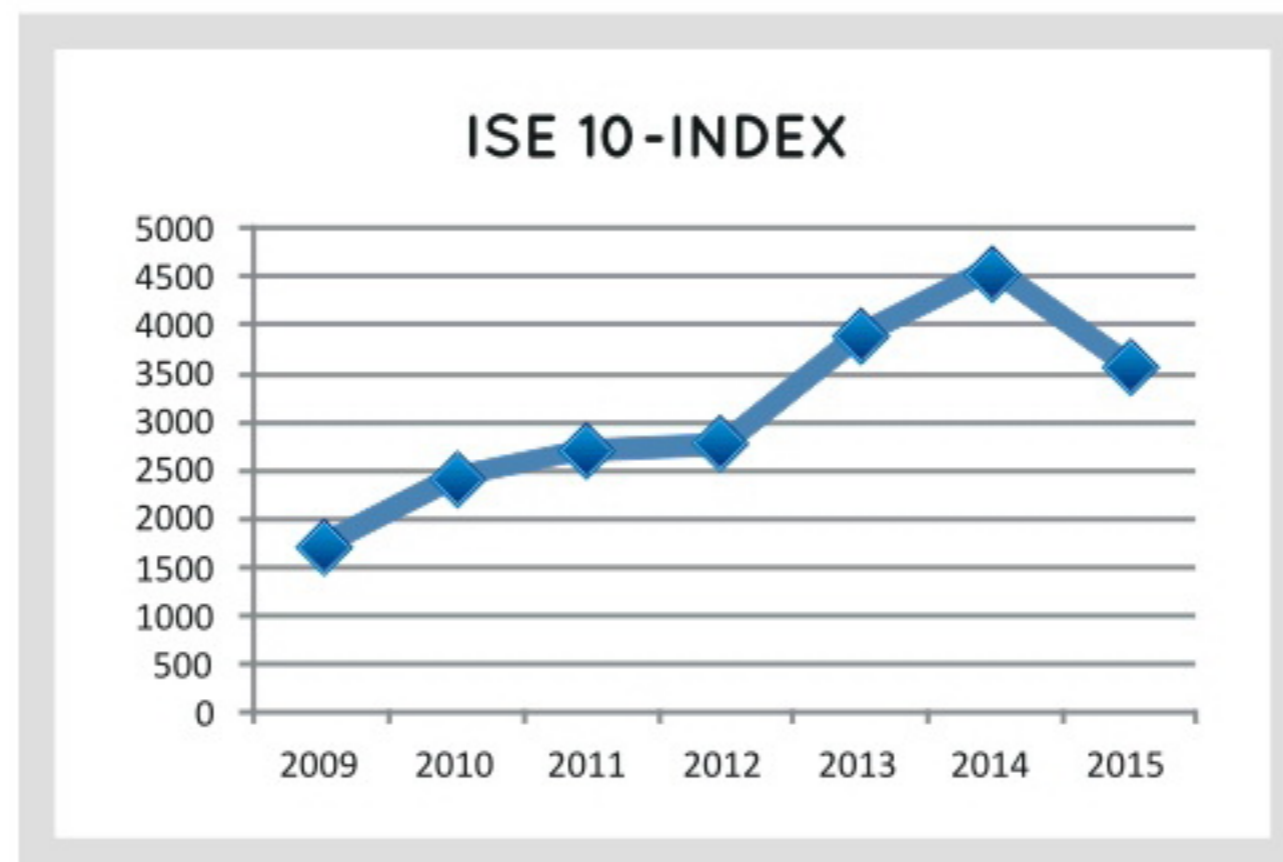
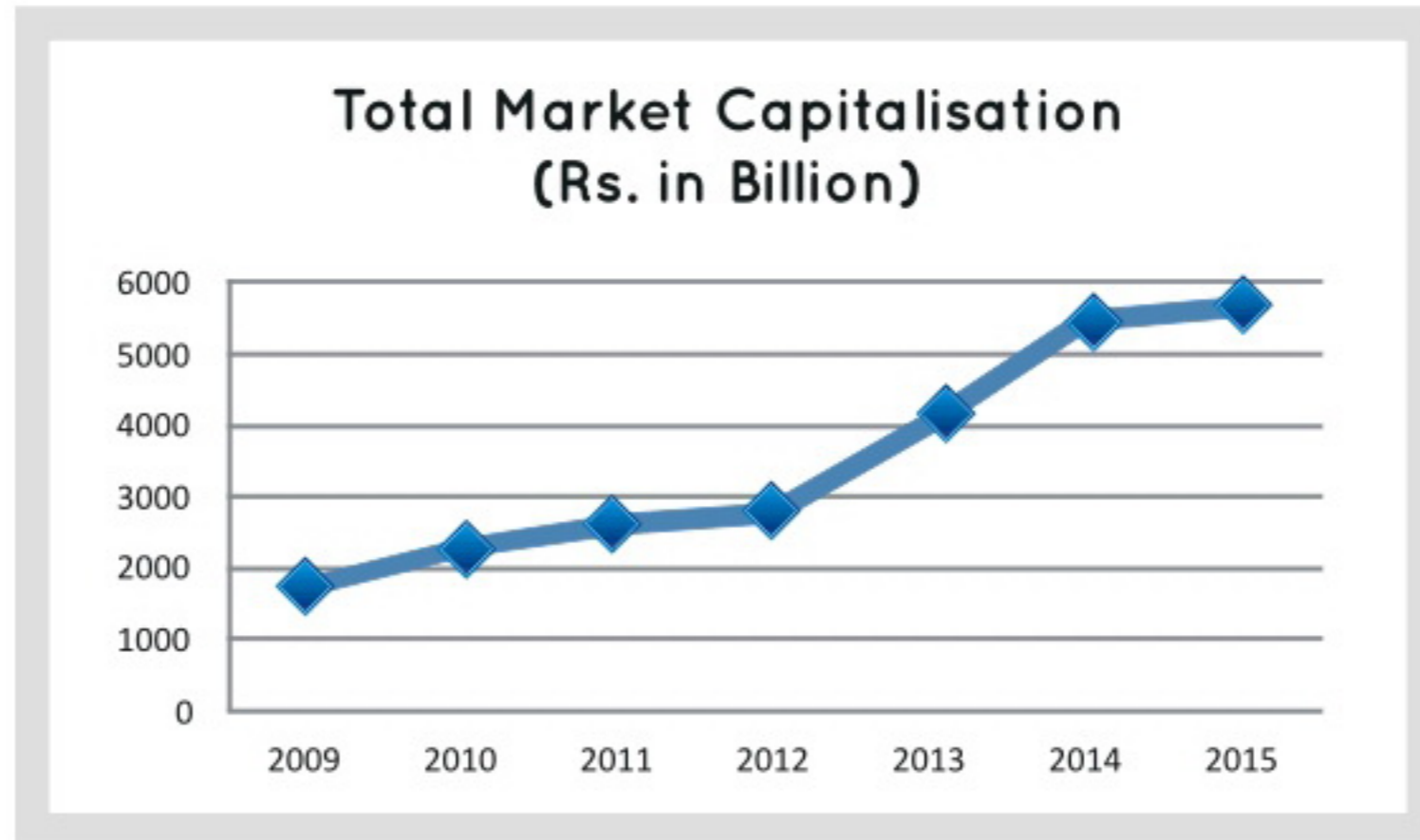
**Total Listed Paid up Capital
(Rs. in Billion)**



Total Number of Listed Securities

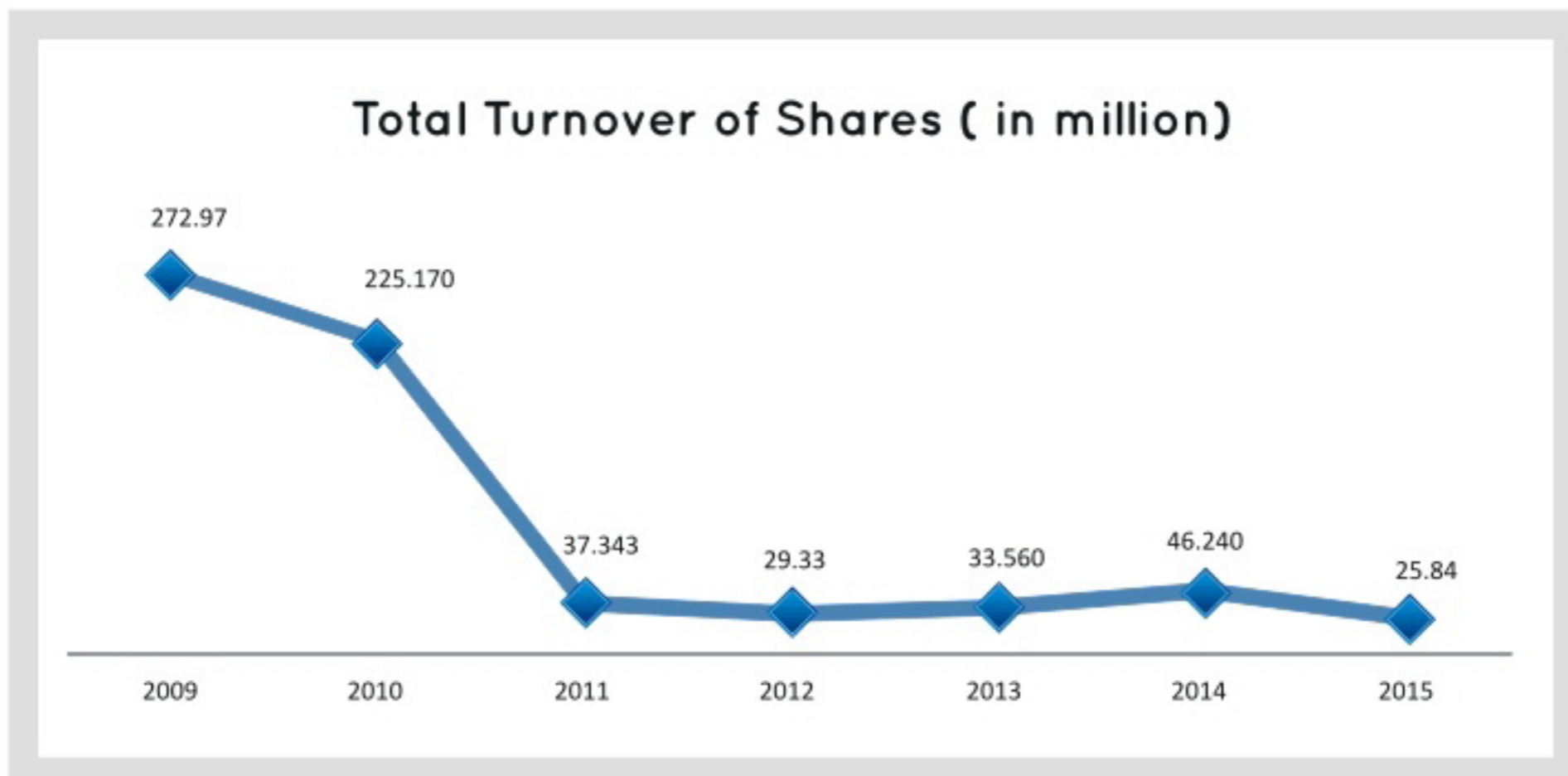


Market Performance





Market Performance







MANAGEMENT REPORT

MANAGEMENT REPORT

The securities market of Pakistan performed well during the fiscal year 2014-15 due to economic as well as geopolitical stability in the country. The market has been continuously moving in upward



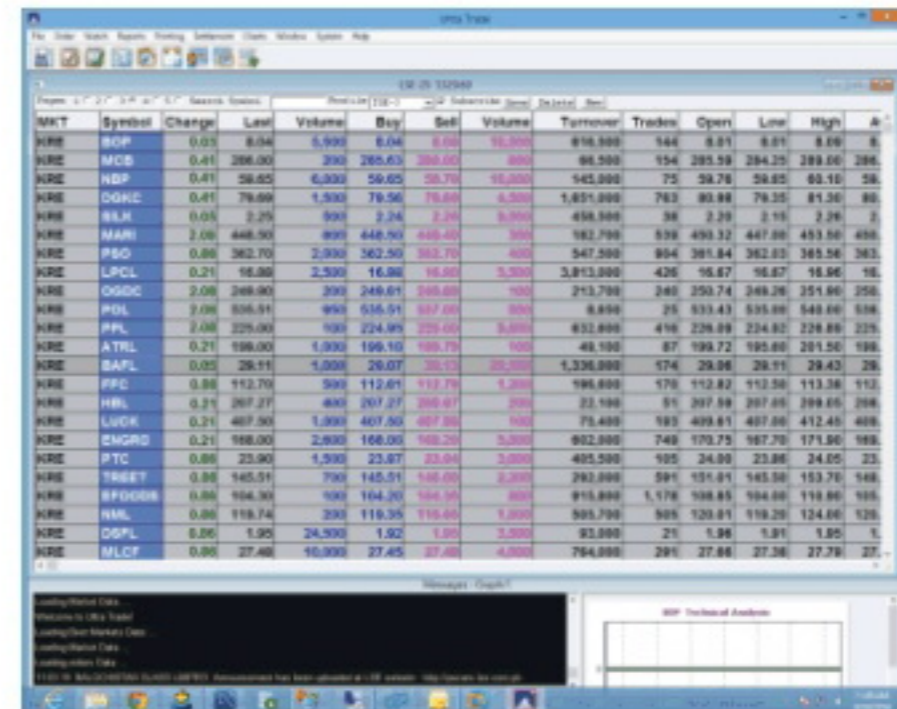
direction for the past few years. Economic sentiments remained optimistic during the year. The market continued its positive trend reaching new highs during the year under review. This growth momentum prevailed during first three quarters. The



market remained passive during the last quarter of the financial year. The record growth of equity

market increased its attractiveness amongst the other investment classes. ISE-10 index started from 4587 points on July 01, 2014 reached the maximum level of 4,800 points on Jan 24, 2015 and while closing at 3,594 points by the end of financial year.

The total listed paid-up capital grew by Rs. 5.3 billion due to new listings, rights and bonuses issues. The market capitalization also recorded an increase of 197 billion which was 3.6 percent



MKT	Symbol	Change	Low	Volume	Buy	Sell	Volume	Turnover	Trades	Open	Low	High	A-
ISE	SENSEX	0.00	4587.00	1000000	500000	500000	1000000	1000000	1000000	4587.00	4587.00	4587.00	4587.00
ISE	MCB	0.41	200.00	200	200.00	200.00	200	80.00	154	200.00	200.00	200.00	200.00
ISE	NBP	0.41	50.00	5000	50.00	50.00	5000	140.00	75	50.00	50.00	50.00	50.00
ISE	OGHC	0.41	70.00	1000	70.00	70.00	1000	140.00	75	70.00	70.00	70.00	70.00
ISE	BLR	0.00	2.25	500	2.25	2.25	500	40.00	30	2.25	2.25	2.25	2.25
ISE	MAR	2.00	400.00	500	400.00	400.00	500	160.00	50	400.00	400.00	400.00	400.00
ISE	PSO	0.00	300.00	2000	300.00	300.00	2000	540.00	80	300.00	300.00	300.00	300.00
ISE	LPCIL	0.21	10.00	2000	10.00	10.00	2000	300.00	40	10.00	10.00	10.00	10.00
ISE	OGGC	2.00	200.00	200	200.00	200.00	200	210.00	20	200.00	200.00	200.00	200.00
ISE	PHL	2.00	500.00	500	500.00	500.00	500	80.00	20	500.00	500.00	500.00	500.00
ISE	PPL	2.00	200.00	100	200.00	200.00	100	40.00	10	200.00	200.00	200.00	200.00
ISE	ATIL	0.21	100.00	1000	100.00	100.00	1000	40.00	10	100.00	100.00	100.00	100.00
ISE	SAFL	0.00	20.00	1000	20.00	20.00	1000	100.00	10	20.00	20.00	20.00	20.00
ISE	IFC	0.00	110.00	500	110.00	110.00	500	100.00	10	110.00	110.00	110.00	110.00
ISE	HL	0.21	200.00	500	200.00	200.00	500	20.00	10	200.00	200.00	200.00	200.00
ISE	LVK	0.21	400.00	1000	400.00	400.00	1000	70.00	10	400.00	400.00	400.00	400.00
ISE	SHPR	0.21	100.00	2000	100.00	100.00	2000	100.00	10	100.00	100.00	100.00	100.00
ISE	PTC	0.00	20.00	1000	20.00	20.00	1000	40.00	10	20.00	20.00	20.00	20.00
ISE	TREK	0.00	100.00	500	100.00	100.00	500	20.00	10	100.00	100.00	100.00	100.00
ISE	SPIDER	0.00	100.00	100	100.00	100.00	100	10.00	10	100.00	100.00	100.00	100.00
ISE	IML	0.00	100.00	200	100.00	100.00	200	10.00	10	100.00	100.00	100.00	100.00
ISE	OSP	0.00	1.00	2000	1.00	1.00	2000	10.00	10	1.00	1.00	1.00	1.00
ISE	MLCF	0.00	20.00	1000	20.00	20.00	1000	10.00	10	20.00	20.00	20.00	20.00

higher as compared to the previous year. Total volume of traded shares at official system of Exchange was 25.84 million during the year under review. Broker to Broker inter-exchanges trade by ISE participants recorded a volume of 1947 million shares having value Rs. 99,998.77 million during the year under review as reported by NCCPL.

Liquidity and efficiency are the major contributors for the development of any market. ISE in line with its vision continued its endeavours to develop a modern, fair and efficient market with particular focus on the risk management systems, corporate



MANAGEMENT REPORT

governance, transparency and investor protection.

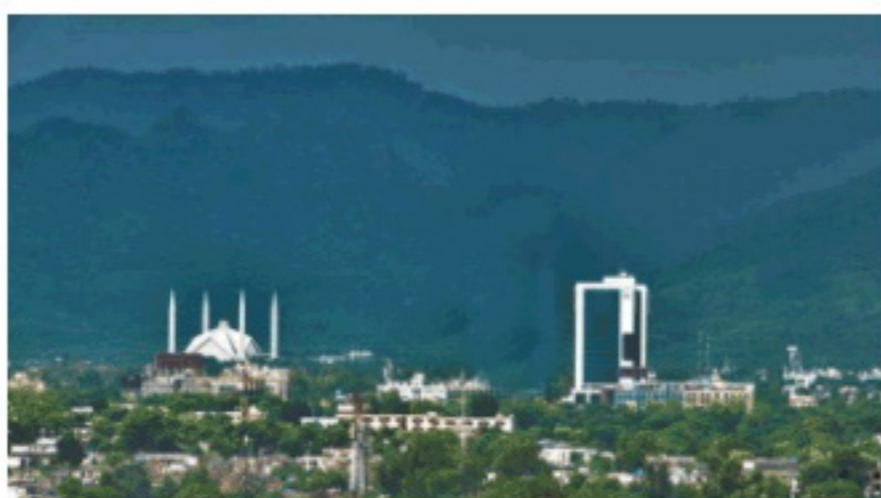
IT Services

ISE Electronic Exchange System (IEES), a most modern trading system of the Exchange has performed exceptionally well. The Pre-Trade Risk Management and integrated Back Office System are the salient features of this system. The Unified Quoting Engine which is the key component of this system which routes the unexecuted orders towards the liquid market for execution.

The Unified Trading System (UTS), the joint trading platform of ISE and LSE which has been established to address the liquidity issue and better price discovery also contributed to help resolve liquidity issues of the two Exchanges and it became the first step the ultimate integration of the stock Exchanges.

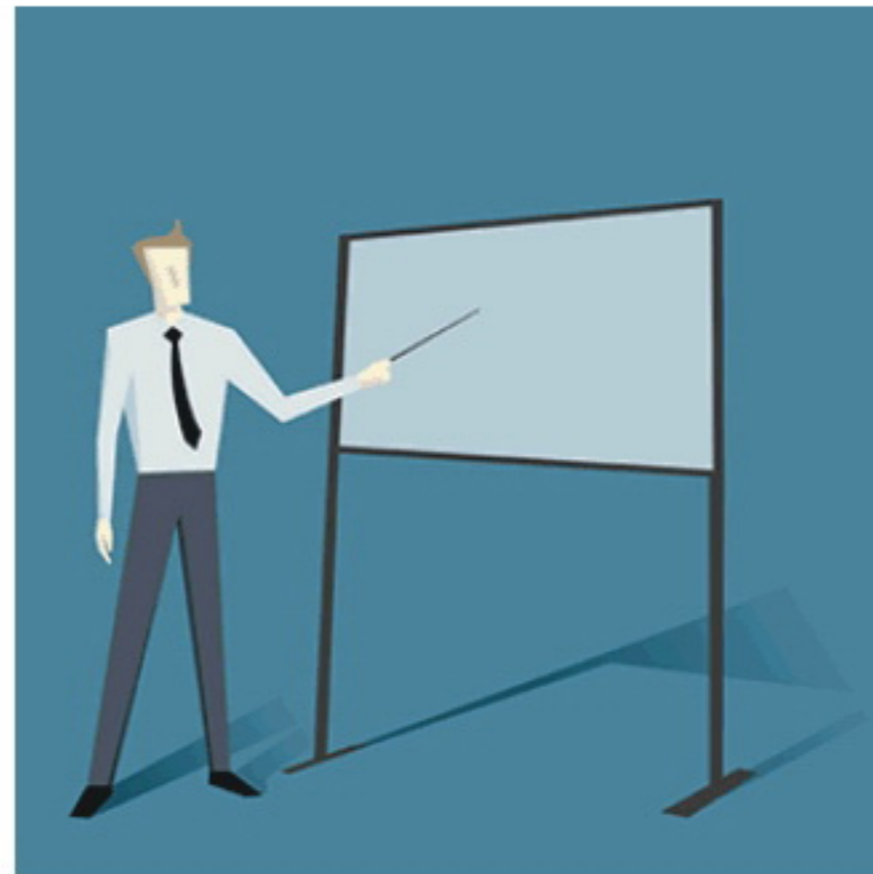
Listing Performance

ISE has maintained good pace of listing of companies since last year. This year 17 securities have been listed at ISE. Out of these 11 are companies, 4 are open ended funds and two are debt instruments. (Table -I)



Investors Education

One of the basic objectives of the Stock Exchange is to promote the investment knowledge with particular focus to safeguard the interest of the investing public. Therefore, all rules and



regulations of the Exchange aim on investors' protection. The ISE has taken special steps to educate the investors such as implementation of Standardized



Account Opening Forms, establishment of Investors Protection Fund, efficient procedures for resolution of investors complaints, establishment of helpdesks for the facility of Investors and focused investors education. Investor education is known as key tool for the growth of capital

MANAGEMENT REPORT

markets, ensuring investor protection and bolstering confidence in the markets. It helps the investors in making informed decision and identifying unscrupulous investment schemes and unfair market practices.

ISE has followed a comprehensive and integrated program for the investor education in collaboration with Securities and Exchange Commission of Pakistan (SECP), National Clearing Company of Pakistan and Central Depository Company of Pakistan. Besides, ISE has fully supported the initiative taken by SECP for promoting investors' education campaign namely Jama Punji. (Table - II)

ISE Towers

ISE Towers on account of its state of the art features has attained the status of most prestigious business address in Islamabad. Due to its prominence and the



prevailing law and order situation in the country, special security arrangements have been made for ISE Towers for its safety and security. The ISE Management is in continuous process for strengthening the security and safety of the Towers. Periodic inspection of all electric and engineering installation of ISE Towers has been conducted. New ISE Secretariat has been established at Ground Floor. All the tenants of ISE Towers have been given high privileges so as to have their stay at ISE peaceful and comfortable.

At present significant portion of the building has already been rented /sold out. A few offices are available for rent/sale in ISE Towers at the moment. ISE Towers is a ISO 9001-2008 certified entity. The Department of Operations and Maintenance of ISE Towers has developed a dedicated team of experts for its efficient functioning. ISE in the time to come would continue to provide best quality services to the occupants of ISE Towers.

Regulatory Review

ISE being front line regulator has an obligation to ensure that market functions in a fair, orderly and transparent manner. To achieve this end, ISE has established a sound regulatory framework for stock market activities, achieving favorable outcomes in key areas such as disclosure, corporate governance, and standards of business conduct. In order for transparency and independence



MANAGEMENT REPORT

of regulatory function, an independent Regulatory Affairs Department headed by a Chief Regulatory Officer (CRO) has



been entrusted with the regulatory functions. ISE remained committed to discharge its regulatory role in an effective, balanced and independent manner.

The regulatory functions of the Exchange have been monitored by the Regulatory Affairs Committee (RAC) that comprised independent directors having diverse knowledge of capital market.

During the year, in order to have a balanced approach and seek opinion of stakeholders, concept of friends of the Committee was introduced. The theme was to seek technical and market input from the brokers on the issues under the framework of RAD, however in order to maintain the independence, right to vote was not given to the friends of the Committee. Friends of the Committee include two broker members and the Managing

Director.

Regulatory Framework

Rules and regulations provide basis for fair and transparent market operation and enforcements. ISE constantly reviewed its regulations to ensure that they are balanced, current, effective, consistent and pro market development. In 2015, the key developments of our regulatory framework was the revamping of SME Regulations, amendments in General Regulations relating to Clients Assets Segregation, Revision in Eligibility Criteria for Auditors for the Brokers, Improved Risk Management measures and amendments in Listing Regulations for better compliance. ISE has also reviewed all its regulations and consolidated the same into a book format with the object of more explicit regulations.



During 2015, Exchange issued public consultation papers to seek public feedback / opinion on proposed changes in following regulations in terms of the provisions of the Securities Act 2015:

MANAGEMENT REPORT

- i. Regulations Governing Future Trading in Provisionally Listed Companies;
- ii. Listing Regulations;
- iii. Default Management Regulations;
- iv. Regulations Governing Risk Management;
- v. General Regulations;
- vi. Regulations Governing System Audit [Regulatory Compliance] of Brokers;
- vii. Regulations Governing Broker to Broker Inter Exchange Trade.

Market Surveillance and Monitoring

The stock exchange has taken proactive approach to detect and deter abusive trading practices and facilitate genuine price discovery. Exchange has taken swift actions whenever there are breaches of rules and regulations.



ISE took proactive stance in engaging with brokers individually to check the market abusive practices.

The surveillance of listed issuers is the key area of RAD. Main focus of this activity is to ensure compliance with the requirements of Code of

Corporate Governance and Listing Regulations as well as to detect, and if possible, pre-empt any irregularities/abusive practices that could undermine confidence of the investing public in the stock market. Our corporate surveillance actions have aimed to guide, assist and facilitate listed issuers to comply with the Listing Regulations and observe good practices.

Quality and Timely Disclosures

Disclosure of material information is a key area for stock market and ISE remained focused to ensure that the issuers are providing financial information



within the timeframe required under the regulations. Besides, other reporting requirements are also being submitted in timely manner. In order to improve corporate disclosure and to facilitate listed issuers to provide corporate disclosure, Exchange allowed e-filing financial information and other corporate disclosures.



MANAGEMENT REPORT

Business Conduct of Brokers

The Exchange continued system audits, on-site inspection, monitoring of client asset



segregation, business conduct and compliance with Rules and Regulations. The Exchange also re-devised certain regulations to ensure brokers' monitoring and business conduct. During the year, Exchange supervised system audit of 25 brokers and also conducted on-site inspection of some brokers.

ISE has also conducted interactive sessions on new as well as already implemented regulatory requirements with the aim to enhance participants' knowledge and understanding of the regulatory requirements.

Enforcement Activities

Enforcement actions are essential to ensure regulatory



compliance and protect investors and market integrity. During the year, Exchange took actions for non-compliances including penalties and suspensions on account of serious non-compliances/breaches. During 2015, we took strict enforcement actions against the brokers upon non-compliances with regulations of the Exchange.

Investors' Protection

ISE is cognizant of the fact that investors are backbone of the stock market, therefore, it gave



high priority to secure the interest of the investing public. The Exchange has taken strict actions against the brokers in case investor's complaint remained unsettled. An effective and time bound procedure has been defined in Regulations of Exchange to deal with arbitration cases.

In order to recover the amounts of investors from the defaulted brokers, the Exchange is handling default and legal cases against such brokers.

MANAGEMENT REPORT

Table-I New Listings During FY 2015

1	AL Ameen Islamic Principal Preservation Fund	-III
2	Meezan Capital Preservation Fund	-II
3	AL Ameen Islamic Principal Preservation Fund	-IV
4	Engro Powergen Qadirpur Limited	
5	Allied Bank Ltd (2nd Issue)	
6	Century Paper & Board Mills Limited	
7	Ghani Gases Limited	
8	Systems Limited	
9	Synthetic Products Enterprises Limited	
10	Engro Foods Limited	
11	AL Ameen Islamic Principal Preservation Fund	-V
12	Gul Ahmed Textile Mills Limited	
13	HBL (2 nd Issue)	
14	Treet Corporation Ltd (Treet Perpetual Sukuk)	
15	OGDC	
16	Al Shaheer Corporation Limited (Meat One)	
17	Dolmen City REIT (Closed -End Mutual Fund)	

Table-II Investor Awareness Program January-June 2015

Sr.	City	Held on
1	Islamabad Stock Exchange	02-01-2015
2	Rawalpindi Chamber of Commerce & Industry	15-01-2015
3	Islamabad Chamber of Commerce & Industry	21-01-2015
4	University of Lahore (Gujrat Campus)	28-01-2015
5	Rotary Club Rawalpindi	04-02-2015
6	Haripur Chambers	12-02-2015
7	Hattar Industrial Association	12-02-2015
8	Mirpur AJK Chamber of Commerce	06-02-2015
9	Punjab collage of Commerce (Rwl)	27-02-2015
10	NIBAF Delegation	10-03-2015
11	Peshawar Sarhad Chamber of Commerce	16-03-2015
12	Islamabad College for Boys G-6/3	26-03-2015
13	ICAP	30-03-2015
14	The Muslim Education System Abbottabad	02-04-2015
15	COMSATS, Abbottabad	15-04-2015
16	NUML, Islamabad	27-04-2015
17	WISH, Islamabad	28-04-2015
18	IM Sciences, Peshawar	30-04-2015
19	University of Wah (Mgt Dept)	27-05-2015
20	Bacha Khan University Charsadda	11-06-2015
21	University of Wah (Eco Dept)	17-06-2015





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Islamabad-44000,
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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Islamabad Stock Exchange Limited (the Company) to comply with the said code.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Code requires the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices

BDO Ebrahim & Co. Chartered Accountants

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contained in the Code, for the year ended June 30, 2015.

We draw your attention to following matters:

- a) Clause 1 of the Statement, which states that independent director has not been appointed as required by the Code.
- b) Clause 8 of the Statement, which states that the post of Chief Financial Officer (the CFO) has remained vacant from June 16, 2015 till the financial year end, however, during the year Deputy Chief Manager Finance and Accounts has been given additional charge as Acting CFO.
- c) A mechanism for the evaluation of the Board's performance is not yet in place as per (clause (v) e) the requirements of the Code of Corporate Governance.

Our conclusion is not qualified in respect of the above matters.

ISLAMABAD:
Date: **September 17, 2015**


CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Qadeer

BDO Ebrahim & Co. Chartered Accountants

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STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance [CCG] contained in Regulation No.35 of Listing Regulations of Islamabad Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance. Islamabad Stock Exchange ["the Company"], although not a listed Company, has voluntarily adopted the best practices of corporate governance.

The Company has applied the principles contained in CCG in the following manner:

- As provided in Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 [the Act] and in accordance with the requirements of the Articles of Association of the Company, the Board of Directors comprises four elected directors being representatives of Trading Right Entitlement Certificate (TREC) Holders and six directors nominated by the Securities and Exchange Commission of Pakistan (SECP). Accordingly, at present, the Board of Directors of the Company includes:

Executive Director	Managing Director	Names
		Mian Ayyaz Afzal

Non-Executive Directors

SECP Nominees

Chairman of the Board	(i) Mr. Moin M. Fudda (ii) Mr. Rashid Akhtar Chughtai (iii) Mr. Umar Hayat Khan (iv) Mr. Hussain Ahmed Ozgen (v) Malik Qamar Afzal (vi) Chaudhry Mujeeb Ullah
-----------------------	--

Representatives of TREC Holders

(vii) Mr. Zahid Latif Khan (viii) Mian Humayun Parvez (ix) Mr. Asif Saeed Malik (x) Mr. Mohammad Masud Ch.

Since, composition of present Board is defined in the Act and because the Company is presently in a transitory phase; the requirement of CCG for having at least one 'independent director' is, therefore, yet to be complied with by the Company.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed companies where applicable).



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange. None of the directors represents companies/firms which are TREC holders of a stock exchange that have been declared as defaulter by that stock exchange.
4. During the period under consideration Mr. Muhammad Rashid Zahir, Director and Chairman resigned from the Board of ISE on February 25, 2015. The SECP in his place appointed Mr. Moin M. Fudda as Director of ISE who was also elected as Chairman of the Board on March 04, 2015.
5. The Company has prepared a Code of Conduct and has ensured that appropriate steps has been taken to disseminate it throughout the company along with its supporting policies and procedures. a 'Statement of Ethics and Business Practices', which has been signed by all the directors of the Company. Similarly, the Company has also developed a 'Statement of Code of Conduct and Business Practices' which has been disseminated to all the employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other non-executive directors, are being exercised by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting except in the case of one meeting in emergent situation. The minutes of the meetings were appropriately recorded and circulated. The post of Chief Financial Officer (CFO) has remained vacant from June 16, 2015 till the financial year end, however, during the year Deputy Chief Manager Finance & Accounts has been given additional charge as Acting CFO.
9. As of June 30, 2015, seven directors of the Company have acquired the directors' training certificate as required under the CCG organized by Institute of Cost and Management Accountants in Pakistan. The Company plans to arrange Director's Training Programs in future, for the remaining directors and senior officers, excluding those who are already exempted under the CCG.
10. The Board approves the appointment of CFO, Company Secretary, CRO and Head of Internal Audit, including their remuneration and

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

terms and conditions of employment. During the period under review, the Board has appointed the CRO and CFO of the Exchange.

11. The Directors' Report for this year has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of CCG.
15. The Board has formed an Audit Committee. It comprises of four (4) members including the Chairman. All members of Audit Committee are non-executive directors.
16. The meetings of the Audit Committee were held at least once in every quarter prior to the approval of the interim and annual financial results of the Company and as required by CCG. The total number of the meetings held during the year ended June 30, 2015 was 6. The terms of the reference of the Committee have been formed and advised to Committee for compliance.
17. The Board has formed Human Resources & Remuneration Committee. It comprises of four (4) members including its Chairman. All members of Human Resources and Remuneration Committee are non-executive directors.
18. The Board with the prior approval of Securities and Exchange Commission of Pakistan has constituted a Regulatory Affairs Committee (RAC). This Committee consists of five (5) members including its chairman. All members of the Committee are non-executive SECP Nominee directors. This Committee oversees the regulatory affairs of the Exchange under the domain of Regulatory Affairs Department (RAD) constituted under Plan of Segregation of Commercial and Regulatory Functions in terms of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The RAD is headed by CRO of the Exchange.
19. The Board has set-up an effective internal audit function through an Internal Auditor who is a qualified chartered accountant. Internal Auditors is conversant with the policies and procedures of the Company and is suitably qualified and experienced for the purpose. The Internal Auditor has been engaged on a full time basis.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

(ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The closed period clause does not apply to the ISE as its shares are unlisted at the moment.
23. We confirm that all other material principles contained in the CCG have been complied except that the Board is yet to put a mechanism in place for the valuation of its own performance.

On behalf of the Board of Directors

Chaudhry Mujeeb Ullah
Chairman Audit Committee

Mian Ayyaz Afzal
Managing Director/CEO

Mr. Moin M Fudda
Chairman

COMMITTEES OF THE BOARD

1. Audit Committee (AC)

Chairman of Committee	Members	Secretary
Ch. Mujeeb Ullah	Mr. Asif Saeed Malik Mr. Mohammad Masud Ch. Mr. Umar Hayat Khan	Mr. Kamran Anjum

Terms of Reference

The terms of reference of the Audit Committee include the following:

- ▶ Carry out all functions as prescribed by the CCG such as:-
 - a) determination of appropriate measures to safeguard the company's assets;
 - b) review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Directors, focusing on:
 - ▶ major judgmental areas;
 - ▶ significant adjustments resulting from the audit;
 - ▶ the going concern assumption;
 - ▶ any changes in accounting policies and practices;
 - ▶ compliance with applicable accounting standards;
 - ▶ compliance with listing regulations and other statutory and regulatory requirements; and
 - ▶ significant related party transactions
 - c) review of preliminary announcements of results prior to publication;
 - d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
 - e) review of management letter issued by external auditors and management's response thereto;
 - f) ensuring coordination between the internal and external auditors of the listed company;
 - g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
 - h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
 - i) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
 - j) review of the company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;



COMMITTEES OF THE BOARD

- k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
 - l) determination of compliance with relevant statutory requirements;
 - m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
 - n) consideration of any other issue or matter as may be assigned by the Board of Directors.
- ▶ Review Exchange's quarterly and annual financial statements;
 - ▶ Compliance with legal and regulatory requirements relating to audit functions;
 - ▶ Approve appointment, compensation and removal of internal auditors;
 - ▶ Oversee the auditor's engagements;
 - ▶ Meet frequently with auditors;
 - ▶ Review auditor's report with respect to Exchange's internal controls;
 - ▶ Approve all audit and non-audit services performed by the auditors;
 - ▶ Approve budget and staff allocation for internal audit department;
 - ▶ Continuously ensure sufficient funding is provided for performing audit functions;
 - ▶ Recommend appointment or reappointment of external auditor and their audit fees;
 - ▶ Carry out any other function that may be mutually agreed upon by the AC and the Board.

2. Human Resource and Remuneration Committee (HRRC)

Chairman of Committee	Members	Secretary
Mr. Hussain Ahmed Ozgen	Mian Humayun Parvez Mr. Qamar Afzal Mr. Zahid Latif Khan	Mr. Ahmed Noman

Terms of Reference

The HRRC is responsible for:

- ▶ Recommending human resource management policies to the Board;
- ▶ Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- ▶ Recommending to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit
- ▶ Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO;
- ▶ Recommending the mechanism of remuneration of the consultants;
- ▶ All conditions of CCG in respect of HRC shall be complied with.

COMMITTEES OF THE BOARD

3. Nomination Committee (NC)

Chairman of Committee	Members	Secretary
Mr. M. Rashid Zahir	Mr. Hussain Ahmed Ozgen Mr. Qamar Afzal	Mr. Ahmed Noman

Terms of Reference

The NC has been assigned the following ToRs:-

- ▶ Formulate the nomination, selection and succession policies for the members of the Board, Board Committees;
- ▶ Develop a Panel of Experts (PoE) to be approved by the Board of the Exchange, by identifying professionals based on minimum eligibility criteria and qualifications;
 - ▶▶ Recommend to the Board, names of individuals for appointment of independent directors of the Board from amongst the experts/professionals included in the PoE;
 - ▶▶ Recommend to the Board names of the experts/professionals to be appointed in the RAC from amongst the PoE;
- ▶ Recommend to the RAC name of the CRO, based on a pre-defined minimum eligibility criteria devised by the RAC;
- ▶ Recommend to the Board for approval, names of independent directors to be appointed on the RAC;
- ▶ Describe roles and responsibilities for each of the above appointments;
- ▶ Review and recommend to the Board the appointment of members of any other Board Committees, including appointments of market experts/professionals as mandated by the Board;
- ▶ Make recommendations to the Board for appointments to fill casual vacancies;
- ▶ Arrange orientation and training programs for members of the Board;
- ▶ Devise remuneration policies and remuneration for the Directors and the market experts/professionals;
- ▶ Develop an eligibility criteria and fit and proper criteria for senior management of exchange;
- ▶ Carry out any other function that may be mutually agreed upon by the NC and the Board.

4. Regulatory Affairs Committee (RAC)

Chairman of Committee	Members	Secretary
Mr. Rashid Akhtar Chughtai Ch.	Mujeeb Ullah Mr. Hussain Ahmed Ozgen Mr. Qamar Afzal Mr. Umer Hayat Khan	Mr. Ahmed Noman

Friends of RAC

Mian Ayyaz Afzal MD
Mian Humayun Parvez
Dr. Zahid Mehmood



COMMITTEES OF THE BOARD

Terms of Reference

The RAC has been entrusted with the following tasks:-

- ▶ The RAC shall be primarily responsible to ensure that the Regulatory Affairs Department (RAD) functions effectively and shall take measures necessary to implement an effective regulatory regime and improve investor confidence and market integrity;
- ▶ RAC shall develop an overall regulatory plan and roles and responsibilities of each division of RAD together with a roadmap for effective regulatory role, for the approval of Board
- ▶ RAC shall on continuous basis ensure adequacy and effectiveness of the exchange's regulatory plan and approve annual plans/targets for the RAD
- ▶ The RAC shall consider and recommend for the approval of the Board all regulatory amendments
- ▶ RAC shall assess performance of the RAD in the light of regulatory program and take measures and where necessary make recommendations to the Board for improvements;
- ▶ RAC shall review the compensation of the CRO and personnel of the RAD, evaluate their performances in the light of goals and objectives. The compensation arrangement and changes therein will be approved by the Human Resource and Compensation Committee of the Board. The Chairperson of RAC shall be a member of the Compensation Committee and consider and recommend to the Board the compensation levels;
- ▶ All appointments and removals from RAD shall only be on the approval of RAC;
- ▶ RAC shall establish criteria for evaluating candidates for the senior management of RAD including CRO;
- ▶ Formulate and recommend to the Board for approval, budget and staff allocation for RAD;
- ▶ Conduct hearings of any appeals against the enforcement actions/ arbitration awards of RAD;
- ▶ Identify and manage potential conflicts of interest in commercial and regulatory functions regularly;
- ▶ Train/educate members of RAD in respect of conflict management and also develop the manual on conflict management policy and circulate to all employees of RAD;
- ▶ Prepare a summarized annual report of the RAD on the activities, conclusions, recommendations of the last year with special focus on the identification and mitigation of conflicts of interest and identify the targets for next year along with any other matters, for the Board and SECP;
- ▶ Carry out any other function that may be mutually agreed upon by the RAC and the Board.

COMMITTEES OF THE EXCHANGE

1. Demutualization Committee (DC)

Chairman of Committee	Members	Secretary
Mr. Mukhtar Hussain Jaffery	Mian Ayyaz Afzal (MD) Mian Humayun Parvez (Vice Chairman) Mr. Asif Saeed Malik Ms. Ayla Majid Brig. (R) Fateh Khan Mlik Mr. Farrukh Younas Khan Dr. Hassan Sarosh Akram Mr. Omer Iqbal Pasha Mr. Mohammad Masud Ch. Mr. Muhammad Sewhani Sh. Muhammad Shabbir Mr. Sohail Altaf Mr. Zahid Latif Khan	Mr. Ahmed Noman

Terms of Reference

The Demutualization Committee has been constituted under section 3 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The mandate/terms of reference include:-

- i. To vet the drafts of all statutory and legal documents in relation to the demutualization, corporatization and integration of the Exchange.
- ii. To recommend the appointment of the names of international investment bank and firms of chartered accountants for the valuation of the Exchange.
- iii. To recommend suitable parameters for the valuation of the Exchange for any prescribed or conventional method of valuation/revaluations.
- iv. To recommend appointment, financial, legal and/or professional consultant(s) for seeking assistance in demutualization and corporatization.
- v. To represent ISE at Governmental or any other forums in relation to demutualization and corporatization etc.
- vi. To approve the valuation of the stock exchange to be undertaken by the investment bank pursuant to clause (a), sub-section (1) of section 4 of the Ordinance.
- vii. To enter into negotiations and finalize the sale of not more than 40 of the total issued share capital out of the shares lying in the blocked account with any one or more strategic investors or financial institutions.
 Provided that the price offered for the sale of shares by the strategic investor is equal to or greater than the valuation carried out under section 4 and the Committee may accordingly enter into an



COMMITTEES OF THE EXCHANGE

agreement for the sale of such shares to the strategic investor, and the members, the shareholders including the initial shareholders and the stock exchange shall be bound by such agreement.

- viii. To determine the offer price for offer for sale of shares to general public.

2. Advisory & Arbitration Committee

(Under Regulation 25 of General Regulations of ISE)

Chairman of Committee	Members	Secretary
Syed Mukhtar Hussain Jaffery	Mr. Farrukh Younas Khan Brig (R) Fateh Khan Malik Mr. Ahmed Noman Mr. Sagheer Mushtaq Mr. Kamran Anjum Syed Asghar Abbas Naqvi Syed Nayyer Ashfaq Mr. Usman Rashid	Mr. Sohail Mehmood

Panel of Experts

(Under Regulation 28 of General Regulations of ISE)

Name of Expert	Association/Company
i) Syed Asad Ali Saeed Advocate High Court	Saeed Law Chamber, Office #12, Block 14-W, (Khan Plaza), F-8 Markaz, Islamabad.
ii) Mr. Imran-ul-Haq Chartered Accountant	Nasir Javaid Maqsood Imran & Company, Office # 12, 3rd Floor, Fazal Arcade, F-11 Markaz, Islamabad.
iii) Mr. M. Amin Bhatti Chief Financial Officer	Haidri Beverages (Pvt.) Limited, CDA Industrial Triangle, Kahuta Road, Islamabad.
iv) Syed Asad Mashadi Businessman	M/s. Solace (Pvt.) Limited, 217-B, Adamjee Road, Rawalpindi Cantt.
v) Rana M. Shahid Saleem Manager NCCPL	Office # 409, 4th Floor, ISE Towers, Jinnah Avenue, Islamabad.
vi) Ms. Zainab Effendi Advocate, High Court	Office No.8, First Floor, Justice Arcade, G-10/4, Islamabad.
vii) Mr. Muhammad Riaz Ex-CDC Official	Summit Bank, Blue Area Branch Islamabad.
viii) Mr. Masoom Akhter Chartered Accountant	Masoom Akhter & Company, 611, 6th Floor, ISE Towers, Jinnah Avenue, Islamabad.
ix) Mr. M. Aslam Malik Chartered Accountant	Aslam Malik & Company, Suite #18-19, First Floor, Central Plaza, Civic Centre, New

COMMITTEES OF THE EXCHANGE

Name of Expert	Association/Company
	Garden Town, Lahore.
x) Mr. M. Naveed Akhtar Chartered Accountant	OMV Pakistan, 15th Floor, ISE Towers, Jinnah Avenue, Islamabad.

Terms of Reference

Advisory & Arbitration Committee is constituted in terms of Regulation 25 of General Regulations of the Exchange. The basic function of the Committee is to deal with the trade disputes between TREC Holders and their constituents.

- ▶ To scrutinize the complaints for determining whether such complaints may be referred to arbitration.
- ▶ To constitute Panel of Arbitrators for considering disputes so referred.
- ▶ To constitute Appellate Bench to hear appeals against the awards of Arbitrator/Panel of Arbitrators as the case may be.
- ▶ To give input on complaint handling mechanism.
- ▶ To discharge any other assignment given by the Board.

3. Default Committee (DC)

Chairman	Members	Secretary
Mr. Rashid Akhtar Chughtai	Mian Ayyaz Afzal (MD) Mr. Mohammad Masud Ch. Mr. Zahid Latif Khan	Mr. Ahmed Noman

Terms of Reference

The DC is entrusted with the following tasks:-

- i. To examine the cases of TREC Holders in default and submit the recommendations to the Board in accordance with Default Management and General Regulations of the Exchange.
- ii. To oversee the process of disposition of assets of the defaulting TREC Holders for the purpose of securing maximum value.
- iii. To have on oversight on all litigations in the matters involving the assets of the defaulting TREC Holders or any matter incidental to the affairs of the defaulting TREC Holders.
- iv. To announce awards in cases of default for compensation of claimants



COMMITTEES OF THE EXCHANGE

4. Trading Development Committee (TDC)

Chairman	Members	Secretary
Brig (R) Fateh Khan Malik	Mian Ayyaz Afzal (MD) Mr. Farrukh Younas Khan (Coordinator/VC) Mr. Asif Saeed Malik Mr. Faheem Sardar Mr. Farooq Zafar Mr. Hameed Shahid Khokhar Mr. Khalid Butt Mr. Khalil Mujeeb ur Rehman Mr. Rifaquat Ali Ch. Sheikh Riaz Ahmed Mr. Muhammad Usman Dr. Zahid Mahmood	Syed M. Asghar Abbas

Terms of Reference

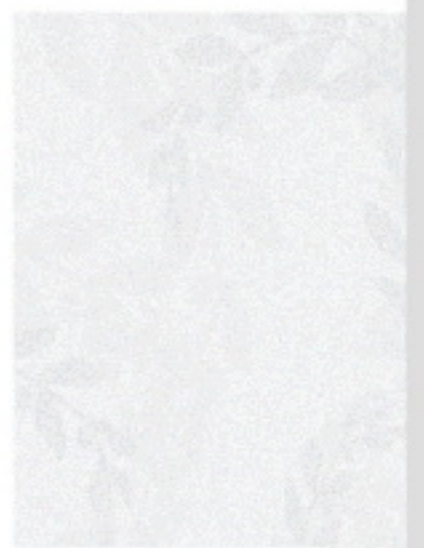
1. To review and recommend measures for the promotion of trade and business through official trading forums of the Exchange and make suitable recommendations.
2. To suggest new products and securities for trade and listing at ISE.
3. To review new/draft Regulations/Policies/Guidelines of the Exchange from trade perspective.
4. To frame more terms of reference which are not in conflict with Regulatory affairs Committee of the Exchange.

The MD shall be the main coordinator to review the recommendations of the TDC and refer the same to the appropriate forums for consideration, if he deems appropriate to do so.



Historical Moment for Pakistan Capital Market, Signing of MOU between KSE, LSE and ISE for formation of Pakistan Stock Exchange at SECP Head Office, Islamabad. Federal Minister for Finance, Chairman and officials of SECP, Demutualization Committees of all Exchanges and Dignitaries from Capital Market of Pakistan are present.







Chairman SECP, Mr. Zafar-ul-Haq Hijazi, Commissioner SECP, Mr. Akif Saeed and Executive Director SECP, Ms. Musarrat Jabeen visited ISE for meeting with Board of Directors and Demutualization Committee of Exchange.



MoU Signing between ISE and
AJK Chamber of Commerce
and Industries, Mirpur, Azad
Kashmir



MoU Signing between ISE and
Peshawar Chamber of Commerce
and Industries, Peshawar



Delegation from Borsa Istanbul, Turkey visited ISE. Glimpse of their visit to ISE Towers and during dinner hosted by ISE in their honour



Meeting of Demutulization Committees of ISE and LSE at ISE Towers, Islamabad.

Meeting of Demutulization Committees of ISE and KSE at Islamabad Club, Islamabad.





Minister of Finance, Mr. Ishaq Dar awarding Mr. Sohail Altaf, TREC Holder and Member of Demutualization Committee of ISE, a Life Time Achievement Award in recognition of his valuable input to the economy of Pakistan



Managing Director, Directors, TREC Holders of Exchange and officials of RCCL greeting Mian Humayun Parvez, Director ISE on becoming President of Rawalpindi Chamber of Commerce and Industries



Managing Director ISE, Mian Ayyaz Afzal, Director ISE, Mr. Zahid Latif Khan and TREC Holder ISE Mr. Haroon Ehsan Piracha with Member Audit, FBR, Mr. Ejaz Shah and Head of Legal PTC, Mr. Tajamul Hussain, during dinner hosted by Mr. Zahid Latif Khan in honour of Mian Humayun Parvez.



Chairman ISE, Mr. Moin Fudda Presenting ISE Shield to Chairman SECP, Mr. Zafar-ul-Haq Hijazi during his visit to ISE. MD ISE, Mian Ayyaz Afazi, Director ISE, Mr. Umer Hayat Khan, Chairman Demulization Committee, Mukhtar Hussain Jaffery and Ms. Musarrat Jabeen, Excutive Director, SECP were also present.



Renowned Politicians Senator Mr. Muhammad Ateeq and Mr. Jan Achakzai visited ISE. Mr. Zahid Latif Khan, Director ISE honouring the guests. Mian Ayyaz Afzal, Mr. Haroon Ehsan Piracha were also present.

British High Commissioner, Mr. Philip Barton visited ISE





Mr. Zahid Latif Khan, Director ISE, during his visit to SZABIST as a Chief Guest at the eve of Business Plan Competition amongst business students as part of ISE's Investor's Awareness Program.



Chairman Demutalization Committee of ISE, Mr. Mukhtar Hussain Jaffery during his visit to Borsa Istanbul, Turkey.



ISE Team after receiving ICT Award 2015 by RCCI.



MD ISE, Mian Ayyaz Afzal, presenting ISE shield to Chairman CDA, Mr. Maroof Afzal, during Emergency and Disaster Management drill at ISE Towers





**Independence Day Celebrations
at ISE Towers**



Independence Day Celebrations at ISE Towers



Christmas Celebrations





MD ISE, Mian Ayyaz Afzal, while addressing the delegates at US SEC.



MD ISE, in front of US SEC.



MD ISE, Mian Ayyaz Afzal and Director ISE, Zahid Latif Khan standing in front of New York Stock Exchange



Korean Business Journalist at ISE Towers



MD ISE, Mian Ayyaz Afzal presenting ISE Memento to Mr. Scott, Director US SEC.



Syed Asghar Abbas Naqvi, Senior Manager Operations and Mr. Ishfaq Ahmed, Acting CFO ISE, during their visit to US SEC.



MD ISE during visit to Toronto Stock Exchange



MD ISE with Federal Minister for trade and Senator on B2B trade with Pakistan, Canada



MD ISE, during Seminar at ICAP



MD ISE, and Chairman Demutalization Committee, Mukhtar Hussain Jaffery during their visit to Borsa Istanbul.



MD ISE during visit to Tokyo Stock Exchange and depository Company Japan



Visit of Italian Business Delegate to ISE



Delegation from Finland visited ISE



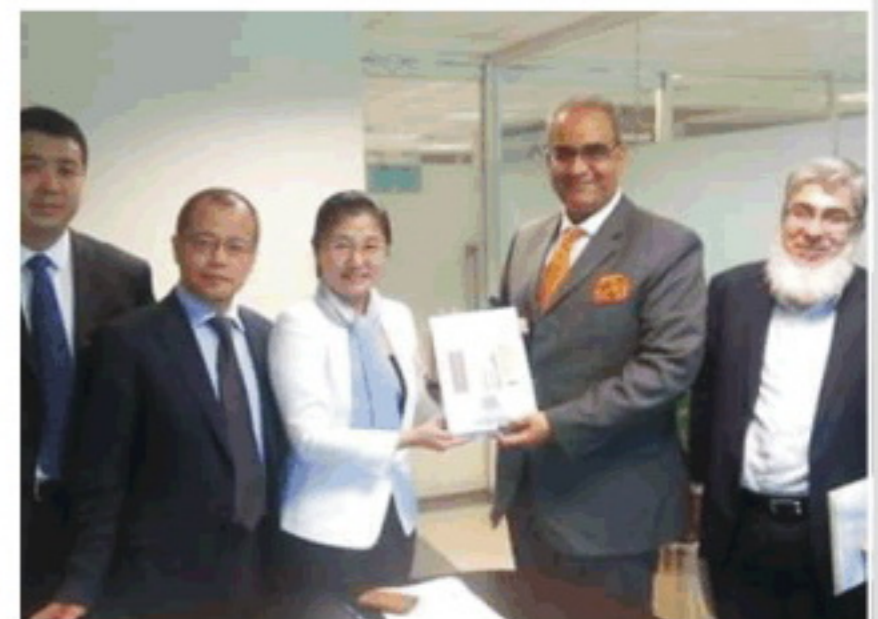
US AID conference at ISE



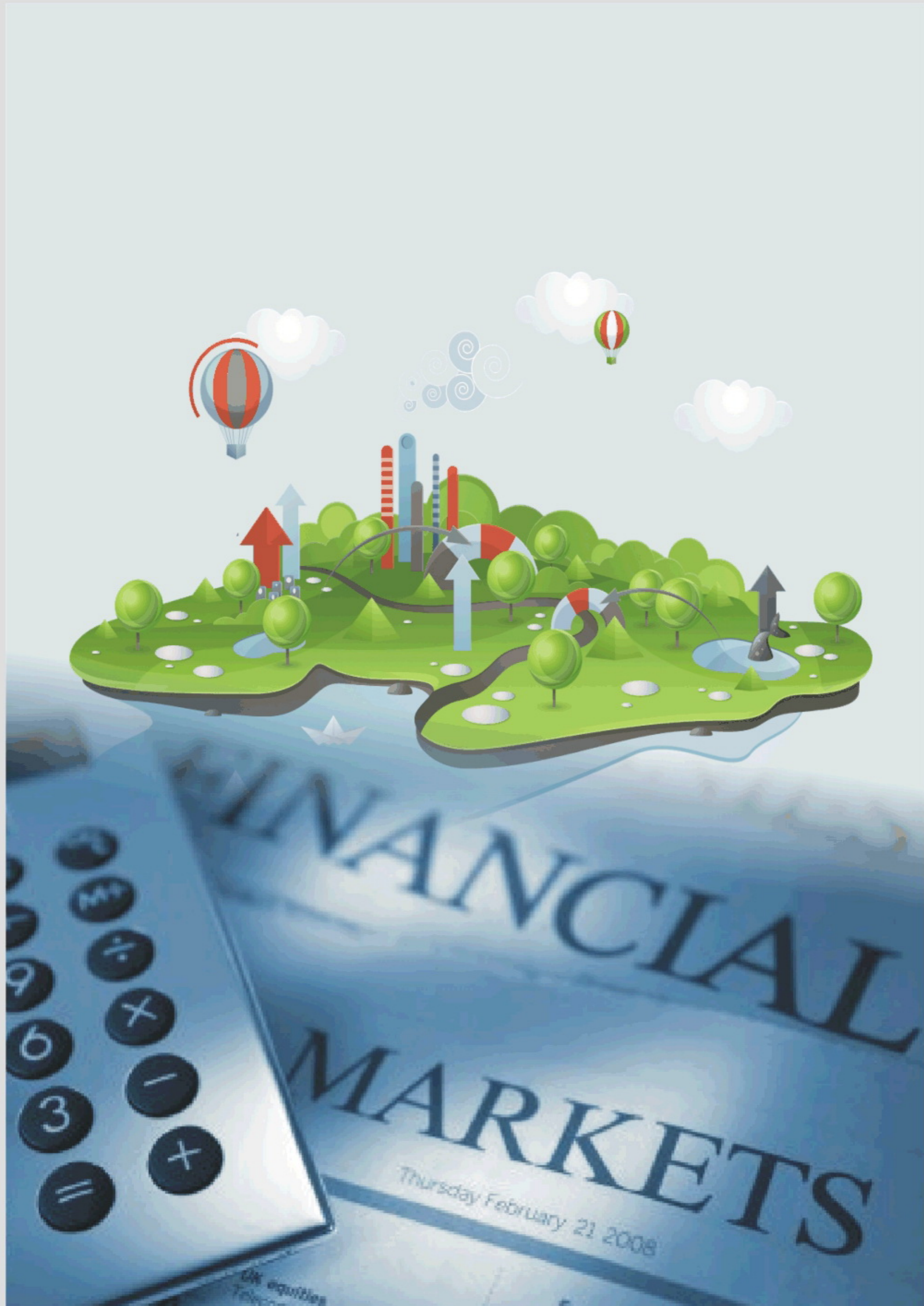
Visit of Chinese Financial Market delegation to ISE



MD ISE after elected as member of the Executive Board of SAFE during its AGM.



Visit of Chinese Business Delegation to ISE



FINANCIAL STATEMENTS



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Islamabad-44000,
Pakistan.

AUDITORS' REPORT TO THE MEMBERS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Islamabad Stock Exchange Limited ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we state that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:-
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., A Pakistan registered partnership firm, is a member of BDO international Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw your attention to note 45.1 to the financial statements, whereby it is stated that subsequent to the year ended June 30, 2015, the Company has entered into a Memorandum of Understanding (MoU) on August 25, 2015 with, Karachi Stock Exchange Limited and Lahore Stock Exchange Limited with the objective to form a integrated stock exchange for development of capital markets of Pakistan under the name of Pakistan Stock Exchange Limited (PSE). As per the MoU, only the stock exchange operations will merge into to the Pakistan Stock Exchange Limited and the Company shall continue to exist as company and continue to operate with its other businesses.

ISLAMABAD:
Date: **September 17, 2015**


CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Qadeer

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., A Pakistan registered partnership firm, is a member of BDO international Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BALANCE SHEET

AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	1,041,268,169	1,101,743,544
Intangible assets	6	3,009,579	5,247,114
Investment property	7	3,008,645,000	3,008,645,000
Long term investments - under equity method	8	81,035,066	107,804,637
Long term investment - available for sale	9	52,836,389	-
Long term advances	10	250,668	389,668
Long term security deposits	11	15,346,816	14,700,316
Deferred tax asset	12	103,760,999	105,903,335
		<u>4,306,152,686</u>	<u>4,344,433,614</u>
CURRENT ASSETS			
Account receivables	13	6,673,808	11,160,196
Advances	14	1,924,077	1,822,325
Deposits and prepayments	15	1,612,000	1,580,168
Interest accrued		375,319	491,585
Other receivables	16	29,385,530	29,847,586
Tax refund due from government	17	33,005,449	24,481,090
Taxation - net	18	45,513,589	11,700,230
Cash and bank balances	19	246,620,817	195,511,167
		<u>365,110,589</u>	<u>276,594,347</u>
Non-current assets classified as held for sale	20	5,184,677	5,184,677
TOTAL ASSETS		<u>4,676,447,952</u>	<u>4,626,212,638</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	21	3,671,869,630	3,671,869,630
Reserves		334,167,466	285,061,903
Surplus on remeasurement of available for sale investment to fair value		5,673,235	-
		<u>4,011,710,331</u>	<u>3,956,931,533</u>
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	22	63,499,010	64,281,203
NON-CURRENT LIABILITIES			
Long term loan	23	-	118,858,132
Advances, deposits and other receipts	24	177,360,521	14,565,121
Deferred liabilities	26	27,416,519	27,244,439
		<u>204,777,040</u>	<u>160,667,692</u>
CURRENT LIABILITIES			
Accrued and other payables	27	97,908,952	97,528,193
Accrued mark-up		6,773,945	20,452,922
Advances and deposits	28	172,920,542	88,339,891
Current portion of long term loan	23	118,858,132	237,716,270
Current portion of liability against assets subject to finance lease	25	-	294,934
		<u>396,461,571</u>	<u>444,332,210</u>
CONTINGENCIES AND COMMITMENTS	29	-	-
		<u>4,676,447,952</u>	<u>4,626,212,638</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.



Director



Managing Director



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Income			
Operating income	30	69,888,414	52,353,797
Administrative expenses			
Depreciation and amortization	31	(80,904,208)	(82,036,580)
Others	32	(97,535,573)	(61,793,900)
		(178,439,781)	(143,830,480)
Other income	33	187,736,449	197,414,116
Finance cost	34	(20,636,246)	(45,547,672)
Operating profit		58,548,836	60,389,761
Fair value gain on investment property	7	-	114,198
Share of profit / (loss) from associated companies	8	26,780,081	(14,397,223)
Profit before taxation		85,328,917	46,106,736
Taxation	36	(37,422,543)	(5,184,974)
Profit after taxation		47,906,374	40,921,762
Earnings per share - basic and diluted (Rupee)	38	0.13	0.11

The annexed notes from 1 to 47 form an integral part of these financial statements.

Director

Managing Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
Profit after taxation	47,906,374	40,921,762
Other comprehensive income		
Share of other comprehensive income / (loss) of associated companies - net of tax	964,608	(118,952)
Share of loss on remeasurement of defined benefit liability of associated companies	(718,301)	(322,570)
Loss on remeasurement of defined benefit liability	(22,799)	(1,309,661)
Surplus on remeasurement of available for sale investment to fair value	5,673,235	-
Other comprehensive income / (loss) after tax	5,896,743	(1,751,183)
Total comprehensive income	<u>53,803,117</u>	<u>39,170,579</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.



Director



Managing Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	242,199,534	53,731,726
Gratuity paid		(4,527,810)	(139,524)
Compensated absences paid		(4,221,945)	(2,549,574)
Income tax paid		(77,424,437)	(17,136,610)
Net cash generated from operating activities		156,025,342	33,906,018
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(19,664,310)	(10,293,435)
Proceeds from sale of fixed assets		970,766	145,761
Proceeds from sale of assets held for sale		-	23,157,000
Interest received		10,328,403	27,313,626
Net proceeds on sale of mutual funds units		6,994,171	-
Investment in long term investment - under equity method		(8,789,070)	(32,954,540)
Investment encashed during the year		-	100,000,000
Long term security deposits		(646,500)	-
Dividend received		15,421,875	7,643,750
Net cash generated from investing activities		4,615,335	115,012,162
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances, deposits and other receipts		162,795,400	(50,608,000)
Loan repaid		(237,716,270)	(118,858,135)
Financial charges paid		(34,315,223)	(50,526,720)
Lease liability paid		(294,934)	(752,824)
Net cash used in financing activities		(109,531,027)	(220,745,679)
Net increase / (decrease) in cash and cash equivalents		51,109,650	(71,827,499)
Cash and cash equivalents at beginning of the year		195,511,167	267,338,666
Cash and cash equivalents at end of the year		246,620,817	195,511,167

The annexed notes from 1 to 47 form an integral part of these financial statements.

Director

Managing Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2015

	Share capital	Surplus on remeasurement of available for sale investment to fair value	Reserves		Total
			Unrealized surplus on remeasurement of investments	Unappropriated income	
Rupees					
Balance as at July 01, 2013	3,671,869,630	-	545,264	245,346,060	3,917,760,954
Total comprehensive income for the year					
Profit for the year after taxation	-	-	-	40,921,762	40,921,762
Loss on remeasurement of defined benefit liability	-	-	-	(1,309,661)	(1,309,661)
Share of other comprehensive income of associated companies	-	-	(118,952)	(322,570)	(441,522)
Balance as at June 30, 2014	3,671,869,630	-	426,312	284,635,591	3,956,931,533
Total comprehensive income for the year					
Profit for the year after taxation	-	-	-	47,906,374	47,906,374
Transferred from surplus on revaluation of operating fixed assets incremental depreciation-net of deferred tax	-	-	-	975,681	975,681
Loss on remeasurement of defined benefit liability	-	-	-	(22,799)	(22,799)
Share of other comprehensive income of associated companies	-	-	964,608	(718,301)	246,307
Surplus on remeasurement of available for sale investment	-	5,673,235	-	-	5,673,235
Balance as at June 30, 2015	3,671,869,630	5,673,235	1,390,920	332,776,546	4,011,710,331

The annexed notes from 1 to 47 form an integral part of these financial statements.



Director



Managing Director



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

1 STATUS AND NATURE OF BUSINESS

1.1 Islamabad Stock Exchange Limited ("the Company") was incorporated in Islamabad, Pakistan on October 25, 1989, under the Companies Ordinance, 1984, as a company limited by guarantee. On August 27, 2012 the Company, in accordance with the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012 (the Act), has been converted to a public company limited by shares on issuance of certificate of re-registration by the Registrar of Companies. The principal activity of the Company is to conduct, regulate and control the trade and business of stocks, shares, securities, bonds, government papers, loans and other investments or securities of like nature. The registered office of the Company is situated in Islamabad.

1.2 Corporatization and Demutualization of the Company

1.2.1 The "Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act) was enacted on May 07, 2012 for the corporatization, demutualization and integration of stock exchanges in Pakistan and to facilitate the integration of the stock exchanges and for matters ancillary thereto.

1.2.2 In accordance with the Act, the Company has been converted from a company limited by guarantee to a public company limited by shares under the Companies Ordinance, 1984 and majority ownership of the Company has been segregated from the right to trade on such stock exchange.

1.2.3 In accordance with the requirements of the Act, the Securities & Exchange Commission of Pakistan (the Commission) vide its letter SMD/SE/2(57)/2002 dated July 20, 2012 has approved the revaluation of assets and liabilities of the Company, its proposed authorized capital of Rs. 7,000,000,000/- and paid up capital amounting to Rs. 3,671,869,630 comprising 367,186,963 shares of Rs. 10 each, names of its initial shareholders and directors, plan for segregation of commercial and regulatory functions and its memorandum and articles of association. On the same date the Commission also approved the allocation of these shares equally amongst the 121 initial members/shareholders of the Company. Accordingly, the Company allotted 3,034,603 shares to each member of the Company in a dematerialized form on August 16, 2012. Sixty percent of the shares allotted to members as such are deposited in a blocked account with Central Depository Company (CDC), whereas the right to exercise the voting power

attached to these shares remains suspended till the time of sale of these shares. While for the remaining 40% of allotted shares voting rights may be exercised freely.

- 1.2.4 The general body of the Company in an extraordinary general meeting on August 16, 2012, has adopted the new memorandum and articles of association of company limited by shares to take effect from the date of corporatization and demutualization of the Company.
- 1.2.5 Consequent upon completion of all above actions under the Act and re-registration of the Company from guarantee limited to a public company limited by shares, the revaluation of assets and liabilities of March 31, 2012 was incorporated in previous year financial statements.
- 1.2.6 Subsequent to the year end, the Company has entered into a Memorandum of Understanding (MoU) on August 25, 2015 with Karachi Stock Exchange Limited and Lahore Stock Exchange Limited with the objective to form a integrated stock exchange for development of capital market of Pakistan under the name of Pakistan Stock Exchange Limited (PSE). More fully explained in note 45 to these financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the 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 as are notified under the Companies Ordinance, 1984), provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance) and the provisions of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act) and any directives issued there under. In case the requirements of IFRS and the Ordinance differs, the Ordinance shall prevail and where requirements of IFRS and provisions or directive of the Ordinance differs with the provisions or directives of the Act, the Act shall override the requirements of IFRS and provisions or directives of the Ordinance.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for some operating fixed



assets which have been stated at revalued amount, investment property at fair value and employee benefits at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

The preparation of these financial statements in conformity with approved accounting standards requires the management to exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 2.4.

2.3 **Functional and presentation currency**

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

2.4 **Use of estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by the management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.4.1 **Staff retirement benefits gratuity and compensated absences**

Gratuity and compensated absences are provided to eligible employees of the Company. Calculations in this respect require assumptions to be made of future outcomes, the principle ones are being in respect of increase in remuneration, mortality rate and the discount rate used to discount future cash flows to present values. Calculations are sensitive to changes in these underlying assumptions.

2.4.2 **Property and equipments**

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and useful lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

2.4.3 **Provision for doubtful receivables**

Receivables are assessed on a regular basis and if there is any doubt about recoverability of these receivables, provision for doubtful debts is made as per Company policy.

2.4.4 **Taxation**

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on the items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.4.5 **Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the recoverable amount of assets is estimated. Impairment is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are charged to profit and loss account.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards or interpretations that are effective in current year but not relevant to the Company

The Company has adopted the following accounting standards and interpretations which became effective during the year:



		Effective date (annual periods beginning on or after)
IFRIC 21	Levies	January 01, 2014

3.2 **Amendments that are effective in current year but not relevant to the Company**

The Company has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014

		Effective date (annual periods beginning on or after)
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	
IAS 27	Separate Financial Statements - Amendments for investment entities	July 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	July 01, 2014
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	January 01, 2014
		July 01, 2014

3.3 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed Interim financial statements)	January 01, 2016



		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10	Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative.	January 01, 2016
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19	Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016

		Effective date (annual periods beginning on or after)
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

3.4 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

The Company expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Employee benefits

4.1.1 Compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences. The liability is provided on the basis of actuarial valuation using Projected Unit Credit (PUC) Actuarial Method while movement in the liability is included in the profit and loss account. The Company



has a policy of carrying out actuarial valuations annually with the assistance of independent actuarial appraisers. The latest actuarial valuation was carried out on June 30, 2015.

The amount recognized in the balance sheet represents the present value of Defined Benefits Obligation (DBO). Actuarial gains and losses are recognised immediately in profit and loss account.

Principal actuarial assumptions used in the actuarial valuation carried out as at June 30, 2015 are as follows:

	2015	2014
Discount rate - per annum	10.5%	13.5%
Expected rate of increase in eligible salary - per annum	9.5%	12.5%
Average number of leaves utilized per annum	-	27 days
Average number of leaves encashed during the year	-	27 days
Average number of leaves accumulated per annum	-	3 days
Average mortality	As per SLIC 2001-2005 Setback 1 Year	As per SLIC 2001-2005 Setback 1 Year

These assumptions have been developed by management with assistance of independent actuarial appraisers. Discount rate is determined by reference to market yields on government bonds since long-term private sector bonds market is not deep enough in Pakistan. Rate of salary growth reflects regular / special increments and any promotional increase.

4.1.2 Staff retirement benefits

Defined benefit plan - Gratuity

The Company operates an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying year of service as specified by the scheme. The liability is provided on the basis of actuarial valuation using Projected Unit Credit (PUC) Actuarial Method while movement in the liability is included in the profit and loss account. The Company

has a policy of carrying out actuarial valuations annually with the assistance of independent actuarial appraisers. The latest actuarial valuation was carried out on June 30, 2015.

Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognises expense in accordance with IAS 19 "Employee Benefits". Past service cost is recognized immediately to the extent the benefits are already vested.

The amount recognized in balance sheet represents the present value of the defined benefit obligation adjusted for the actuarial gains and losses.

Principal actuarial assumptions used in the actuarial valuation carried out as at June 30, 2015 are as follows:

	2015	2014
Discount rate - per annum	10.5%	13.5%
Expected rate of increase in salary - per annum	9.5%	12.5%
Average expected remaining working life time of employees	12 years	13 years
Average mortality	As per SLIC 2001-2005 Setback 1 Year	As per SLIC 2001-2005 Setback 1 Year

These assumptions have been developed by management with the assistance of independent actuarial appraisers. Discount rate is determined by reference to market yields on government bonds since long-term private sector bonds market is not deep enough in Pakistan. Rate of salary growth reflects regular / special increments and any promotional increase.

4.2 **Borrowing cost**

Borrowing costs are recognized as an expense in the year in which they are incurred except where such costs are directly attributable to the acquisition or construction of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. The capitalization of borrowing cost ceases when substantially all the activities necessary to prepare the qualifying asset for intended use or sale are complete.

4.3 **Payables and other liabilities**

Payables and other liabilities are carried in the balance sheet at their nominal value.



4.4 Taxation

The tax expense comprises current and deferred tax. Tax is recognized in profit and loss account except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity respectively.

a) Current

Provision for current taxation is higher of taxable income or accounting income at the current rates of taxation after taking into account tax credits and tax rebates, if any, and 1% of total turnover (excluding income under final tax regime and exempt income) of the Company. The charge for the current year tax also includes prior year adjustments arising due to assessments framed during the year.

b) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are recognized for all taxable temporary differences in full and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities.

4.5 Property and equipment

4.5.1 Owned assets

Operating fixed assets

Operating fixed assets are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. Subsequently, the assets are stated at revalued

amounts less accumulated amortization/depreciation and impairment losses, if any. Revalued amounts are fair market values or depreciated replacement cost (as the case may be) based on appraisals prepared by external professional valuers. Any surplus arising upon revaluation of assets is credited to the "Surplus on revaluation of fixed assets".

To the extent that any revaluation decrease or impairment loss has previously been recognised in profit and loss account, a revaluation increase is credited to profit and loss account with the remaining part of the increase recognised in "Surplus on revaluation of fixed assets". Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged to "Surplus on revaluation of fixed assets" to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit and loss account. Any revaluation surplus remaining on disposal of the asset is transferred to accumulated income.

Depreciation is charged to income on straight line method so as to write off the depreciable amount of the operating fixed assets over their estimated useful lives as disclosed in note 5.1, while leasehold land is amortized over the lease period extendable upto 99 years. Depreciation on depreciable assets is commenced from the month the asset is available for use upto the month preceding the month of disposal. Incremental depreciation arising out of surplus on revaluation of assets is transferred to accumulated income through statement of changes in equity.

Minor renewals/replacements/repairs and maintenance cost are charged to income as and when incurred. Major renewals and replacements are capitalized.

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

Gains or losses arising on the disposal of operating fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit and loss account.

Capital work in progress

Capital work in progress is stated at cost less impairment losses (if any). It consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of



their construction and installation. All expenditure including borrowing cost connected with specific assets incurred during the construction and installation period are carried under capital work in progress. Items are transferred to operating fixed assets as and when they are available for use.

4.5.2 **Leased assets**

Assets subject to finance lease in which the Company bears substantially all risks and rewards of ownership of the assets are recognised at the inception of lease at lower of their fair value and the present value of minimum lease payments, less accumulated depreciation and impairment losses, if any. Related obligations under the agreement are accounted as liabilities and the same are reduced by lease payments net of finance charges.

Financial charges are charged to profit and loss account and are allocated to accounting periods in a manner so as to provide a periodic rate of charge subject to the KIBOR on the outstanding liability.

Depreciation is charged to income using straight line method at rates given in note 5.1, so as to write off the assets over their estimated useful lives in view of the certainty of the ownership of the assets at the end of the lease.

4.6 **Leases**

4.6.1 **Finance lease**

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance lease. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments. Finance costs under lease arrangements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

4.6.2 **Operating lease / Ijarah**

Operating lease / Ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to profit and loss on a straight-line basis over the period of the lease / Ijarah.

The SECP has issued directive (vide SRO 431 (I) / 2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Company has adopted the above said standard.

4.7 **Intangible assets**

Costs that are associated with identifiable software's and economic benefits are probable for more than one year, are recognized as intangible assets.

Intangible assets are stated at cost less accumulated amortization and impairment if any, except assets that are not available for its intended use, which are stated at cost. Amortization is charged using the straight-line method at rates given in relevant note to write off the historical cost of assets over their estimated useful life. Amortization on additions is commenced from the month the asset is available for use upto the month preceding the month of disposal.

4.8 **Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit and loss account.

Cost includes expenditures that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Minor renewals/replacements/repairs and maintenance costs are charged to income as and when incurred. Major renewals and replacements are capitalized.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss account.

4.9 **Investment in associates**

Associates are those entities in which the Company has significant influence by having common directorship or equity



stake of 20% or more but do not control over the financial and operating policies. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

The carrying amount of the investment in associates is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associates. Changes resulting from the profit or loss generated by the associate are reported within 'Share of profit/loss from associated companies' in profit and loss account.

Changes resulting from other comprehensive income of the associates or items recognised directly in the associates' equity are recognised in other comprehensive income or equity of the Company, as applicable.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognised.

4.10 **Investment**

Available for sale investments

These are investments which do not fall under the "investment at fair value through profit and loss" or "held to maturity categories". These investments are initially measured at their fair value plus directly attributable transaction cost and at subsequent reporting dates measured at fair values and gains or losses from changes in fair values other than impairment loss are recognized in other comprehensive income until disposal at which time these are charged through profit and loss account. Impairment loss on investments available for sale is recognized in the profit and loss account.

4.11 **Revenue recognition**

Revenue comprises of the fair value of the consideration received or receivable from the sale of services in the ordinary course of the Company's activities.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

Listing, membership and trading fee

Income from initial listing and additional listing fee is recognised when the securities are initially listed on the ready board. Income arising from annual listing fee, annual trading rights entitlement certificate (TREC) holder fee and other similar activities are recorded in relevant year on time proportion basis. Income in respect of trading by members in listed securities is recognised at the trade date.

Rental income

Rental income from Company's investment property is recognized on a straight-line basis over the term of the rent agreement.

Sale of property

Revenue from sale (sublease) of office spaces (the property) is recognized when:

- i) the significant risks and rewards have been transferred to the buyer (sub lessee);
- ii) the Company retains neither a continuing managerial involvement to the degree usually associated with ownership nor effective control over the property; and
- iii) the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The significant risks and rewards are transferred to the buyer (lessee) when following conditions are met:

- a) The buyer's (sub lessee's) investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- b) The buyer (sub lessee) is committed and is unable to require a refund as a matter of right except, for non delivery of the property. Management believes that the likelihood of the Company being unable to fulfill its contractual obligations is remote; and
- c) The buyer (sub lessee) has the right to dispose off the property.



Other income

- a) Income from bank deposits and held to maturity investments are recognized on a time proportion basis.
- b) Income from commercialization of members/TREC holders are recorded on cash receipt basis.

4.12 Foreign currency transactions

Transactions in foreign currencies are converted into Pak rupees at the rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak rupees at the rate prevailing on the balance sheet date. All exchange differences resulting from the settlement of such transactions and from the remeasurement of monetary assets and liabilities are included in the profit and loss account.

4.13 Provisions

Provisions for legal disputes, onerous contracts or other claims are recognized in balance sheet when the Company has a legal or constructive obligation as a result of past events and 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 obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

4.14 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.15 **Financial instruments**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at balance sheet date are carried as loans and receivables and investment available for sale.

Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Derecognition

The financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

Held-to-maturity investment (HTM)

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity. HTM investments are measured subsequently at amortized cost using the effective interest method.

Loans, receivables and deposits

Loans and receivables include accounts receivables, deposits, other receivables and cash and bank balances. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Receivables are assessed on regular basis for impairment and if there is any doubt about the recoverability of these receivables, appropriate amount of provision is made.

Available for sale

The particular measurement method adopted is disclosed in



the available for sales as stated in the note 4.10 to these financial statements.

Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Borrowings

Subsequent to initial recognition borrowings are measured at amortised cost using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued mark-up on borrowings to the extent of the amount remain unpaid.

Accrued and other payables

Accrued and other payables include accrued liabilities, accrued mark-up and deposits. Subsequent to initial recognition, accrued and other payables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Off-setting of financial assets and financial liabilities

Financial assets and liabilities are off set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

4.16 Impairment

Financial assets

The financial assets are considered to be impaired, if objective evidence indicates that one or more events have a negative effect on the estimated future cash flow of that asset. At the end of each reporting period the Company assesses whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an

event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed either directly or by adjusting provision account.

Receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default.

In case of HTM investment, if there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. The impairment losses are the amount by which carrying amount exceeds present value of the investment. For available for sale financial assets that are equity securities, the reversal is recognised directly in the statement of comprehensive income.

Non-financial assets

The carrying amount of the assets are reviewed at each balance sheet date for impairment whether events or changes in circumstances indicate that carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The resulting impairment is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

4.17 Account receivables

Account receivables are recognized and carried at original invoiced amount which is fair value of the consideration to be received in future. An estimated provision for doubtful debts is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

4.18 Other receivables

Other receivables are recognized at fair value of the consideration to be received in future.

4.19 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current and saving accounts, bank overdrafts/short term borrowings and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.



4.20 **Cash and bank balances**

Cash in hand and at banks are carried at nominal amount.

4.21 **Receipts against booking of office space in ISE Towers**

Amount received against sale (sub-lease) of office space in ISE Towers is recognised as a liability and transferred to profit and loss account when the revenue conditions mentioned in note 4.11 are met.

4.22 **Non current assets – held for sale**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amounts are expected to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount immediately prior to their classification as held for sale and fair value less cost to sell. Once classified as held for sale, the assets are not subject to depreciation or amortisation. Any gain or loss arising from the sale of these assets are reported in other operating income.

4.23 **Related party transactions**

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

4.24 **Share capital**

Share capital represents the nominal value of shares that have been issued.

4.25 **Earnings per share**

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.26 **Dividend and apportioning to reserves**

Interim dividends distributions are recognized in the period in which the dividends are declared by the Board of Directors, while final dividend distributions are recognized as liability in the financial statements in the period in which the dividend are approved by the Company's shareholders at the Annual General Meeting. Appropriation to reserves are recognized in

the financial statements in the period in which these are approved.

4.27 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has one reportable segment. The results of operating segment are reviewed regularly by the Company's Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Decision Maker of the Company reviews the information on an aggregate basis.

5	PROPERTY AND EQUIPMENT	Note	2015 Rupees	2014 Rupees
	Operating fixed assets	5.1	1,040,170,027	1,101,325,762
	Capital work in progress	5.9	1,098,142	417,782
			<u>1,041,268,169</u>	<u>1,101,743,544</u>



5.1 Operating Fixed Assets

Description	Leasehold land	Building on leasehold	Electrical equipment	HVAC equipment	Plumbing installations	Elevators	Security equipment	IT equipment	LED Ticker screen & equipment	Security systems	Furniture and fixture	Office Equip-ment	Vehicles owned	Computers & accessories	Vehicles leased	Total
Net carrying value basis year ended June 30, 2015																
Opening net book value (NBV)	456,225,000	358,339,013	66,187,864	173,516,775	5,521,242	20,007,230	4,267,036	6,928,337	-	2,126,746	2,864,442	1,637,209	617,224	1,210,926	1,856,716	1,101,325,762
Additions (at cost)	-	2,196,224	3,364,217	4,973,220	-	-	664,313	1,620,424	-	495,378	769,676	364,704	780,165	2,792,493	-	18,020,814
Transfers (at cost)	-	-	-	-	-	-	-	-	-	-	-	-	1,856,716	-	(1,856,716)	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	-	-	-	-	(1,441,440)	-	-	(1,441,440)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	410,715	-	-	410,715
Depreciation charge	(5,367,352)	(10,114,865)	(12,181,017)	(32,039,241)	(1,018,320)	(3,690,064)	(3,718,419)	(6,148,987)	-	(849,088)	(548,573)	(331,577)	(325,621)	(1,224,496)	(588,204)	(78,145,824)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	(588,204)	-	588,204	-
Net book value	450,857,648	350,420,372	57,371,064	146,450,754	4,502,922	16,317,166	1,232,932	2,399,774	-	1,773,036	3,085,545	1,670,336	1,309,555	2,778,923	-	1,040,170,027
Gross carrying value basis year ended June 30, 2015																
Cost / Revalued amount	456,225,000	360,535,237	69,552,081	178,489,995	5,521,242	20,007,230	4,951,351	8,548,761	-	2,622,124	3,634,116	2,001,913	1,812,665	4,003,419	-	1,117,905,136
Accumulated depreciation	(5,367,352)	(10,114,865)	(12,181,017)	(32,039,241)	(1,018,320)	(3,690,064)	(3,718,419)	(6,148,987)	-	(849,088)	(548,573)	(331,577)	(503,110)	(1,224,496)	-	(77,735,109)
Net book value	450,857,648	350,420,372	57,371,064	146,450,754	4,502,922	16,317,166	1,232,932	2,399,774	-	1,773,036	3,085,545	1,670,336	1,309,555	2,778,923	-	1,040,170,027
Net carrying value basis year ended June 30, 2014																
Opening net book value (NBV)	410,051,952	347,821,482	77,600,286	203,000,212	6,539,562	23,697,294	11,972,175	12,785,262	4,580	-	3,056,627	1,787,597	1,023,463	1,229,401	2,650,277	1,103,220,170
Additions (at cost)	-	147,840	487,780	3,803,858	-	-	401,252	92,976	-	2,512,510	360,311	222,613	-	889,879	-	8,919,019
Revaluation adjustment	(4,768,048)	(9,540,916)	(11,900,202)	(31,716,376)	(1,018,320)	(3,690,064)	(8,086,389)	(5,949,901)	(4,580)	(385,764)	(552,496)	(371,513)	(406,239)	(748,015)	(793,561)	(79,932,384)
Disposals / write-offs	405,283,904	338,428,406	66,187,864	175,087,694	5,521,242	20,007,230	4,287,036	6,928,337	-	2,126,746	2,864,442	1,637,209	617,224	1,371,265	1,856,716	1,032,206,805
Cost	-	-	-	(1,968,827)	-	-	-	-	-	(77,070)	-	(1,793)	(448,789)	(209,898)	-	(2,706,377)
Accumulated depreciation	-	-	-	397,908	-	-	-	-	-	77,070	-	305	448,789	49,559	-	973,631
Depreciation charge	(4,768,048)	(9,540,916)	(11,900,202)	(31,716,376)	(1,018,320)	(3,690,064)	(8,086,389)	(5,949,901)	(4,580)	(385,764)	(552,496)	(371,513)	(406,239)	(748,015)	(793,561)	(79,932,384)
Revaluation adjustment	4,768,048	9,540,916	11,900,202	31,716,376	1,018,320	3,690,064	8,086,389	5,949,901	4,580	385,764	552,496	371,513	406,239	748,015	793,561	79,932,384
Net book value	405,283,904	338,428,406	66,187,864	173,516,775	5,521,242	20,007,230	4,287,036	6,928,337	-	2,126,746	2,864,442	1,637,209	617,224	1,210,926	1,856,716	1,030,474,059
Revaluation	50,941,096	19,910,607	-	-	-	-	-	-	-	-	-	-	-	-	-	70,851,703
Closing cost/revalued amount	456,225,000	358,339,013	66,187,864	173,516,775	5,521,242	20,007,230	4,287,036	6,928,337	-	2,126,746	2,864,442	1,637,209	617,224	1,210,926	1,856,716	1,101,325,762
Gross carrying value basis year ended June 30, 2014																
Revalued amount	456,225,000	358,339,013	66,187,864	173,516,775	5,521,242	20,007,230	4,287,036	6,928,337	-	2,126,746	2,864,442	1,637,209	617,224	1,210,926	1,856,716	1,101,325,762
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net book value	456,225,000	358,339,013	66,187,864	173,516,775	5,521,242	20,007,230	4,287,036	6,928,337	-	2,126,746	2,864,442	1,637,209	617,224	1,210,926	1,856,716	1,101,325,762
Depreciation rate % per annum	99 years	2.5%	10%	10%	10%	10%	20%	33%	33%	33%	10%	10%	20%	33%	20%	

5.2 The following operating fixed assets were disposed off during the year:

Particulars	Cost/ Revalued	Accumulated depreciation	Net book value	Sales proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of buyer
Vehicles							
Honda Civic - (2012)	1,441,440	410,715	1,030,725	712,211	(318,514)	Sale as per Company policy	Employee Mian Ayyaz Afzal
Toyota Vitz - (2008)	-	-	-	97,250	97,250	Sale as per Company policy	Employee Ghulam Sarwar
Total rupees - 2015	1,441,440	410,715	1,030,725	809,461	(221,264)		
Total rupees - 2014	2,706,377	973,631	1,732,746	315,789	(1,416,957)		

5.3 Office equipment, HVAC equipment and Security system have been written off/retired during the last year, as these assets are out of order/not operational and having no use in future. However, possession of these assets is still with the Company and will be sold out in scrap.

5.4 Depreciation has been allocated to administrative expenses.



- 5.5 The cost of fully depreciated assets which are still in use as at June 30, 2015 amounts to Rs. 186.033 million (2014: Rs. 156.095 million).
- 5.6 The leasehold land and building thereon have been pledged as security against long term loan (Note 23).
- 5.7 The Company had revalued its lease hold land, buildings and other assets on June 30, 2014 by independent valuer M/s Asif Associates (Private) Limited on the basis of market value. At the above date, the revaluation resulted in a surplus of Rs. 70.852 million. This revaluation was carried out by independent valuers. Valuations for leasehold land, building on leasehold land and vehicles were based on fair market value. The valuations for other items of operating fixed assets were based on depreciated replacement costs to reflect the residual service potential of the assets taking account of the age, condition and obsolescence.
- 5.8 Had there been no revaluation the carrying values would have been as under:

Description	2015		2014	
	Cost	Book value	Cost	Book value
Rupees				
Leasehold land	309,808,154	275,517,975	309,808,154	278,797,951
Building on leasehold land	371,266,741	320,461,456	369,070,517	327,501,146
Electrical equipment	93,291,829	44,303,998	89,927,612	50,176,290
HVAC equipment	242,118,058	110,765,891	237,144,838	130,029,313
Plumbing installations	7,583,443	3,351,031	7,583,443	4,108,854
Elevators	27,479,984	12,143,069	27,479,984	14,889,179
Security equipment	32,156,189	1,202,781	31,491,876	3,448,391
IT equipment	105,813,437	2,373,061	104,193,013	6,929,664
LED screen and ticker	34,660,369	-	34,660,369	-
Security systems	14,646,085	1,778,023	14,150,707	2,126,746
Furniture and fixture	5,439,633	2,676,208	4,669,957	2,347,820
Office equipment	6,408,297	2,333,469	6,043,593	2,482,132
Vehicles - owned	2,569,924	1,220,788	2,146,700	541,816
Computers and accessories	26,422,126	2,777,673	23,629,632	1,155,913
Vehicles - leased	-	-	2,752,194	1,286,072
	<u>1,279,664,269</u>	<u>780,905,423</u>	<u>1,264,752,589</u>	<u>825,821,287</u>

5.9 Capital work in progress

Description	Opening balance	Additions	Transfers	Closing balance
Fire and safety	55,282	55,283	110,565	-
Advances for:				
Activation of fuel tank	175,000	-	-	175,000
Design Dimensions	187,500	290,000	-	477,500
HVAC system	-	322,500	-	322,500
Amfco - Cisco router	-	123,142	-	123,142
	<u>417,782</u>	<u>790,925</u>	<u>110,565</u>	<u>1,098,142</u>

6	INTANGIBLE ASSETS	Note	2015	2014
			Rupees	Rupees
	Computer software - in use	6.1	2,488,730	5,247,114
	Computer software - under development	6.3	520,849	-
			<u>3,009,579</u>	<u>5,247,114</u>
6.1	Net carrying value basis			
	Opening net book value		5,247,114	4,711,310
	Additions (at cost)		-	2,640,000
	Amortization charge		(2,758,384)	(2,104,196)
	Closing net book value		<u>2,488,730</u>	<u>5,247,114</u>
	Gross carrying value basis			
	Revalued / cost		5,247,114	9,637,570
	Accumulated amortization adjustment		(2,758,384)	(4,390,456)
	Net book value/revalued		<u>2,488,730</u>	<u>5,247,114</u>
	Amortization rate % per annum		33%	33%

6.2 The Company had revalued its intangible assets on June 30, 2014 by independent valuer M/s Asif Associates (Private) Limited on the basis of market value. There was no change in the carrying amount of the intangible assets due to revaluation.

6.3 It represents expenditure incurred on Phase III of design and development of e-trading software for exchange function.



7	INVESTMENT PROPERTY	Note	2015 Rupees	2014 Rupees
	Buildings	7.1	3,008,645,000	3,008,645,000
	7.1	The movement in this head is as follows:		
			3,008,645,000	3,008,530,802
			-	114,198
			3,008,645,000	3,008,645,000

7.2 This represents office spaces in ISE Towers held to earn rentals and for capital appreciation and shown under the head "Investment property". The carrying value of investment property is the fair value of the property based on the valuation carried by approved independent valuer Asif Associates (Private) Limited on June 30, 2015. As per valuer there was no significant change in the value of properties and value have remained stagnant during the past year or so. Therefore, there was no change in the fair value of the investment property due to revaluation. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition.

8 LONG TERM INVESTMENTS - UNDER EQUITY METHOD

Associated companies - Unquoted	Note	2015 Rupees	2014 Rupees
National Clearing Company of Pakistan Limited	8.1	77,573,664	57,729,723
Pakistan Mercantile Exchange Limited	8.2	-	-
JCR-VIS Credit Rating Company Limited	8.3	3,461,402	3,410,783
Central Depository Company of Pakistan Limited	8.4	-	46,664,131
		81,035,066	107,804,637

8.1 **National Clearing Company of Pakistan Limited (NCCPL)**

	Note	2015 Rupees	2014 Rupees
Investment - at cost		7,500,000	7,500,000
Investment during the year	8.1.1	8,789,070	-
Share in post acquisition profits brought forward		50,229,723	42,562,424
Restatement adjustment		-	(465,813)
		<u>66,518,793</u>	<u>49,596,611</u>
Share in profits for the year		21,351,964	10,590,464
Share in other comprehensive loss for the year		(718,301)	(113,602)
Less: Dividend received during the year		(10,546,875)	(2,343,750)
		<u>10,086,788</u>	<u>8,133,112</u>
Cumulative share in associate's other comprehensive income		968,083	-
		<u><u>77,573,664</u></u>	<u><u>57,729,723</u></u>

8.1.1 During the year the Company has acquired 878,907 number of ordinary shares at the rate of Rs. 10 per share through right issue from the associated company.

8.2 **Pakistan Mercantile Exchange Limited (PMEX)**

	2015 Rupees	2014 Rupees
Investment - at cost	61,886,355	28,931,815
Investment during the year	-	32,954,540
Share in post acquisition loss brought forward	(61,886,355)	(61,886,355)
	<u>-</u>	<u>-</u>

8.2.1 The Company has not recognised loss for the current period amounting to Rs. 3.94 million (2014: Rs. 2.964 million). While, the accumulated losses not recognised were Rs. 25.416 million (2014: Rs. 21.456 million). The share of profit will be recognized only after its share of the profits exceeds the share of losses not recognized.

8.3 **JCR-VIS Credit Rating Company Limited**

	2015 Rupees	2014 Rupees
Investment - at cost	1,000,000	1,000,000
Share in post acquisition profits brought forward	2,409,861	2,607,430
Restatement adjustment	2,649	32,428
	<u>3,412,510</u>	<u>3,639,858</u>
Share in profits for the year	51,445	195,003
Less: Dividend received during the year	-	(425,000)
	<u>51,445</u>	<u>(229,997)</u>
Cumulative share in associate's other comprehensive income	(2,553)	922
	<u><u>3,461,402</u></u>	<u><u>3,410,783</u></u>



8.4 Central Depository Company of Pakistan Limited (CDC)

	2015	2014
Note	Rupees	Rupees
Investment - at cost	2,500,000	2,500,000
Post acquisition profit brought forward	44,164,131	41,042,863
Restatement adjustment	-	(217,034)
	46,664,131	43,325,829
Share in profits for the year	5,374,023	8,422,270
Share in other comprehensive loss for the period / year	-	(208,968)
Less: Dividend received during the period / year	(4,875,000)	(4,875,000)
	499,023	3,338,302
	47,163,154	46,664,131
Transferred to long term investment - AFS 8.4.1	(47,163,154)	-
	-	46,664,131

8.4.1 These investments have been classified under the available for sale investments, as the company was associated by virtue of common directorship and there was significant influence on the board upto date of December 22, 2014, therefore, investment was valued under equity method. However, after December 22, 2014 the Company is no more associated and therefore, investment has been classified as available for sale investment.

8.5 The Company has the following shareholding structure in associates:

	2015		2014	
	Share held	% age	Share held	% age
NCCPL	2,636,720	11.76%	1,757,813	11.76%
PMEX	5,568,181	20.20%	5,568,181	20.20%
JCR-VIS	100,000	5%	100,000	5.00%
CDC	-	-	1,625,000	2.50%

8.6 In all above cases, the Company has significant influence due to its representation on the board of the directors of investees and consequently, they have been treated as associates according to the requirements of IAS 28 'Investments in Associates'. The shares of these associates are not listed on stock exchanges and hence published price quotes are not available.

8.7 Summary of financial information of associates based on accounts for the year ended June 30, 2015 is as follows:

	2015			
	Assets	Liabilities	Revenues	Profit / (loss)
	Rupees			
NCCPL	3,683,433,000	3,023,793,000	582,599,000	181,558,000
PMEX	1,193,404,165	1,299,708,071	105,359,789	(19,486,639)
JCR-VIS	132,468,690	63,540,638	83,022,907	1,028,900

Summary of financial information of associates based on accounts for the year ended June 30, 2014 is as follows:

	2014			
	Assets	Liabilities	Revenues	Profit
	Rupees			
NCCPL	3,269,334,000	2,778,435,000	335,441,000	90,047,000
PMEX	1,381,144,889	1,478,360,271	125,262,007	(19,694,784)
JCR-VIS	111,782,615	43,566,962	76,066,901	3,900,066
CDC	2,810,158,934	459,607,495	1,105,459,849	326,394,663

8.8 The balances of all long term investments have been presented based on management accounts of associated companies except NCCPL which have been presented based on initialed accounts. Any change in the audited financial statements of these companies will affect balance of long term investments according to the percentage of shareholding.

9 LONG TERM INVESTMENT - AVAILABLE FOR SALE

	2015 Rupees	2014 Rupees
Available for sale		
Central Depository Company of Pakistan Limited	47,163,154	-
Fair value adjustment	5,673,235	-
	<u>52,836,389</u>	<u>-</u>

9.1 This represents investment in 1.625 million (June 30, 2014: Nil) ordinary shares of Central Depository Company of Pakistan Limited. The fair value of these securities are based on break up value as shares of CDC are not listed and public prices are not available. Gain on remeasurement of available for sale investments has been recognized directly in equity through comprehensive income. Please refer to note 8.4.1 to these financial statements for more detail. Cost of these investments at year end amounted to Rs. 2.50 million (2014: Nil).

	2015			
	Assets	Liabilities	Revenues	Profit
	Rupees			
CDC	3,169,760,951	581,221,900	1,378,196,101	418,974,564
	2015		2014	
	Share held	% age	Share held	% age
CDC	1,625,000	2.5%	-	-



10 LONG TERM ADVANCES

	Note	2015 Rupees	2014 Rupees
Considered good			
Advances to staff - secured		996,618	1,063,151
Less: Current portion shown under current advances	14 & 10.2	(745,950)	(673,483)
		<u>250,668</u>	<u>389,668</u>

10.1 Advances to employees are given for the purpose of house building and meeting of personal expenses. These advances are interest free and recoverable in twelve equal monthly installments. These advances are secured by way of amount due to employees against their gratuity fund balances.

10.2 This includes an amount of Rs. 29,513 advance against expenses which is given to Chief Executive Officer. Directors have not taken any loans and advances from the Company.

11 LONG TERM SECURITY DEPOSITS

	Note	2015 Rupees	2014 Rupees
Deposits with:			
Islamabad Electric Supply Company Limited		11,877,756	11,877,756
Sui Northern Gas Pipelines Limited		2,650,000	2,650,000
First Habib Modaraba against Ijarah lease		646,500	-
Others		172,560	172,560
		<u>15,346,816</u>	<u>14,700,316</u>

12 DEFERRED TAX ASSET

Deferred tax asset 12.1 103,760,999 105,903,335

12.1 The balance of deferred tax asset is in respect of the following temporary differences (note 12.3):

	2015 Rupees	2014 Rupees
Taxable temporary differences		
Accelerated depreciation allowance	168,966,786	168,966,786
Finance lease arrangement	-	523,241
Long term investments	17,509,147	17,509,147
Surplus on revaluation of fixed assets	6,191,635	6,570,500
	<u>192,667,568</u>	<u>193,569,674</u>
Deductible temporary differences		
Provision for doubtful debts	-	(3,044,442)
Provision for compensated absences	(494,284)	(494,284)
Carry forward of accumulated tax losses	(295,934,283)	(295,934,283)
	<u>(296,428,567)</u>	<u>(299,473,009)</u>
	<u>(103,760,999)</u>	<u>(105,903,335)</u>

12.2 Net deferred tax asset has been recognized on the basis of future profitability as the result of future projected profitable operations to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. No deferred tax assets has been recognized during the year amounting to Rs. 178.994 million as management believes that deferred tax asset presently carried is based on expectation of utilization of loss carry forwards and future projections. During the year change has been made only in respect to provisions due to write off, revaluation surplus due to incremental depreciation and lease due to end of terms. No deferred tax assets has been recognized on gratuity as the Company is claiming it as tax expense.

12.3 Movement in deferred taxation

The balance of deferred tax is in respect of the following temporary differences:

Deferred tax liabilities/(assets)	As at July 1, 2014	Profit and loss account	Surplus on revaluation	As at June 30, 2015
	Rupees			
Effects of taxable temporary differences				
Accelerated depreciation allowance	168,966,786	-	-	168,966,786
Finance lease arrangement	523,241	(523,241)	-	-
Long term investments	17,509,147	-	-	17,509,147
Surplus on revaluation of fixed assets	6,570,500	(185,377)	(193,488)	6,191,635
Deductible temporary differences				
Provision for doubtful debts / advances	(3,044,442)	3,044,442	-	-
Provision for Compensated absences	(494,284)	-	-	(494,284)
Carry forward of accumulated tax loss	(295,934,283)	-	-	(295,934,283)
	(105,903,335)	2,335,824	(193,488)	(103,760,999)



The balance of deferred tax is in respect of following temporary differences:

Deferred tax liabilities / (assets)	As at July 1, 2013	Surplus on revaluation	Comprehensive income	As at June 30, 2014
	Rupees			
Effects of taxable temporary differences				
Accelerated depreciation allowance	168,966,786	-	-	168,966,786
Finance lease arrangement	523,241	-	-	523,241
Long term investments	17,509,147	-	-	17,509,147
Surplus on revaluation of fixed assets	-	6,570,500	-	6,570,500
Deductible temporary differences				
Provision for doubtful debts	(3,044,442)	-	-	(3,044,442)
Provision for compensated absences	(494,284)	-	-	(494,284)
Carry forward of accumulated tax loss	(295,934,283)	-	-	(295,934,283)
	(112,473,835)	6,570,500	-	(105,903,335)

13 ACCOUNT RECEIVABLES

	2015	2014
Note	Rupees	Rupees
(Unsecured)		
Considered good		
Due from members	5,498,501	8,794,168
Due from companies	1,175,307	2,366,028
	6,673,808	11,160,196
Considered doubtful		
	-	3,707,664
	6,673,808	14,867,860
Less: Provision for doubtful receivables	13.1	(3,707,664)
	6,673,808	11,160,196

13.1 Movement in provision for doubtful receivables is as follows:

Opening balance	3,707,664	3,424,552
Charge for the year	-	454,777
Recovered during the year	-	(171,665)
Balances written off	(3,707,664)	-
Closing balance	-	3,707,664

14	ADVANCES	Note	2015 Rupees	2014 Rupees
	Unsecured - considered good Advances to:			
	Staff	10	745,950	673,483
	Contractors		<u>1,178,127</u>	<u>1,148,842</u>
			<u>1,924,077</u>	<u>1,822,325</u>
	Considered doubtful		-	800,000
			<u>1,924,077</u>	<u>2,622,325</u>
	Less: Provision for doubtful advances	14.1	-	(800,000)
			<u>1,924,077</u>	<u>1,822,325</u>
14.1	Movement in provision for doubtful advances is as follows:			
	Opening balance		800,000	800,000
	Balances written off		<u>(800,000)</u>	-
	Closing balance		<u>-</u>	<u>800,000</u>
15	DEPOSITS AND PREPAYMENTS			
	Prepayments	15.1	<u>1,612,000</u>	<u>1,580,168</u>

15.1 This represents prepayments against insurance, membership fee and internet etc.

16	OTHER RECEIVABLES	Note	2015 Rupees	2014 Rupees
	Unsecured - considered good			
	Receivable from members	16.2	400,000	400,000
	Receivables from building occupants	16.3	24,930,645	26,437,590
	Due from sub lessees	16.4	500,000	500,000
	Others	16.5	<u>3,554,885</u>	<u>2,509,996</u>
			<u>29,385,530</u>	<u>29,847,586</u>
	Considered doubtful		-	7,282,304
			<u>29,385,530</u>	<u>37,129,890</u>
	Less: Provision for doubtful receivables	16.1	-	(7,282,304)
			<u>29,385,530</u>	<u>29,847,586</u>
16.1	Movement in provision for doubtful receivables is as follows:			
	Opening balance		7,282,304	7,760,201
	Charge for the year		-	232,103
	Recovered during the year		-	(710,000)
	Balances written off		<u>(7,282,304)</u>	-
	Closing balance		<u>-</u>	<u>7,282,304</u>



- 16.2 This represents amount paid to NCCPL on behalf of 2 members (2014: 2 members) at the rate of Rs. 200,000 per member pursuant to the decision of the Company's Board. This amount is recoverable from TREC holders.
- 16.3 This represents receivables from occupants of building on account of rentals, utilities and other maintenance services.
- 16.4 This represents receivables from parties to whom office spaces in ISE Towers have been sold/sub leased.
- 16.5 This includes receivables from associated companies which are as follows:

	2015	2014
Note	Rupees	Rupees
PMEX	-	20,897
JCR-VIS Credit Rating Company Limited	-	146,002
	<u>-</u>	<u>166,899</u>

- 16.6 The aging of related party balances at the balance sheet date is as follows:

	2015	2014
Note	Rupees	Rupees
Impaired / provision	166,899	166,899
Written off during the year	<u>(166,899)</u>	-
	<u>-</u>	<u>166,899</u>

17 TAX REFUNDS DUE FROM GOVERNMENT

Considered good			
Income tax	17.1	<u>33,005,449</u>	<u>24,481,090</u>

- 17.1 This includes an amount of Rs. 13.814 million (2014: Rs. 13.814 million) payables against Workers Welfare Fund before the decision of the Lahore High Court which has been adjusted against the income tax refund as per opinion of the tax consultant.

18 TAXATION - NET

	2015	2014
Note	Rupees	Rupees
Advance - Income tax paid during the year	77,424,437	17,136,610
Provision for the year	<u>36 (31,910,848)</u>	<u>(5,436,380)</u>
	<u>45,513,589</u>	<u>11,700,230</u>

19	CASH AND BANK BALANCES	Note	2015 Rupees	2014 Rupees
	Cash at banks			
	Saving accounts			
	- Local currency		246,370,657	195,244,101
	- Foreign currency		224,834	217,971
		19.1 & 19.2	<u>246,595,491</u>	<u>195,462,072</u>
	Cash in hand		25,326	49,095
			<u>246,620,817</u>	<u>195,511,167</u>

19.1 Balances in PLS accounts carry effective interest rate ranging between 5.5% to 6.5% (2014: 6% to 8%) per annum.

19.2 This includes Rs. 7.393 million (2014: Rs. 8.515 million) against outstanding balances of "deposits from members against exposure" and Rs. 28.414 million (2014: Rs. 20.896 million) against security deposits and retention money maintained in a separate bank account (Note 24 & 28).

20 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2015 Rupees	2014 Rupees
Opening balance		5,184,677	13,985,831
Carrying value of office space sold (subleased) during the year	33.1	-	(8,801,154)
		<u>5,184,677</u>	<u>5,184,677</u>

20.1 This represents cost of office space available at second floors of ISE Towers which the management of the Company intends to sell (sublease). The management has received Rs. 13.408 million as proceeds against sale of property.

20.2 The fair value of the assets is Rs. 15.840 million as on June 30, 2015. The valuation has been carried out by independent valuer M/s Asif Associates (Private) Limited on the basis of market value.

21 SHARE CAPITAL

21.1 Issued, subscribed and paid up capital:

Number of ordinary shares of Rs. 10/- each			2015 Rupees	2014 Rupees
2015	2014	Ordinary shares issued for consideration other than cash		
<u>367,186,963</u>	<u>367,186,963</u>		<u>3,671,869,630</u>	<u>3,671,869,630</u>



21.2 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (the Act), initial paid up share capital of the Company was issued to initial shareholder of the Company for consideration other than cash as per clause 4(d) of the Act based on the net asset value determined through revaluation of assets and liabilities of the Company standing on March 31, 2012. The net assets value was determined on that was Rs. 3,671.870 million. For the purpose of corporatization pursuant to the Act, the surplus on revaluation of assets is included in the calculation of the paid up capital as per provisions of the Act.

21.3 Authorized share capital

This represents 700,000,000 (2014: 700,000,000) ordinary shares of Rs. 10 each amounting to Rs. 7,000,000,000 (2014: 7,000,000,000).

22	SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	Note	2015 Rupees	2014 Rupees
	Balance brought forward		70,851,703	-
	Surplus on revaluation of fixed assets during the year	22.1	-	70,851,703
	Less: Transferred to equity in respect of incremental depreciation charged during the year - (net of deferred tax)		(975,681)	-
	Less: Related deferred tax liability during the year transferred to profit and loss account		(185,377)	-
			69,690,645	70,851,703
	Less: Related deferred tax effect: Balance as at July 01		6,570,500	-
	Add: On revaluation during the year		-	6,570,500
	Less: Effect of change in rate		(193,488)	-
	Less: Incremental depreciation charged during the year transferred to profit and loss account		(185,377)	-
			6,191,635	6,570,500
			63,499,010	64,281,203

- 22.1 This represents surplus resulting from revaluation of operating fixed assets determined by approved independent valuer on June 30, 2014. Please refer to note 5.7 of these financials statements for more details in this respect.
- 22.2 During the previous year, no incremental depreciation has been charged as the revaluation report was dated June 30, 2014.

23 LONG TERM LOAN

Secured	2015	2014
From a banking company:	Rupees	Rupees
Balance as at July 01	356,574,402	475,432,537
Loan repaid during the year	(237,716,270)	(118,858,135)
	118,858,132	356,574,402
Less: Current portion shown under current liabilities	(118,858,132)	(237,716,270)
	-	118,858,132

- 23.1 This represents the restructured finance facility obtained from United Bank Limited (the Bank). The major terms of facility are as under:
- a) The facility is for the tenure of 05 years (inclusive of one year grace period) effective from July 01, 2010 to be matured on July 01, 2015. the principal is re-payable in eight equal biannual installments of Rs. 118.858 million each starting from January 1, 2012.
 - b) The markup rate is 6 months kibar + 300 bps per annum and payable on biannual basis effective from July 01, 2010. however, the company is entitled for prompt payment bonus if full payment of markup as well as principal is made within 10 days from installments due date. The prompt payment bonus shall be calculated at 165 bps of the facility amount outstanding during the relevant period.
 - c) The facility is secured by way of:
 - i) First equitable mortgage charge of Rs. 1,537 million over leasehold land and building thereon bearing plot # 3035, ISE Towers, Jinnah Avenue, Islamabad excluding 45% of the covered area of the building;
 - ii) First charge by way of hypothecation of Rs. 1,537 million over all the receivables/book debts of ISE Towers;
 - iii) Assignment through deed of rental income and sale proceeds of ISE Towers or any part thereof through the company's account maintained with the bank;



- iv) Assignment of the Company's receivables in favor of the Bank; and
- v) Irrecoverable authorization in favor of the Bank to sell the securities under the Bank's charge for adjustment of outstanding liabilities (principal + markup) in case of occurrence of any event of default as envisaged in the facility agreement.

24 ADVANCES, DEPOSITS AND OTHER RECEIPTS	Note	2015 Rupees	2014 Rupees
Receipts against sale of property	24.1	13,408,011	13,408,011
Security deposits	24.2	2,509,310	1,157,110
Advance rent	24.3	161,443,200	-
		<u>177,360,521</u>	<u>14,565,121</u>

24.1 This represents down payments and initial installments received from a party with whom the Company has entered into agreements for sale (sub-lease) of office space within ISE Towers.

24.2 This represents deposits received from tenants of ISE Towers that are refundable on expiry or termination of lease agreements.

24.3 Advance rent	Note	2015 Rupees	2014 Rupees
Opening balance		58,288,452	200,143,900
Received during the year		421,614,743	20,290,721
Refunded during the year		(7,664,442)	(3,635,076)
Amount adjusted		(2,290,558)	-
Income recognized during the year		(170,681,110)	(158,511,093)
		<u>299,267,085</u>	<u>58,288,452</u>
Less: Current portion shown under current liabilities	28	<u>137,823,885</u>	58,288,452
		<u>161,443,200</u>	<u>-</u>

24.3.1 Advance rent is received from ISE tower tenants on account of operating lease of office.

25	LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	2015 Rupees	2014 Rupees
	Gross finance lease liabilities - Minimum lease payments			
	Not later than one year		-	304,031
	Later than one year but not later than five years		-	-
	Total minimum lease payments		-	304,031
	Future finance charges on finance lease		-	(9,097)
	Present value of minimum lease payments	25.1	-	294,934
	Less: Due within one year		-	(294,934)
	Balance due after one year but not more than five years		-	-
25.1	Present value of finance lease liability			
	Not later than one year		-	294,934
	Later than one year but not later than five years		-	-
			-	294,934
25.2	This represents vehicles acquired under finance lease from First Habib Modaraba with equal monthly installments. The financing rates of 6 months KIBOR + 2.75% per annum is used as discounting factor. Taxes, repairs, maintenance and insurance cost are to be borne by the Company.			

26	DEFERRED LIABILITIES	Note	2015 Rupees	2014 Rupees
	Staff retirement benefits - gratuity	26.3.1	23,452,933	22,974,589
	Compensated absences	26.4	3,963,586	4,269,850
			<u>27,416,519</u>	<u>27,244,439</u>

26.1 General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2015 using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has



assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

26.2 Actuarial assumptions have been disclosed in the note 4.1.2 of these financial statements.

26.3 **Staff retirement benefits - gratuity**

	Note	2015 Rupees	2014 Rupees
26.3.1 Liability recognized in the balance sheet			
Present value of defined benefit obligation		<u>23,452,933</u>	<u>22,974,589</u>
26.3.2 Reconciliation of balance due to defined benefit plan			
Present value of defined benefit obligation	26.3.4	<u>23,452,933</u>	21,156,179
Benefits due but not paid		-	1,818,410
Closing net liability		<u>23,452,933</u>	<u>22,974,589</u>
26.3.3 Movement of the liability recognized in the balance sheet			
Opening net liability		22,974,589	18,016,900
Charge for the year	26.3.5	<u>4,983,355</u>	3,787,552
Actuarial loss recognised in other comprehensive income	26.3.6	22,799	1,309,661
Benefits paid during the year		<u>(4,527,810)</u>	(139,524)
Closing net liability		<u>23,452,933</u>	<u>22,974,589</u>

26.3.4 Movement in present value of defined benefit obligations	Note	2015 Rupees	2014 Rupees		
Opening present value of defined benefit obligations		21,156,179	18,016,900		
Current service cost for the year		2,310,155	1,998,569		
Interest cost for the year		2,673,200	1,788,983		
Remeasurement loss on obligation	26.3.6	22,799	1,309,661		
Benefits due but not paid during the year		-	(1,818,410)		
Benefits paid during the year		<u>(2,709,400)</u>	<u>(139,524)</u>		
Closing present value of defined benefit obligations		<u>23,452,933</u>	<u>21,156,179</u>		
26.3.5 Charge for the year					
Current service cost		2,310,155	1,998,569		
Interest cost		2,673,200	1,788,983		
Charge for the year		<u>4,983,355</u>	<u>3,787,552</u>		
26.3.6 Remeasurement chargeable to other comprehensive income					
Loss on remeasurement of obligation		<u>22,799</u>	<u>1,309,661</u>		
26.3.7 Comparison for five years					
	2015 Rupees	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees
	<u>23,452,933</u>	<u>22,974,589</u>	18,016,900	12,296,640	10,102,427

26.3.8 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in Assumption Rupees	Decrease in Assumption Rupees
Discount rate (Effect in Rupees)	(2,699,198)	3,191,540
Salary increase (Effect in Rupees)	3,191,540	(2,744,900)

26.3.9 The charge in respect of defined benefit plan for the year ending June 30, 2016 is estimated to be Rs. 4.84 million. Further the Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented.



26.4 Compensated absences	Note	2015 Rupees	2014 Rupees
Liability recognized in the balance sheet			
Present value of defined benefit obligation	26.4.1	<u>3,963,586</u>	<u>4,269,850</u>

26.4.1 Movement of the liability recognized in the balance sheet

Opening liability		4,269,850	2,329,387
Charge for the year	26.4.3	3,915,681	4,490,037
Payments during the year		<u>(4,221,945)</u>	<u>(2,549,574)</u>
		<u>3,963,586</u>	<u>4,269,850</u>

26.4.2 Movement in present value of defined benefit obligations

Opening present value of defined benefit obligations		4,269,850	2,329,387
Current service cost for the year		183,003	2,554,256
Interest cost for the year		291,449	110,733
Benefits paid during the year		<u>(4,221,945)</u>	<u>(2,549,574)</u>
Remeasurement loss on obligation		<u>3,441,229</u>	<u>1,825,048</u>
Closing present value of defined benefit obligations		<u>3,963,586</u>	<u>4,269,850</u>

26.4.3 Charge for the year

Current service cost		183,003	2,554,256
Interest cost		291,449	110,733
Actuarial loss		<u>3,441,229</u>	<u>1,825,048</u>
		<u>3,915,681</u>	<u>4,490,037</u>

26.4.4 Remeasurement chargeable to profit and loss

Remeasurement loss on obligation		<u>3,441,229</u>	<u>1,825,048</u>
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26.4.5 Comparison for previous years

2015 Rupees	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees
<u>3,963,586</u>	<u>4,269,850</u>	2,329,387	1,871,785	1,710,725

26.4.6 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in Assumption Rupees	Decrease in Assumption Rupees
Discount rate (Effect in Rupees)	(171,506)	874,317
Salary increase (Effect in Rupees)	874,317	(179,357)

26.4.7 The Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented. The general description and other related disclosure has been presented in the note 4.1.1 of these financial statements.

27 ACCRUED AND OTHER PAYABLES	Note	2015 Rupees	2014 Rupees
Proceeds from sale of assets of members in default	27.1	8,856,945	11,671,650
Accrued liabilities	27.2	84,151,036	79,861,017
Withholding tax payable		55,468	181,398
Other payables	27.3	4,845,503	5,814,128
		<u>97,908,952</u>	<u>97,528,193</u>

27.1 This represents amount received from disposal of assets of defaulting/expelled members. This mainly includes amounts received from sale of assets of M/s Intergain Securities, Mega Securities and Riaz Mahmood of Rs. 1.95 million (2014: Rs. 4.79 million), Rs. 2.23 million (2014: Rs. 2.23 million) and Rs. 4.56 million (2014: Rs. 0.28 million), respectively. These amounts are to be utilized for the settlement of dues including investors claims of the defaulting members.

27.2 This mainly include Rs. 13.84 million (2014: Rs. 13.88 million) and Rs. 62.50 million (2014: Rs. 62.50 million) against construction cost of ISE Tower payable to the building construction contractors and demanded by Capital Development Authority (CDA), respectively, on account of increase in Floor Area Ratio of the building from 1.6 to 1.8.

27.3 This includes an amount of Rs. 2.133 million (2014: 2.133 million) in respect of corporate social responsibility, which is recognized on cash receipt basis.



28 ADVANCES AND DEPOSITS

		2015	2014
	Note	Rupees	Rupees
Deposit from members against exposure		7,393,001	8,515,001
Advance listing fee		1,663,677	1,658,677
Advance membership fee		125,000	125,000
Current portion of advance rent	24.3	137,823,885	58,288,452
Clearing house deposits	28.1	10,635,000	8,635,000
Security deposits		5,058,431	1,335,937
Retention money		10,211,329	9,767,605
Others		10,219	14,219
		<u>172,920,542</u>	<u>88,339,891</u>

28.1 This includes Rs. 0.425 million (2014: Rs. 0.325 million) payable to related parties of the Company.

29 CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

- a) The following legal cases involving an aggregate claim of Rs. 224.120 million (2014: Rs. 217.503 million) have been filed against the Company:
 - i) Mr. Sarmad Latif Siddiqui Vs Islamabad Stock Exchange Limited (for the recovery and injunction of Rs. 6.3 million) matter is at evidence stage and fixed for hearing.
 - ii) M/s MRA Altec Construction (Private) Limited Vs Islamabad Stock Exchange for recovery of Rs. 137.07 million on account of escalation and interest thereon relating to construction contract with ISE. Based on the terms of contract, an amount of Rs. 20.95 million is payable to the contractor recognized under accrued and other payables.
 - iii) Sh. Ghulam Farooq Vs Islamabad Stock Exchange (for recovery of Rs. 1.8 million).
 - iv) Mr. Abdul Waheed Jan Vs Islamabad Stock Exchange (for recovery of Rs. 78.95 million) in context of his receivables from two defaulter members).

The legal advisor of the Company is of the opinion that these cases are expected to be decided in favor of the Company and therefore no provision has been made in these financial statements for any liability that may

arise consequent upon the result of above law suits.

- b) Certain cases have been filed in which the Company is not a direct party. According to the legal advisor, the Company is not exposed to any loss in these cases. In addition, the defendants are the direct parties who may be held responsible for an obligation that may arise.
- c) The details of tax contingencies have been disclosed in the note 36 to these financial statements.
- d) Company's share in the contingencies of associates is Rs. 23.018 million (2014:Rs. 23.010 million).

29.2 Commitments

- a) Commitment in respect of capital expenditure amounting to Rs. 5.470 million (2014:Rs. 9.818 million).
- b) Company's share in the commitments of associates amounting to nil (2014:Rs. 3.782 million).
- c) Lease contracts ranges from 1 to 10 years and future rentals receivable under these contracts are as follows:

	Within 1 year	1 to 5 years	After 5 years	Total
	Rupees			
Minimum lease income due (receivables)	10,606,210	27,120,715	4,982,861	42,709,786

- d) The Company has entered into Ijarah arrangement with "M/s First Habib Modaraba" for Vehicle (Honda Civic). Commitment of Ijarah rentals under this agreement are as follows:

	2015 Rupees	2014 Rupees
Not later than one year	755,804	-
Later than one year but not later than five year	1,322,656	-
	<u>2,078,460</u>	<u>-</u>



30 OPERATING INCOME	Note	2015 Rupees	2014 Rupees
Annual listing fee		10,781,000	10,900,353
Additional listing fee		57,895,593	28,330,251
Initial listing fee		800,000	3,274,302
Delisting fee		100,000	200,000
TREC fee	30.1	-	9,312,668
Trading fee		11,821	16,223
TREC transfer fee		-	100,000
Other fee and subscription		300,000	220,000
		<u>69,888,414</u>	<u>52,353,797</u>

30.1 The Board of Directors of the Company has waived the TREC fee for all its TREC holders for the year ended June 30, 2015. Therefore, no TREC fee has been charged during the year.

31 DEPRECIATION AND AMORTIZATION	Note	2015 Rupees	2014 Rupees
Depreciation	5.1	78,145,824	79,932,384
Amortization	6.1	2,758,384	2,104,196
		<u>80,904,208</u>	<u>82,036,580</u>

32 OTHER ADMINISTRATIVE EXPENSES

		2015	2014
	Note	Rupees	Rupees
Salaries and benefits	32.1	48,929,679	36,114,351
Directors' meeting fee		2,410,000	1,600,000
Traveling and lodging		2,665,569	1,847,351
Postage, telephone and fax		1,005,178	929,554
Printing and stationery		1,367,346	1,013,153
News papers, books and periodicals		94,587	104,612
Publicity and advertisements		238,000	256,610
Rent, rates and taxes		1,895,356	1,901,686
Legal and professional charges	32.2	20,006,216	2,341,556
Auditors remuneration			
Annual audit fee		390,000	350,000
Half year review		110,000	100,000
Contract services:			
- Security		505,375	385,373
- Janitorial		137,782	97,235
- Others		30,750	24,555
Lease rentals	32.3	188,951	-
Repairs and maintenance		1,112,006	996,309
Seminars, meetings and entertainment		2,035,776	1,266,296
Trainings		60,700	448,840
MIS/trading technology charges		2,898,225	2,493,893
Electricity, gas and water		1,415,781	1,500,796
Insurance		3,645,322	2,488,574
Membership fee		424,835	444,608
Receivables written off		2,577,497	-
Operating assets written off		-	1,572,407
Provision for doubtful receivables / advances		-	686,880
Demutualization expense	32.4	1,492,120	962,906
Service charges		-	231,570
Marketing expenses		1,458,343	1,112,531
Miscellaneous		440,179	522,254
		<u>97,535,573</u>	<u>61,793,900</u>

32.1 This includes an amount of Rs. 4.983 million (2014: Rs. 3.788 million) and Rs. 3.915 million (2014: Rs. 4.490 million) on account of gratuity and compensated absences.

32.2 This includes an amount of Rs. 17.522 million (2014: Nil) paid to the Securities and Exchange Commission of Pakistan on account of fee in respect to increase in authorized share capital and re-registration of the Company from guarantee



limited to Company by shares. The Securities and Exchange Commission of Pakistan (SECP) had claimed an amount of Rs. 42.529 million on account of fee in respect to increase in authorized share capital and re-registration of the Company from guarantee limited to Company by shares. The matter of fee has been settled with the Commission during the year and an agreed amount of Rs. 17.522 million as full and final payment has been made and incorporated in these financial statements.

- 32.3 This represents lease rentals paid to the First Habib Modaraba in respect to Ijarah / operating lease obtained during the year.
- 32.4 This represents the expenditure incurred during the process of corporatization and demutualization of company pursuant to the requirement of Act.

33 OTHER INCOME	Note	2015 Rupees	2014 Rupees
Income from financial assets:			
Profit on bank and investments		10,205,376	24,790,006
Exchange gain / (loss)		6,761	(365)
Gain on sale of mutual funds		6,994,171	-
Income from non financial assets:			
(Loss) / gain on sale of :			
Operating fixed assets		(221,264)	155,450
Assets held for sale	33.1	-	14,355,846
Rental income from investment property	33.2	153,253,466	141,703,660
Management fee	33.3	977,069	960,450
Other rentals		4,673,297	3,745,483
Income from commercialization of members' offices	33.4	2,800,000	2,800,000
Room transfer fee		1,600,000	3,200,000
Recovery of doubtful receivables		-	881,665
Others		7,447,573	4,821,921
		<u>187,736,449</u>	<u>197,414,116</u>

33.1 Gain on sale of assets classified as held for sale

Consideration for sale (sublease) of office space		-	23,157,000
Less: Cost of office spaces sold (subleased) during the year	20	-	(8,801,154)
		<u>-</u>	<u>14,355,846</u>

33.2 Rental income from investment property	Note	2015 Rupees	2014 Rupees
Rentals		166,479,063	154,790,611
Direct expenditure	33.5	<u>(13,225,597)</u>	<u>(13,086,951)</u>
		<u>153,253,466</u>	<u>141,703,660</u>

33.3 This represents management fee charged to investors' protection fund trust and settlement protection fund trust at the rate of 1% in accordance with resolution passed by the Board of Directors of the Company on March 29, 2013.

33.4 This represents income received from TREC holders at the rate of 1.4 million from two (2) TREC holders (2014: 2) in accordance with scheme approved by the Board of Directors in their meeting dated June 21, 2012.

33.5 DIRECT EXPENDITURE		2015 Rupees	2014 Rupees
Salaries and operations		2,195,046	1,217,791
Contract services			
- Security		790,901	590,687
- Janitorial		372,523	262,893
Utilities		4,807,461	5,678,370
Repair and maintenance		2,039,001	3,022,652
Insurance		1,890,150	1,645,817
Service charges		698,600	187,500
Professional fee		318,250	38,250
Miscellaneous		113,665	442,991
		<u>13,225,597</u>	<u>13,086,951</u>

33.6 These expenditures have been allocated to investment property on the basis of area except service charges and repair & maintenance which have been charged on actual basis.

34 FINANCE COST		2015 Rupees	2014 Rupees
Markup on loan		20,460,532	45,339,820
Finance charges on lease obligations		9,122	88,125
Bank charges		166,592	119,727
		<u>20,636,246</u>	<u>45,547,672</u>

35 WORKERS WELFARE FUND

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF



Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the Company was considered to be subject to the provisions of the WWF Ordinance.

The Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However, a three member larger bench of Sindh High Court has held that such amendments were validly made. Subsequent to this judgment, various petitions have been filed before Sindh High Court challenging the vires of such amendments and stay has been granted by a Division Bench of Sindh High Court.

Besides this, the judgment of three member larger bench of Sindh High Court has also been challenged before Supreme Court of Pakistan. Therefore, the management of the Company is of the opinion that no provision is to be made till the outcome of these petitions. Had this provision been made since July 01, 2010 it would amounting to Rs. 32.216 million (2014: Rs. 31.046 million). Accordingly no provision has been made for the current year in respect of Worker's Welfare Fund amounting to Rs. 1.170 million (2014: 1.210 million).

36 TAXATION

	Note	2015 Rupees	2014 Rupees
Current			
For the year	36.1	31,910,848	5,436,380
For prior year		3,175,871	(251,406)
Deferred	12.3	2,335,824	-
		<u>37,422,543</u>	<u>5,184,974</u>

36.1 In previous year, this comprises of minimum tax on turnover and income tax on investment property, therefore no numerical tax reconciliation was given.

For current year numerical reconciliation between the applicable tax rate and average effective tax rate is as follows:

	2015 %	2014 %
Applicable tax rate	33%	-
Temporary difference	3%	-
Effect of final tax under presumptive tax regime	1%	-
Effect of fixed and final tax	3%	-
Prior year adjustment	4%	-
Others	0%	-
Average effective tax rate	<u>44%</u>	<u>-</u>

- 36.2 The Company has filed appeals against tax assessments for the tax years 2004 and 2005 that resulted in an aggregate additional tax demand of Rs. 5.400 million. The management is confident of a favorable outcome and, therefore, no provision has been made in these financial statements.
- 36.3 Inland Revenue Department (the department) has filed appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of Commissioner Inland Revenue (CIR) in which CIR has annulled order of the department for tax year 2003 and 2004. The department has demanded additional tax of Rs. 3.256 million. The appeal is still pending and the management is confident of a favorable outcome and therefore no provision has been provided in these financial statements.
- 36.4 The income tax return for tax year 2011 was selected for total audit through computerized balloting by FBR; taxation officer amended the assessment on January 24, 2014 and created a demand of Rs. 25.670 million against the Company. The Company has preferred to file appeal before Commissioner Appeals, Islamabad, who have set aside the impugned order vide his appellate order No. 428/2014 dated April 22, 2014.

Re-assessment has been framed by Deputy Commissioner Inland Revenue under section 124 of the Income Tax Ordinance, 2001 by assessing net loss at Rs. 91.555 million and create a tax liability against rental income amounting to Rs. 15.770 million. The Company has filed appeal before Commissioner Appeals, Islamabad, against the impugned order which is pending for hearing.

- 36.5 No provision has been made in the financial statements for all of the above alleged tax demand as the management is confident that the matter will be decided in favour of the Company.
- 36.6 The applicable income tax rate was reduced from 34% to 33% for the year on account of the changes made to Income Tax Ordinance 2001 through Finance Act, 2014.

37 CASH GENERATED FROM OPERATIONS

	Note	2015 Rupees	2014 Rupees
Income before taxation		85,328,917	46,106,736
Adjustment for non-cash charges and other items:			
Depreciation and amortization	31	80,904,208	82,036,580
Profit on bank deposits		(10,205,376)	(24,790,006)
Exchange (gain) / loss		(6,761)	365
Loss / (gain) on sale of operating assets		221,264	(155,450)
Gain on sale of mutual funds		(6,994,171)	-
Gain on sale of assets held for sale		-	(14,355,846)
Share of (profits) / loss of associated companies		(26,780,081)	14,397,223
Operating fixed assets written off		-	1,572,407
Fair value gain on investment property		-	(114,198)
Provision for gratuity		4,983,355	3,787,552
Provision for compensated absences		3,915,681	4,490,037
Receivables written off		2,577,497	-
Recovery of doubtful receivables / advances		-	(881,665)
Provision for doubtful receivables / advances		-	686,880
Financial charges		20,636,246	45,547,672
Changes in working capital	37.1	87,618,755	(10,459,656)
		156,870,617	7,624,990
		<u>242,199,534</u>	<u>53,731,726</u>

37.1 Changes in working capital**Decrease / (increase) in current assets**

Accounts receivables	2,716,667	3,208,758
Advances, deposits, prepayments and other receivables including long term advances	(501,609)	(4,652,440)
	<u>2,215,058</u>	<u>(1,443,682)</u>

Increase / (decrease) in current liabilities

Advances and deposits	84,580,651	(94,088,747)
Accrued and other payables	823,046	(9,064,132)
	<u>85,403,697</u>	<u>(103,152,879)</u>
	<u>87,618,755</u>	<u>(10,459,656)</u>

38 EARNINGS PER SHARE

Net profit after tax (Rupees)	<u>47,906,374</u>	<u>40,921,762</u>
Weighted average number of ordinary shares at the end of the year (Numbers)	<u>367,186,963</u>	<u>367,186,963</u>
Basic and diluted earnings per share (Rupee)	<u>0.13</u>	<u>0.11</u>

38.1 There is no dilutive effect on the basic earnings per share of the Company.

39 FINANCIAL INSTRUMENTS

39.1 Financial instruments by category

	Note	2015 Rupees	2014 Rupees
Financial assets			
Available for sale			
Long term investment - available for sale	9	52,836,389	-
Loans and receivables			
Account receivables - considered good	13	6,673,808	11,160,196
Advances - considered good		2,174,745	2,211,993
Deposits		16,958,816	16,280,484
Interest accrued		375,319	491,585
Other receivables - considered good	16	29,385,530	29,847,586
Cash and bank balances	19	246,620,817	195,511,167
		<u>302,189,035</u>	<u>255,503,011</u>
Financial assets		<u>355,025,424</u>	<u>255,503,011</u>
Financial liabilities			
Amortised cost			
Accrued and other payables	27	97,908,952	97,528,193
Accrued mark-up		6,773,945	20,452,922
Advances and deposits		49,225,301	102,905,012
Long term loan	23	118,858,132	356,574,402
Liability against assets subject to finance lease	25	-	294,934
Deferred liabilities	26	27,416,519	27,244,439
Financial liabilities		<u>272,766,330</u>	<u>577,755,463</u>

39.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39. The carrying amount of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.



39.3 Financial risk management objectives and policies

The Company is exposed to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company does not engage in the trading of financial assets for speculative purposes. All treasury related transactions are carried out within the parameters of those policies.

39.3.1 Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligation to the Company. It arises principally from the accounts receivable, advances, security deposits, accrued interest, short term investment and other receivables.

a) Exposure to credit risk

The maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, summarized as follow:

	Carrying amount	
	2015	2014
	Rupees	Rupees
Accounts receivables	6,673,808	11,160,196
Security deposits	15,346,816	14,700,316
Interest accrued	375,319	491,585
Other receivables	29,385,530	29,847,586
Cash and bank balances	246,595,491	195,462,072
	<u>298,376,964</u>	<u>251,661,755</u>

The maximum exposure to credit risk for financial assets at the reporting date by type of counterparty was:

	Carrying amount	
	2015 Rupees	2014 Rupees
Companies	1,175,307	2,366,028
Members	5,498,501	8,794,168
Banks and financial institutions	246,970,810	195,953,657
Others	44,732,346	44,547,902
	<u>298,376,964</u>	<u>251,661,755</u>

b) **Credit quality of major financial assets**

The Company's management considers that all the above financial assets are not impaired and are of good credit quality. The management continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

Account receivables

To manage exposure to credit risk in respect of accounts receivables management performs credit reviews taking into account the counter party's financial position, past experience and other factors. The aging of past due accounts receivables from companies and members at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2015		2014	
	Rupees			
Past due 0-50 days	400,369	-	-	-
Past due 51 days - 1 year	395,131	-	5,642,458	-
More than one year	5,878,308	-	9,225,402	(3,707,664)
	<u>6,673,808</u>	<u>-</u>	<u>14,867,860</u>	<u>(3,707,664)</u>

During the year account receivables amounting to Rs. 3.707 million (2014: Nil) has been written off against provisions made in prior years. Further, an amount of Rs. 1.77 million (2014: Nil) has been written off directly against account receivables.

Based on past experience the management believes that no impairment allowance except as provided is necessary in respect of accounts receivable past due as certain receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amount will be recovered in short period of time.



Short term investment and bank balances

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings:

	Rating agency	Ratings		Rupees
		Short term	Long term	
MCB Bank Limited	PACRA	A1+	AAA	8,587,114
NIB Bank Limited	PACRA	A1+	AA-	195,625,612
Allied Bank Limited	PACRA	A1+	AA+	28,546,539
United bank Limited	JCR-VIS	A1+	AA+	649,212
Summit Bank Limited	JCR-VIS	A1	A	7,328,238
Askari Bank Limited	PACRA	A1+	AA	604,221
Bank Alfalah Limited	PACRA	A1+	AA	4,722,647
JS Bank Limited	PACRA	A1+	A+	531,908
				<u>246,595,491</u>

39.3.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in releasing funds to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under both normal and stressed condition, without incurring losses or risking damage to Company's reputation. Following are the contractual maturities of financial liabilities including interest payment excluding the impact of netting agreements:

Maturity analysis of financial liabilities

	Carrying amount	Contractual cash flows	6 Months or less	6-12 Months	1-2 years	2-5 years
Rupees						
Non-derivative financial liabilities						
2015						
Long term loan *	125,632,077	(125,667,834)	(125,667,834)	-	-	-
Deposits	25,595,742	(25,595,742)	(23,083,432)	-	-	(2,512,310)
Retention money	10,211,329	(10,211,329)	(10,211,329)	-	-	-
Accrued and other liabilities	97,853,484	(97,853,484)	(97,853,484)	-	-	-
Deferred liabilities	27,416,519	(27,416,519)	-	-	(27,416,519)	-
	286,709,151	(286,744,908)	(256,816,079)	-	(27,416,519)	(2,512,310)
2014						
Long term loan *	377,027,324	(398,467,053)	(139,192,645)	(132,759,001)	(126,515,407)	-
Liability against asset subject to finance lease	294,934	(304,031)	(304,031)	-	-	-
Deposits	19,643,048	(19,643,048)	(18,482,938)	-	-	(1,160,110)
Retention money	9,767,605	(9,767,605)	(9,767,605)	-	-	-
Accrued and other liabilities	97,542,412	(97,542,412)	(97,542,412)	-	-	-
Deferred liabilities	27,244,439	(27,244,439)	-	-	-	(27,244,439)
	531,519,762	(552,968,588)	(265,289,631)	(132,759,001)	(126,515,407)	(28,404,549)

* Cash flows for long term loan include cash flow effects for mark-up also.

39.3.3 Market risk

Market risk is the risk that the value of the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The Company is exposed to currency risk and interest rate risk only.

a) Currency risk

The Company is exposed to currency risk on bank balance that are denominated in a currency other than the functional currency of the Company that is U.S Dollar. However, the Company is not exposed to material currency risk, therefore, no sensitivity analysis has been presented.



b) **Interest rate risk**

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of the changes in the market interest rates. Majority of the interest rate exposure arises from long term loan from bank, lease obligation and deposits in profit and loss sharing accounts with banks.

Profile

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Effective interest rate		Carrying amount	
	2015 Interest rate	2014 Interest rate	2015 Rupees	2014 Rupees
Variable rate instruments				
Financial assets				
Bank balances	5.5% - 6.5%	6% - 8%	<u>246,370,657</u>	195,244,101
			<u>246,370,657</u>	<u>195,244,101</u>
Financial liabilities				
Long term loan	10.98%	11.50%	118,858,132	356,574,402
Liability against asset subject to finance lease	-	12.93%	-	294,934
			<u>118,858,132</u>	<u>356,869,336</u>

c) **Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

d) **Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Income and expenditure and fund balance 100 bps increase and 100 bps decrease			
	2015		2014	
	Rupee			
	Increase	Decrease	Increase	Decrease
Cash flow sensitivity - Variable rate instruments	1,188,581	(1,188,581)	(3,568,693)	3,568,693

e) **Equity price risk**

Equity price risk is the risk that the fair value of the equities changes as the result of changes in the level of equity indices and the value of individual stocks. The Company does not have exposure in listed equities as at June 30, 2015.

39.4 **Fair values of financial instruments**

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

40. CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to maintain creditor and market confidence.

The Company monitors capital on the basis of the carrying amount of reserves as presented on the face of balance sheet. There have been no changes to the Company's approach to the capital management during the current year.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may sell assets to reduce debt and manage capital expenditures. The Company is not subject to externally imposed capital requirements.

Consistent with industry practice and the requirements of lender, the Company monitors the capital structure on the basis of gearing ratio. The ratio is calculated as borrowings divided by total capital employed.

Capital for the reporting periods under review is summarized as follows:



	2015 Rupees	2014 Rupees
Borrowings	118,858,132	356,574,402
Total capital	4,011,710,331	3,956,931,533
Gearing ratio	2.96%	9.01%

41. RELATED PARTY TRANSACTIONS

Related parties include associated companies, directors and key management personnel. Investments in and balances with associated companies and other related parties are disclosed in the relevant notes to these financial statements. Transactions with related parties are as follows:

	2015 Rupees	2014 Rupees
Transactions with associates		
Associate companies (related parties by virtue of common directors ship)		
Central Depository Company of Pakistan Limited		
Dividend received by the company	4,875,000	4,875,000
Expenses incurred on behalf of associate	116,162	481,794
Amount received from associate	116,162	481,794
Pakistan Mercantile Exchange		
Expenses incurred on behalf of associate	-	123,520
Amount received from associate	-	123,520
Investment made during the year	-	32,954,540
JCR-VIS Credit Rating Company Limited		
Dividend received by the company	-	425,000
National Clearing Company of Pakistan Limited (NCCPL)		
Dividend received by the company	10,546,875	2,343,750
Expenses incurred on behalf of associate	573,650	557,627
Amount received from associate	573,650	557,627
Investment made	8,789,070	-
Related party transaction with Directors		
Trading fee received	5,433	2,713
Annual membership fee received	-	3,000
Utility charges	885,016	814,123

41.1 Compensation to key management personnel

The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 42)". There are no transactions with key management personnel other than under their terms of employment.

41.2 The status of outstanding balances and investment of associated companies as at June 30, 2015 are included in "Other receivables" (note 16) and "Long term investments - under equity method" (note 8).

42. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	2015			2014		
	Managing Director	Directors	Executives	Managing Director	Directors	Executives
	Rupees					
Managerial remuneration	6,821,333	-	24,924,249	5,280,000	-	14,968,870
Retirement benefits	600,000	-	1,225,299	440,000	-	1,198,293
Leave fare assistance	520,000	-	1,987,157	440,000	-	1,304,958
Bonus	-	-	-	-	-	-
Fee	-	2,410,000	-	-	1,600,000	-
	7,941,333	2,410,000	28,136,705	6,160,000	1,600,000	17,472,121
Number of persons	1	11*	20	1	10	14

42.1 The Chief Executive has been provided with Company maintained car (with monthly petrol entitlement: 300 Litre), health insurance, telephone and repair & maintenance of car as per Company policy.

42.2 Corresponding figures of executives have been restated in accordance with the definition of executive as per Companies Ordinance, 1984.

42.3* During the year upon resignation of Chairman of Board of Directors of the Company, the Commission has refilled the casual vacancy.

43. NUMBER OF EMPLOYEES

The Company has following number of employees as at June 30, 2015 and average during the year



	No of employees			
	As at June 30, 2015	As at June 30, 2014	Average 2015	Average 2014
Permanent	35	37	36	38
Contractual	57	51	54	50
	<u>92</u>	<u>88</u>	<u>90</u>	<u>88</u>

44. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the year.

45. SUBSEQUENT EVENTS

45.1 Subsequent to the year end, the Company has entered into a Memorandum of Understanding (MoU) on August 25, 2015 with Karachi Stock Exchange Limited and Lahore Stock Exchange Limited with the objective to form a integrated stock exchange for development of capital market of Pakistan under the name of Pakistan Stock Exchange Limited (PSE). The Company is required to propose a scheme of integration for stock exchange operations and to file the said scheme of integration / arrangement within 45 days from the date of MoU to the Securities & Exchange Commission of Pakistan. As per the MoU, only the stock exchange operations will merge into to the Pakistan Stock Exchange Limited and the Company shall continue to exist as company and to continue to operate with its other businesses.

45.2 The Board of Directors in its meeting held on September 17, 2015 has proposed a final cash dividend of 1.25% (Rs. 0.125 per share) for the year ended June 30, 2015 amounting to Rs. 45,898,370, for approval of the members at the Annual General Meeting to be held on October 12, 2015. These Financial Statement do not include the effect of above proposal which will be accounted for in the period in which it is approved by the members.

46. DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 17, 2015 by the Board of Directors of the Company.

47. GENERAL

Figures have been rounded off to the nearest rupee.

Director

Managing Director

Pattern of Shareholding As of June 30, 2015

No. Of Shareholders	Shareholdings 'Slab	Total Shares Held
1	1 to 100	1
7	501 to 1000	6,730
17	1001 to 5000	55,010
9	5001 to 10000	58,745
6	10001 to 15000	73,844
2	15001 to 20000	31,381
1	20001 to 25000	22,000
1	25001 to 30000	26,023
1	30001 to 35000	31,500
1	35001 to 40000	35,052
1	80001 to 85000	84,526
1	120001 to 125000	121,384
1	165001 to 170000	165,378
1	295001 to 300000	298,188
1	340001 to 345000	344,305
1	485001 to 490000	485,536
1	605001 to 610000	606,921
1	1195001 to 1200000	1,200,000
118	1210001 to 1215000	143,228,237
121	1820001 to 1825000	220,312,202
293		367,186,963

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
ZAHID LATIF KHAN	1	1,000	0.00
MOHAMMAD MASUD	1	1,000	0.00
ASIF SAEED MALIK	1	1,000	0.00
MIAN HUMAYUN PARVEZ	1	1,000	0.00
Associated Companies, undertakings and related parties	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	5	7,283,047	1.98
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	20	30,346,030	8.26
Mutual Funds	-	-	-
General Public			
a. Local	72	44,996,524	12.25
b. Foreign	-	-	-
OTHERS	192	284,557,362	77.50
Totals	293	367,186,963	100.00

Share holders holding 5% or more	Shares Held	Percentage
Nil		

Authorization Format

(On the letterhead of the Company)The Secretary

Islamabad Stock Exchange Limited
Islamabad.

Sub: Authorization to Attend the AGM on Behalf of the Corporate Shareholder

Dear Sir,

Please be informed that Mr. _____ s/o _____ holder of N.I.C. No. _____ has been duly authorized by the Board of Directors of our company vide resolution dated _____ to participate, deliberate and vote on resolutions included in the agenda of the notice of the Twenty Sixth Annual General Meeting of the Islamabad Stock Exchange scheduled for October 27, 2015 or at any date adjourned/rescheduled thereof. Resolution of the Board dated _____ in original duly signed and stamped is attached herewith for reference and record.

Yours truly,

Authorized Signatory

Seal of the Company

SPECIMEN RESOLUTION

The following resolution has been passed by the Board of Directors of (Name of the Company) in its meeting held on _____.

Resolved that Mr. _____ s/o _____ be and is hereby authorized on behalf of the company to participate and vote for resolution included in the agenda of the notice of the Twenty Sixth Annual General Meeting of the Islamabad Stock Exchange scheduled for October 27, 2015 or at any date adjourned/rescheduled thereof.

Certified True Copy.

Authorized Signatory

Seal of the Company

FORM OF PROXY

I/We, _____ of _____,
being a member of Islamabad Stock Exchange Limited, hereby appoint
_____ of _____ as my/our proxy to vote
for me/us and on my/our behalf at the 26th Annual General Meeting of the
Exchange to be held on the 27th day of October 2015 and at any
adjournment thereof

Dated: _____

Signed: _____

Revenue Stamp
of Rs.5/-

Name and Designation of Appointer: _____
_____ CDC Account No.

1. Witness

2. Witness

Signature: _____

Signature: _____

Name: _____

Name: _____

Address: _____

Address: _____

Note: Please affix Revenue Stamp of Rs. 5/- at the designated place and sign
across it.



Islamabad Stock Exchange Limited

ISE Towers

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Fax: +92 51 111 473 329

Email: info@ise.com.pk

URL: www.ise.com.pk

