



annual report

2007

The Karachi Stock Exchange (Guarantee) Limited

Stock Exchange Building, Stock Exchange Road, Karachi-74000

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Vision

To be a leading financial institution, offering efficient, fair and transparent securities market in the region and enjoying full confidence of the investors.

Mission

To strive and provide quality and value-added services to the capital market in an efficient, transparent and orderly manner; compatible with international standards and best practices;

To provide state of the art technology and automated trading operations driven by a team of professionals in accordance with good corporate governance;

To protect and safeguard the interest of all its stakeholders, i.e. members, listed companies, employees and the investors at large; and

To reflect country's economic health and behaviour and play its role for the growth, development and prosperity of Pakistan.



CORPORATE INFORMATION

Chairman Mr. Shaukat Tarin
Acting Managing Director Mr. Muhammad Yacoob Memon
Mr. Muhammad Aliuddin Ansari
Mr. Sikander Esmail Bagasrawala
Mr. Shehzad Chamdia
Mr. Tariq Kirmani
Mr. Muhammad Shoib Memon
Mr. Dawood Jan Muhammad
Mr. Asad Umar
Haji Ghani Haji Usman

Company Secretary Mr. Muhammad Rafique Umer

Chairman Mr. Muhammad Aliuddin Ansari
Mr. Shaukat Tarin
Mr. Shehzad Chamdia
Mr. Dawood Jan Muhammad

Legal Advisors

M/s. Ghani Law Associates, Industrial Relations Advisors
M/s. Mansoor Ahmad Khan & Company, Advocates & Legal Consultants
M/s. Sayeed & Sayeed, Advocates & Legal Consultants

Auditors

M/s. Ford Rhodes Sidat Hyder & Company, Chartered Accountants

Bankers

Allied Bank of Pakistan Limited	Habib Metropolitan Bank Limited
Arif Habib Bank Limited	JS Bank Limited
Bank Alfalah Limited	KASB Bank Limited
Bank AL-Habib Limited	MCB Bank Limited
Bank Islami Pakistan Limited	MyBank Limited
Crescent Commercial Bank Limited	PICIC Commercial Bank Limited
Habib Bank Limited	United Bank Limited

Registered Office

Mailing Address Stock Exchange Building
Stock Exchange Road
Karachi-74000

Phone (021) 246 2671-78
UAN 111-00-11-22
Fax (021) 2410825
E-mail info@kse.com.pk
Website www.kse.com.pk



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 60th Annual General Meeting of the Karachi Stock Exchange (Guarantee) Limited will be held on Monday, October 22, 2007 at 3:30 p.m. at the Registered Office of the Exchange, at KSE Auditorium, 3rd Floor, Stock Exchange Building, Stock Exchange Road, Karachi to transact the following business:

1. To confirm the minutes of Extraordinary General Meeting of the Exchange held on March 05, 2007. (copy already circulated).
2. To receive and approve the Annual Audited Accounts of the Exchange for the year ended June 30, 2007, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors of the Exchange for the year ending June 30, 2008 and fix their remuneration.
4. Any other matter with the permission of the Chair.

BY ORDER OF THE
GOVERNING BOARD OF DIRECTORS

Sd/-
MUHAMMAD RAFIQUE UMER
Company Secretary

Karachi:

Dated: September 28, 2007



BOARD OF DIRECTORS



Shaukat Tarin
Chairman



Muhammad Yacoob Memon
Acting Managing Director



Muhammad Aliuddin Ansari



Sikander Esmail
Bagasrawala



Shehzad Chamdia



Tariq Kirmani



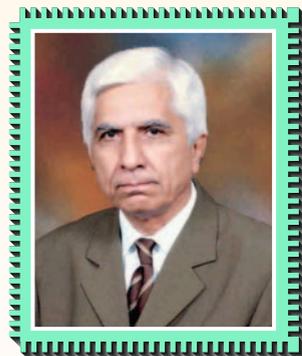
Muhammad Shoib Memon



Dawood Jan Muhammad



Asad Umar



Haji Ghani Haji Usman



KSE HISTORIC RECORDS

Records	Date	Closing Index	Net Change	Highest Turnover	Total Paidup Capital (Rs. In million)	Market Capitalization (Rs. In million)
Maximum Increase in KSE-100 Index	04-04-2005	8050.25	453.38	—	422,013.43	2,217,023.84
Maximum Decrease in KSE-100 Index	14-06-2006	9766.98	(547.93)	—	493,314.95	2,480,980.13
Highest KSE-100 Index	13-07-2007	14202.23	—	—	634,901.94	4,203,443.33
Lowest KSE-100 Index	14-07-1998	765.74	—	—	211,313.35	234,145.74
Highest Turnover (T+3)	16-04-2004	5582.28	—	1,122,496,620	364,600.69	1,489,458.53



HIGHLIGHTS

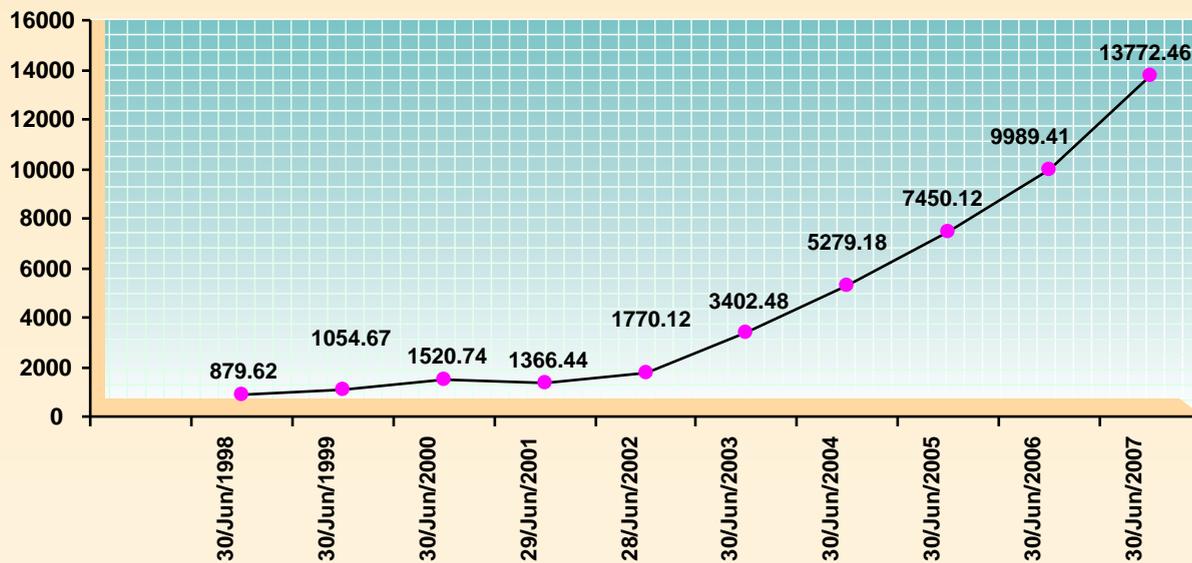
DESCRIPTION	Rs. in Million	
	2007	2006
Total Listed Companies	658	658
Total Listed Capital (Rs.)	631,125.55	495,967.57
Total Market Capitalization (Rs.)	4,019,418.17	2,801,182.46
New Companies Listed	14	14
Listed Capital of New Companies (Rs.)	56,081.61	25,209.83
New Debt Instruments Listed	3	6
Listed Capital of New Debt Instruments (Rs.)	6,000.00	6,900.00
Total Shares Volume (million)	54,042.36	79,454.53
Average Daily Share Volume (million)	262.48	348.53
<u>KSE Indices</u>		
KSE - 100 Index		
Year End	13772.46	9989.41
High	13772.46	12273.77
Low	9504.47	6970.59
KSE - All Shares Index		
Year End	9758.81	6708.36
High	9758.81	8184.60
Low	6399.29	4589.51
KSE - 30 Index		
Year End	16993.51	—
High	17002.75	—
Low	12248.93	—

NOTES:

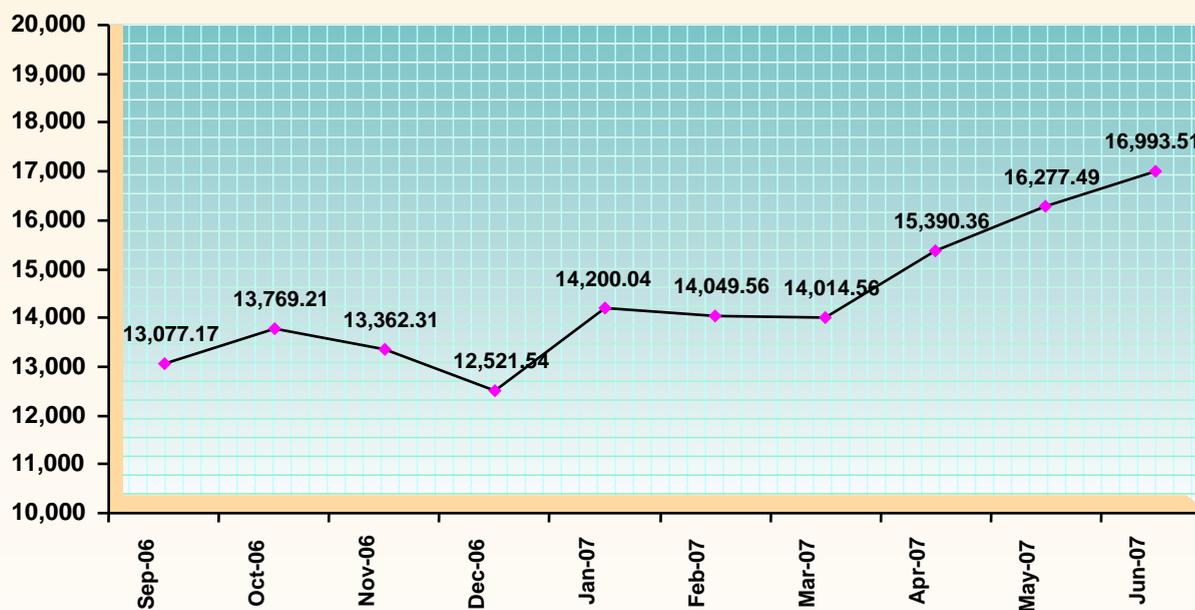
- (i) The figures are from July to June.
- (ii) The total number of listed companies have been stated after 6 companies De-listed in 2006 and 8 companies in 2007 and 8 companies merged in 2006 and 8 companies in 2007.
- (iii) The total listed capital has been stated after adjustment of capital of companies by way of merger, bifurcation and de-listing, etc.
- (iv) The KSE 100 Index was started in November 1991 with a base of 1000 points and it is recomposed semi-annually and was last re-composed on February 28, 2007 closing statistics.
- (v) The KSE All Share Index based on the prices of August 29, 1995 = 1000, commenced w.e.f. September 18, 1995.
- (vi) The KSE - 30 Index based on the prices of June 30, 2005 = 10,000, introduced w.e.f. September 01, 2006.



KSE-100 INDEX 1998-2007



KSE-30 INDEX 2006-2007



DIRECTORS' REPORT

The Board of Directors of the Karachi Stock Exchange (KSE) take pleasure in presenting the Annual Report of the Exchange along with the audited financial statements and the Auditors' Report for the year ended June 30, 2007.

SECURITIES MARKET REVIEW

The fiscal year 2006-07 witnessed an unprecedented surge in the capital market of Pakistan. The year could rightly be termed as eventful since it marked sixth consecutive year of Bull Run. It achieved several milestones in the backdrop of sustained economic growth and outstanding corporate results. The two halves of financial year 2007 portrayed distinctly different trends, whereby the first half remained almost flat and registered only 0.51% increase. However, in the second half, the market performed very well indeed and witnessed a rise of 37% in the KSE-100 Index. The KSE, one of the most active securities markets in the region, recorded a full year appreciation of around 38% during the year ended June 30, 2007, with the index closing at an all-time high at 13,772 points. The major thrust came in the fourth quarter whereby the index surged by 22%. The market capitalization also grew at a remarkable rate of 43%, reaching its peak at over Rs. 4 trillion (US\$ 66 billion). However, despite the healthy run-up witnessed on the bourse, the Ready Market turnover during FY07 averaged 221m shares, which was the lowest since FY02, as a result of which the average daily value also shrank to a three-year low of Rs. 22 billion (US \$ 362 million) The KSE saw a total of 16 new listings and 12 companies offering equity, which set out to raise Rs. 6.3 billion including premium in the FY07. It included OGDC's second issue, which accounted for 38% of the total issue size. This was against the earlier year's total 14 new listings including 12 public offerings to the tune of Rs. 6.5 billion. The subdued interest was observed by the private sector, mainly due to lack of tax incentives for listed companies and the stringent requirements of corporate governance. At the end of the financial year, 658 companies remained listed on the Exchange. Like equity markets, corporate debt market also witnessed 3 new listings of Term Finance Certificates (TFCs) valued at Rs.6.0 billion.

There were several contributing factors leading to booming conditions in the market. These, inter-alia, included improvement in the country's economic fundamentals and regional political environment, government's commitment to capital market reform agenda and pro-market policies, stability in exchange rate, regionally cheap valuation of the scripts, large scale mergers and acquisitions, improving relationship with the neighboring countries, successful GDR offerings and increase in Pakistan's coverage by large international brokerage firms and investment banks. The biggest push to the market was caused by the interest shown by foreign investors with huge liquidity at their command, looking for investment opportunities throughout the world. This is substantiated by the fact that foreign funds reflected a sharp jump from 3.2% of market cap in June, 2006 to 6.3% by the end of March, 2007. The corporate earnings, particularly in the financial sector, have been excellent, prompting foreign investors to extend their activities particularly in this sector.

In line with the policy for Capital Market Development Program, the Government has also accepted KSE's proposals in relation to allowing various tax exemptions in the context of its corporatization and demutualization, which in turn will help in speedy and smooth transformation of this process making KSE comparable with global exchanges. While maintaining the rates of CVT on securities transactions, the Government agreed to extend capital gain tax exemption for further one year, i.e. upto June 30, 2008 in line with the earlier announcement made by the Prime Minister of Pakistan. This has helped to enhance the government's credibility amongst the investors on the one hand and accelerated the foreign portfolio investment in the country through stock market on the other hand. Another positive step taken by the Sindh Government in the beginning of calendar year 2007 is that imposition of stamp duty on electronic transfer of security transactions announced in the Finance Bill 2006-07 was deferred for two years. This will further help in creating a conducive atmosphere for encouraging investment climate at the local bourses.

KSE'S FINANCIAL REVIEW

The revenues of the Exchange for the year ended June 30, 2007 stood at Rs. 1,192 million as compared to Rs. 1,182 million of the last year, thereby recording a marginal increase of about 0.85% over previous year. This mainly comprised of trading fee, listing fee, other income comprising of share of profit from associated companies and return on surplus funds placed with the financial institutions. Operating expenses increased to Rs. 506 million as compared to Rs. 313 million, recording an increase of 62% over last year. The said increase is due to legal and professional charges to the tune of Rs. 22.5 million for demutualization of the Exchange, depreciation charges amounting to Rs. 42.6 million due to change in method and an increase in salaries, fuel & power. The Exchange thus recorded a pre-tax surplus of Rs. 685 million as against Rs. 869 million during the previous year, i.e. lesser by 21%.



INVESTMENT IN ASSOCIATE, JOINT VENTURE AND OTHER COMPANIES

Karachi Stock Exchange over the years has made investments in the following associate, joint venture and other companies:

Name of Company	Amount invested (Rs. in million)	Percentage shareholding	As appearing in the Accounts (Rs. in million)
Associates			
Central Depository Company of Pakistan Limited (CDC)	39.81	39.81%	441.50
National Clearing Company of Pakistan Limited (NCCPL)	30.00	47.06%	140.25
Joint Venture			
JCR-VIS Credit Rating Company Limited	2.50	12.5%	2.50
Other			
National Commodity Exchange Limited (NCEL)	42.09	36.36%	42.09
Less: Provision for impairment in the value of investment			(20.00)
			22.09

Out of above, a handsome cash dividend @ 45% and stock dividend @ 55% declared by CDC, cash dividend @ 20% by NCCPL and cash dividend @ 5% declared by JCR-VIS Credit Rating Company for the financial year ended June 30, 2006 were received during the year. There was no payout from NCEL, who have started their operation very recently.

The Karachi Stock Exchange, vide a resolution adopted by its General Body in a meeting held on March 05, 2007, approved subscription of 1,636,356 Right Shares of NCEL of face value of Rs. 10/- each @ Rs. 13.50 per share. The resolution also allows for subsequent disinvestment of 1,886,348 shares to financial institutions approved by SECP at the fair market value to be determined by the Board of Directors of NCEL to bring down KSE's shareholding in NCEL to 17.5% of its paid-up capital as per SECP's directive. This will be in accordance with SECP's requirement that the combined shareholding of all three stock exchanges of Pakistan shall not exceed 35% with no single entity holding more than 17.5% of NCEL's equity. KSE is hopeful to have reasonable capital gain on disinvestment of its shareholding since the NCEL has come into operation now.

CONTRIBUTION TO EXCHEQUER

The Exchange, during the financial year 2006-07 collected taxes from members of the Exchange on securities market transactions and deposited an aggregate amount of Rs.4.20 billion in the government exchequer. In addition, the Exchange paid a sum of Rs. 332 million as direct corporate tax to the exchequer.

SIGNIFICANT ACHIEVEMENTS

During the year under review, several measures were implemented to strengthen market environment and boost investors' confidence. Some of the significant measures taken by KSE with the support and approval of SECP were:

- c Introduction of Unique Global Identification Number (UIN) effective from August 01, 2006 in order to provide a traceable link between every order entered at the trading system of the Exchange and the person on behalf of whom the said order is placed. This measure is expected to ensure greater transparency in the market and further strengthen investor protection.
- c Introduction of KSE-30 Index based on free float, which was launched from September 01, 2006. The new index functions along with existing two indices, i.e. KSE All Share Index and KSE-100 Index. The new index gives weight to the constituent companies as per their actual liquidity in the market and is not unduly influenced by tightly held large-cap companies, thus providing better representation of market movements.
- c Introduction of Continuous Funding System with revised features and elimination of off-market in-house financing by the members.



- c Introduction of new Risk Management Regime (RMR) based on VaR based margining system in line with the international best practices from December 04, 2006. The new RMR cater for elimination of netting across the markets, across the scripts, across clients and across settlement periods. It also include process of collection of margins, their acceptable forms, declaring securities eligible as collateral and valuation of such securities by applying the specified haircuts.
- c Introduction of Cash Settled Futures Contract effective from April 02, 2007 and providing few relaxations subsequently to boost interest of the market participants in the product. However, this product has not so far taken off and efforts are underway to activate this product.
- c Payment of returns to members on Cash Margins in Deliverable Futures market on quarterly basis.

STEPS TAKEN SUBSEQUENT TO YEAR-END

- l Implementation of position limits in each market separately for members and their clients based on specified percentage of free-float of shares of a company from July 16, 2007.
- l Introduction of new Settlement Cycle T+2 to replace T+3 effective from August 06, 2007.
- l Mandatory reporting of the 'Off-market Transactions'.
- l Members were facilitated with the electronic solution by providing a separate window on their trading terminals to maintain order book as required by law.
- l Removal of Remote Terminal Connectivity charges to facilitate installation of more terminals in distant areas for increasing retail investors.

TASKS IN HAND

1. Demutualization of the Exchange

In terms of a Memorandum of Understanding executed on January 28, 2006 between the SECP and KSE for demutualization of KSE, the valuation of the KSE was to be carried out by an international investment banker. As such, an agreement was executed with Deutsche Bank on January 23, 2007 appointing them as financial advisor for valuation of the Exchange and subsequent implementation of strategic alternatives to broad-base KSE's equity structure. The SECP, initially carried out amendment in the Securities & Exchange Ordinance, 1969 through Finance Act, 2006 by inserting a clause 32E which empowered the Commission to affect the process of corporatization and demutualization of the exchanges. However, after having felt that the said amendment does not provide requisite framework for the entire process, a draft Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2007 was proposed to be promulgated by the Commission. Finally, the said proposal was replaced by promulgation of the Stock Exchanges (Corporatization, Demutualization and Integration) Ordinance, 2007, the draft of which was forwarded to all the exchanges on August 23, 2007. In view of proposing a new structure and inclusion of new issues in the draft Ordinance, deliberations are being held with the Commission in order to arrive at a unanimous conclusion for such an important milestone of the Exchange. In order to execute the required legal documentation to achieve the objective of corporatization and demutualization of the Exchange, the Exchange has appointed M/s. Mandviwalla & Zafar, Advocates. It is a matter of satisfaction that the Federal Government, while accepting most of the relevant proposals of KSE in the Finance Act, 2007, extended exemption of tax on transfer of assets of the existing stock exchanges to the corporatized stock exchange and on gain on transfer of capital assets, being a membership right held by a member of an existing stock exchange, for acquisition shares and trading/clearing rights acquired by such member in new corporatized stock exchange.

2. Introduction of new products and new measures

The Cash Settled Stock Futures Contracts have already been introduced. Moreover, in order to facilitate provision of financing to market in a transparent and efficient manner and to provide a level playing field to all the market participants by adequately covering market risks associated with the current CFS System, a new leverage product called CFS MK II, initiated by the SECP, is at the final stage of introduction through NCCPL, being its geographical neutral position. The concept papers with regard to other derivative products, namely, Index Futures and Options are under deliberations and the same are also expected to be introduced during the current year.



3. Introduction of FIs Margining System

Since majority of the financial institutions do not place margins with their brokers and the brokers themselves have to deposit margins from their own resources, resulting in undue withholding of their securities and curtailment of their capacity to trade, the SECP desired the NCCPL to collect margins from these institutions directly. After the development of necessary procedure to follow the process and framing of relevant Rules & Regulations by NCCPL, the above-referred System is expected to be implemented shortly.

INTERNATIONAL RELATIONS

Karachi Stock Exchange is a Member of Federation of Euro-Asian Association of Stock Exchanges (FEAS) and South Asian Federation of Exchanges (SAFE). It is also an Affiliated Member of World Federation of Stock Exchanges (WFSE) and International Organization of the Securities Commission (IOSCO). The KSE was privileged to host the first Executive Committee meeting of SAFE on January 24-25, 2007. The meeting was an event of great significance as it brought forth the Memoranda of Understanding (MoUs) between SAFE and its member countries regarding the South Asian Index.

The Karachi Stock Exchange also signed an MoU with Shanghai Stock Exchange for mutual cooperation in April, 2007 on the occasion of visit of Prime Minister of Pakistan to China. A number of MoUs on the similar lines are in process of execution with Abu Dhabi Securities Market, Dubai Financial Market, Bursa Malaysia, Singapore Exchange (SGX), etc.

COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

Being a frontline regulator of securities market, the Karachi Stock Exchange is fully cognizant of its responsibility as enunciated in the Code of Corporate Governance. The following comments are an acknowledgment of KSE's commitment towards high standards of Corporate Governance and continuous improvement:

- u The financial statements, prepared by the management, present fairly the state of affairs of the Exchange, the result of its operations, cash flows and changes in funds.
- u Proper books of accounts have been maintained by the Exchange.
- u Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- u International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- u The system of internal control is being redesigned to make it more effective and the Internal Audit Department is being strengthened. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- u The Board has formed the Audit Committee, and its Chairman is a non-executive director. The terms of reference of the Committee have been approved by the Board and advised to the Committee for compliance.
- u There are no doubts upon the Exchange's ability to continue as a going concern.
- u Significant deviations from last year's operating results have been disclosed as appropriate in the Directors' Report.

BOARD OF DIRECTORS

The Board of Directors of the Exchange comprises of 10 members including the Managing Director. Out of these, 5 directors are elected from amongst members of the Exchange, whereas 4 non-member directors are nominated and appointed by the Securities & Exchange Commission of Pakistan. In terms of Articles of Association of the Exchange, five directors namely M/s. Shehzad Chamdia, Dawood Jan Muhammad, Muhammad Shoib Memon, Sikander Esmail Bagasrawala and Haji Ghani Haji Usman were elected for the calendar year 2007. Similarly, four nominee directors, namely M/s. Zaffar A. Khan, Asad Umar, Tariq Kirmani and Zakir Mahmood, who were on the Board of KSE in 2006, were re-nominated by the SECP for the calendar year 2007 as well. Mr. Zaffar A. Khan, the first non-member Chairman of the Board, was re-elected as Chairman for the year 2007. However, later, in May, 2007, the request of Mr. M. A. Lodhi for early retirement from the position of Managing Director was acceded to by the Board and Mr. Muhammad Yacoob Memon was appointed to officiate until a new Managing Director is appointed by the Board. Moreover, in the same month, the positions occupied as Chairman/Director by Mr. Zaffar A. Khan and as Director by Mr. Zakir Mahmood fell vacant on tendering resignations from such positions by them. On having fresh nominations from SECP, these positions were filled-in by Mr. Shaukat Tarin and Mr. Muhammad Aliuddin Ansari and Mr. Shaukat Tarin was elected as Chairman of the Board. The KSE Board consists of experienced and successful persons with diverse background. The non-member directors, have a proven track record of running major institutions, while the member directors have a deep understanding of the working of the Exchange and the market. The Board records its appreciation of the contribution made by the outgoing Directors.



As per Articles of Association of the Exchange, the Board of Directors is constituted for each calendar year. During the financial year ended June 30, 2007, 17 Board meetings (10 normal & 7 emergent) were held, in which Directors' attendance was as follows:

Name of Director	No. of meetings held during the tenure within the period	No. of meetings attended
July-December 2006		
Mr. Zaffar A. Khan	8	7
Mr. M. A. Lodhi	8	8
Mr. Muhammad Siddique Dalal	8	8
Mr. Abid Ali Habib	8	8
Mr. Tariq Kirmani	8	3
Mr. Munir M. Ladha	8	8
Mr. Zakir Mahmood	8	4
Mr. Zafar Moti	8	4
Mr. Asad Umar	8	4
Haji Ghani Haji Usman	8	7
January-June 2007		
Mr. Zaffar A. Khan	6	5
Mr. M. A. Lodhi	7	6
Mr. Sikander Esmail Bagasrawala	9	9
Mr. Shehzad Chamdia	9	8
Mr. Muhammad Shoib Memon	9	9
Mr. Dawood Jan Muhammad	9	9
Mr. Zakir Mahmood	6	2
Mr. Tariq Kirmani	9	5
Mr. Asad Umar	9	7
Haji Ghani Haji Usman	9	8
Mr. Muhammad Yacoob Memon	3	3
Mr. Shaukat Tarin	2	2
Mr. Muhammad Aliuddin Ansari	2	2

Leave of absence was granted to directors who could not attend some of the Board meetings.

COMMITTEES

The Board constituted the following committees, mandated with distinctive terms of reference to advise on strategic, operational, functional, administrative and technical aspects of operation of the Exchange. The Committees comprising of members of the Board and members of the Exchange were formed under the chairmanship of various directors, as detailed herein below:

<u>Committee</u>	<u>Chairman</u>
i Human Resource Committee	Mr. Tariq Kirmani
ii Voluntary De-listing Committee	Managing Director by office
iii Advisory & Arbitration Committee	Mr. Sikander Esmail Bagasrawala
iv Company Affairs / Corporate Governance Committee	Mr. Muhammad Shoib Memon
v Trading Affairs, Development & Technology Committee	Mr. Dawood Jan Muhammad
vi Audit Committee	Mr. Muhammad Aliuddin Ansari
vii Market Development & New Products Committee	Mr. Shehzad Chamdia
viii Demutualization Committee	Mr. Shehzad Chamdia
ix Defaulters' Committee	Haji Ghani Haji Usman

AUDITORS

The present auditors, M/s. Ford, Rhodes, Sidat, Hyder & Co., Chartered Accountants have retired, and being eligible, offered themselves for re-appointment. The Board has recommended re-appointment of M/s. Ford, Rhodes, Sidat, Hyder & Co., Chartered Accountants as statutory auditors of the Exchange for the year ending June 30, 2008 at a remuneration of Rs. 500,000/- inclusive of half yearly review for the approval of the members.



FUTURE OUTLOOK

The Board of Directors highlighted certain areas of importance for concentrating on priority basis. The Board and the management working in close collaboration with SECP intend to speed up the process of reforms that have been underway at the Exchange for some years. The principal areas of focus are briefly summarized below:

1. Corporatization and Demutualization of the Exchange. This would be a major step forward in the reform process and is expected to add significantly to the credibility, efficiency and growth prospects of KSE. Many Stock Exchanges worldwide are keen in acquiring a stake in the Karachi Stock Exchange. This will provide an opportunity to expand the business volumes of the Exchange manifold. We expect to fast track the attainment of this important objective.
2. Strengthen the management capacity of the Exchange by developing and motivating the existing human resources and by inducting new employees with new skill sets. We are determined to strengthen the Human Resource Capacity of the Organization. We need to do this for several reasons. Most importantly to introduce new products to create greater depth in our markets and also to cater to the needs and interests of our investor community both here and abroad.
3. Upgrading I.T. infrastructure including setting up of Business Continuity Plan (BCP), Disaster Recovery Site (DRS) and Data warehouse.
4. Construction of a new KSE Tower project within Exchange premises.

The Board and the management of KSE, under the strong leadership from the apex Regulator, SECP are actively pursuing capital market reform program geared towards the development of a modern and efficient capital market based on sound regulatory principles that provide impetus for high economic growth. The reforms introduced over recent years in the fields of risk management, governance and transparency have contributed significantly towards the growth and development of capital market and building investor confidence. The Exchange will continue to strive to align all its processes and procedures with best global practices. The KSE is committed to play its role to the fullest in the development of the capital market of Pakistan. It will significantly enhance the credibility of the Exchange.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, we extend our gratitude to the Securities & Exchange Commission of Pakistan for their continuous guidance and support. We are thankful to all the KSE Committee members for participating in the proceedings and making valuable suggestions to the Board. Our appreciation is also due to all the Members of the Exchange for their trust reposed in the Board. Finally we wish to especially acknowledge the staff of the Exchange for their commitment, hard work and loyalty.

On behalf of the Board of Directors

Sd / -
Shaukat Tarin
Chairman

Sd/-
Muhammad Yacoob Memon
Acting Managing Director

Karachi
Dated: September 10, 2007



MANAGEMENT



Muhammad Yacoob Memon
Acting Managing Director



Adnan Afridi
Managing Director-Designate



Abdullah Jan Farooqui
General Manager
(Information Technology)



Haroon Askari
General Manager
(Operations)



Fiyaz Ahmed Longi
General Manager
(Internal Audit)



Ahmed Ali Mitha
General Manager
(Finance & Accounts)



Muhammad Rafique Umer
Company Secretary &
Deputy General Manager (Law)



S.M.S. Nadeem Chishtee
Deputy General Manager
(Human Resource & Admin)



Muhammad Farooq Sharif
Deputy General Manager
(Members' & Trading Affairs)



Abdul Razzak Ali Muhammad
Deputy General Manager
(Delivery & Settlement)



Muhammad Ghufan
Deputy General Manager
(Companies Affairs)



Junaid Mirza
Deputy General Manager
(Market Control & Surveillance)



Aamir Nazir Ahmed
Deputy General Manager
(Risk Management)



MAIN EVENTS

59th Annual General Meeting



A view of the 59th Annual General Meeting held on October 30, 2006. Mr. Zaffar A. Khan, former Chairman is addressing the members, whereas other Directors and representatives of management are also seen at the Head Table.

Press Briefing on new Risk Management Regime



A press briefing was arranged on November 11, 2006 to present the salient features of new Risk Management Regime. A detailed presentation was made by Mr. Muhammad Yacoub Memon, Acting Managing Director and his team followed by Q&A session.



Visit of CFA Delegation



CFA Association of Pakistan (CFAAP) paid a visit to the Exchange on November 30, 2006 along with Mr. Khalid Ghayur, CFA, Managing Director and Senior Advisor, Morgan Stanley Capital International. Mr. Ghayur, sitting besides Mr. M. A. Lodhi, former Managing Director-KSE, is seen addressing the members/directors of KSE, representatives of KSE management and members of CFAAP.

Extra Ordinary General Meeting



A view of the Extraordinary General Meeting of Karachi Stock Exchange held on December 07, 2006, to conduct among other business, the election of directors for the calendar year 2007. Sitting at the Head Table from left are Mr. Muhammad Rafique Umer, Company Secretary, Mr. Zaffar A. Khan, former Chairman and Mr. M. A. Lodhi, former Managing Director.



Top Companies Awards Distribution Ceremony 2004 & 2005



In order to felicitate the managements of top companies for the years 2004 & 2005, the Exchange organized the Top Companies Awards Distribution Ceremony at Sindh Governor's House, Karachi on January 08, 2007. The Honorable Prime Minister of Pakistan Mr. Shaukat Aziz was the Chief Guest of the auspicious occasion, whereas Honorable Governor of Sindh, Honorable Chief Minister of Sindh and Chairman, Securities & Exchange Commission of Pakistan also honored with their presence.

Mr. Shaukat Aziz, the Honorable Prime Minister of Pakistan addressing at the said Ceremony.



The picture shows the Prime Minister awarding gold medal at KSE's Top Companies Awards Distribution Ceremony to Mr. Raymond Jal H. P. Byramji, a senior member of the KSE in following its tradition to recognize the contribution of its members in the development of capital market.



Signing of Engagement Letter to appoint Deutsche Bank as Consultant



An Engagement Letter was signed on January 23, 2007 appointing Deutsche Bank (DB) as financial advisor and for valuation of KSE for its demutualization. Mr. M. A. Lodhi, former Managing Director-KSE and Mr. Shehzad Chamdia, Chairman-Demutualization Committee, KSE are signing the Engagement Letter on behalf of KSE. Others witnessing the ceremony include Mr. Mehmood Qureshi, Chief Operating Officer-DB, Mr. Shezad G. Dada, Chief Country Officer-DB, Mr. Faisal Fazil, Head of Corporate Banking-DB, Mr. Zaffar A. Khan, former Chairman-KSE, Mr. Munir M. Ladha, former Director-KSE and Mr. Muhammad Rafique Umer, Company Secretary-KSE.

Visit of Austrian Delegation



Dr. Richard Schenz, former Managing Director of the Austrian Oil Company, OMV, accompanied by the Austrian Ambassador and the Austrian Commercial Counsellor visited the Karachi Stock Exchange on December 08, 2006. The Austrian delegation had a meeting with the senior management of the Exchange led by Mr. M. A. Lodhi, former Managing Director and discussed the matters of mutual interest.

Meeting of Executive Committee of SAFE



The KSE was privileged to host the first Executive Committee meeting of South Asian Federation of Exchanges (SAFE) on January 24-25, 2007. The meeting was an event of great significance as it brought forth MoUs between SAFE and its member countries regarding the launching of South Asian Index.

The photo shows Mr. Razi-ur-Rahman Khan, Chairman-SECP and Mr. Zaffar A. Khan, former Chairman-KSE discussing matters of mutual interest with representatives from India, Bangladesh, Nepal and Pakistan.

Visit of Iranian Delegation



H.E. Mr. Zanganah Haidri Kurd, Deputy Minister of Economic Affairs & Finance of Islamic Republic of Iran (3rd from left) along with Mr. Manoochehr Rezaei Z, Commercial Attache, Mr. Arif Elahi, Director General, Board of Investment and other officials visited the Karachi Stock Exchange on April 13, 2007. In the picture, Mr. Shehzad Chamdia, Director is seen presenting a KSE Memento to the guest while Mr. Muhammad Yacoob Memon, Acting Managing Director is seen with him.



Visit of Canadian Delegation



A view of the visit of Mr. Bertrand M. Millot, Vice President, Portfolio Management, Cordiant – a Montreal based emerging market fund management company alongwith Mr. Azhar Kirmani, Trade Commissioner, Consulate of Canada who visited the Karachi Stock Exchange on April 20, 2007 to meet Mr. Muhammad Yacoob Memon, Acting Managing Director of the Exchange.

Visit of World Bank Mission



A World Bank mission visited the Karachi Stock Exchange on June 07, 2007 in order to discuss the Regional Study on South Asian Domestic Debt Markets.

The World Bank mission included Mr. Shamsuddin Ahmad, Ms. Namoos Zaheer and Ms. Carlotta Saporito whereas KSE was represented by Mr. Shaukat Tarin, Chairman, Mr. Muhammad Yacoob Memon, Acting Managing Director and Mr. Haroon Askari, General Manager-Operations.



Visit of Dr. Salman Shah, Advisor to Prime Minister on Finance



During his visit to KSE on August 03, 2007, Dr. Salman Shah, Advisor to Prime Minister on Finance had an opportunity to address the members of the Exchange. Dr. Shah is talking about the role and importance of capital market in the economy of Pakistan and the challenges it has to face in coming days. Mr. Razi-ur-Rahman Khan, Chairman-SECP, Mr. Shaukat Tarin, Chairman-KSE and Mr. Muhammad Yacoob Memon, Acting Managing Director-KSE are seen sitting besides him.

Advisor to Prime Minister on Finance Addressing the KSE Board



Dr. Salman Shah, Advisor to Prime Minister on Finance visited the Karachi Stock Exchange on August 03, 2007 and had a meeting with Board of Directors. He was apprised of the performance of KSE and progress and status of its Corporatization and Demutualization. The Meeting was attended by the representatives of SECP led by its Chairman, Mr. Razi-ur-Rahman Khan and of KSE led by its Chairman, Mr. Shaukat Tarin. The presentation on Demutualization was made by Mr. Shezad G. Dada, Chief Country Officer of Deutsche Bank.



CHANGE OF MEMBERSHIP

The following were admitted as members of the Exchange from the date and in place of the persons noted against their names since July 01, 2006 to June 30, 2007.

Sr. No.	New Members Admitted	Date of Membership	In Place of
1	Millennium Capital Management (Pvt.) Ltd.	04-Jul-06	M.M.S. Capital Securities (Private) Limited
2	Dattoo Securities (Private) Limited	07-Jul-06	Mr. Sultan Gulamhusein Dattoo
3	R.F.R. Securities (Private) Limited	07-Jul-06	Mr. A. Razzak Haji Jan Mohammed Kapadia
4	N.U.A. Securities (Private) Limited	07-Jul-06	Mr. M. Nisar M. Usman Ashrafi
5	Surmawala Securities (Private) Limited	07-Jul-06	Mr. Muhammad Javed Surmawala
6	A.A.K. Securities (Private) Limited	07-Jul-06	Mr. Aba Hussain A. Karim
7	Ghory's Securities (Private) Limited	07-Jul-06	Mr. Ashfaq Zakaria Ghory
8	Gazipura Securities & Services (SMC-PVT) Limited	07-Jul-06	Mrs. Bilquis Saleem Gazipura
9	Z. A. Ghaffar Securities (Private) Limited	07-Jul-06	Mr. Zahoor Abdul Ghaffar
10	ZHV Securities (Private) Limited	07-Jul-06	Mr. Abdul Majeed Zakaria
11	Mayari Securities (Private) Limited	07-Jul-06	Mrs. Zohra w/o. M. Siddiq Mayari
12	Khanani Securities (Private) Limited	07-Jul-06	Mr. Abdul Aziz Moosa Khanani
13	Creative Capital Securities (Private) Limited	07-Jul-06	Mr. Muhammad Nadeem Abdul Ghaffar
14	Bhayani Securities (Private) Limited	07-Jul-06	Mr. Kausar Abbas Bhayani
15	AKY Securities (Private) Limited	07-Jul-06	Mr. Abdul Kadir Yusuf
16	Altaf Adam Securities (Private) Limited	19-Jul-06	Mr. Altaf Adam
17	M H Securities (Private) Limited	19-Jul-06	Mr. Muhammad Hussain Abdul Karim
18	ASDA Securities (Private) Limited	21-Jul-06	Mr. A. Sattar Dawood Adhi
19	Tariq Vohra Securities (Private) Limited	21-Jul-06	Mr. Mohammed Tariq Vohra
20	Muhammad Salim Kasmani Securities (Private) Limited	21-Jul-06	Mr. Muhammad Salim Kasmani
21	GMI Capital Securities (Private) Limited	28-Jul-06	Mr. Ghulam Mohammed Ismail
22	TS Securities (Private) Limited	28-Jul-06	Mr. Tahir Shafique
23	NINI Securities (SMC-Pvt.) Limited	31-Jul-06	Mr. Muhammad Yakoob A. Latif Nini
24	Javed Zakaria Gulabi Securities (Private) Limited	19-Sep-06	Mr. Javed Zakaria Gulabi
25	Y. H. Securities (Private) Limited	19-Sep-06	Mr. Yaqoob Habib
26	Ismail Abdul Shakoor Securities (Private) Limited	19-Sep-06	Mr. Ismail Abdul Shakoor
27	MASONS Securities (Private) Limited	19-Sep-06	Mrs. Zaitoon M. A. Shakoor
28	Muhammad Anaf Kapadia Securities (SMC-Private) Limited	19-Sep-06	Mr. Muhammad Anaf Kapadia
29	Dawood Equities Limited	21-Sep-06	Mr. Mohammad Ayub Younus
30	M/s. Khoja's Capital Management (Private) Limited	12-Oct-06	M/s. Marfani Securities (Private) Limited
31	M/s. Moonaco Securities (Private) Limited	08-Nov-06	Mr. Mahboob Husain shakoor
32	M/s. AAU Securities (Private) Limited	22-Nov-06	Mr. Abdul Aziz Umer
33	M/s. Muhammad Hussain Ismail Securities (Private) Limited	22-Jan-07	Mr. Muhammad Hussain Ismail
34	M/s. M. J. Memon Securities (Private) Limited	22-Jan-07	Mr. Muhammad Junaid Memon
35	M/s. Patel Securities (Private) Limited	01-Mar-07	Mr. Abdul Aziz Tayub Patel
36	M/s. Investment Managers Securities (Private) Limited	16-Mar-07	Mrs. Khatoon Hajiani
37	M/s. H & H Securities (Private) Limited	04-Apr-07	Mr. Malcolm M. Dalal
38	M/s. Muhammad Bashir Kasmani Securities (Private) Limited	26-Apr-07	Mr. Muhammad Bashir Kasmani
39	M/s. MYTP Securities (Private) Limited	04-Jun-07	Mr. Mohammed Younus Patel
40	M/s. MSMANIAR Financials (Private) Limited	05-Jun-07	Mr. Mohammad Saad Maniar
41	M/s. Cassim Investments (Private) Limited	22-Jun-07	Mr. Firozuddin A. Cassim
42	M/s. Mannoo Capital (Private) Limited	27-Jun-07	Mr. Tanveer Alam Mannoo
43	M/s. Kosmopolitan Securities (Private) Limited	27-Jun-07	M/s. RAS Securities (Private) Limited



STATISTICS

(Since July 2006 to June 2007)

LISTING OF NEW COMPANIES – EQUITY

Rs. in million

Name of Company	Date of Listing	Paidup Capital	Capital Offered to		Subscription Received	
			General Public/Employees	Premium	General Public/Employees	Premium
PICIC Insurance Limited (i)	22-09-2006	200.000	-	-	-	-
Colony Mills Limited (ii)	02-10-2006	2,441.763	-	-	-	-
Atlas Bank Limited (iii)	16-10-2006	3,125.916	-	-	-	-
NAMCO Balanced Fund	11-12-2006	1,000.000	300.000	-	7.960	-
WE Balanced Fund	13-12-2006	200.000	100.000	-	2.985	-
Allied Rental Modaraba	08-01-2007	300.000	150.000	-	161.485	-
BMA Principal Guaranteed Fund I	31-01-2007	100.000	50.000	-	50.655	-
Arif Habib Limited (Offer for Sale at premium of Rs.90 per share)	31-01-2007	200.000	50.000	450.000	134.625	1,211.625
Hira Textile Mills Limited (at premium of Rs.2.50 per share)	20-02-2007	715.520	250.000	62.500	30.215	7.553
Oil & Gas Development Co. Ltd. II (iv) (Offer for Sale at premium of Rs.100 per share)	-	-	215.050	2,150.500	297.356	2,973.560
PACE (Pakistan) Limited (at premium of Rs.4 per share)	26-02-2007	1,878.332	392.855	157.142	774.005	309.602
JS Bank Limited (v)	12-03-2007	3,004.225	-	-	-	-
Standard Chartered Bank Limited (vi)	13-04-2007	38,715.850	-	-	-	-
JS ABAMCO Limited (Offer for Sale at premium of Rs.55 per share)	24-04-2007	1,000.000	200.000	1,100.000	389.590	2,142.743
Flying Cement Company Ltd. (Offer for Sale at premium of Rs.4 per share)	02-05-2007	1,600.000	100.000	40.000	375.250	150.100
Pak Oman Advantage Fund	12-06-2007	1,000.000	250.000	-	259.885	-
Pervez Ahmed Securities Ltd.	21-06-2007	600.000	250.000	-	543.275	-
TOTAL		56,081.606	2,307.905	3,960.142	3,027.286	6,795.183

- (i) The Company has been listed without public offering pursuant to distribution of specie dividend by PICIC, which divested its shareholding in PICIC Insurance Limited to its shareholders in form of specie dividend.
- (ii) The Company has been listed without public offering due to merger of Colony Textile Mills Limited.
- (iii) The Bank has been listed without public offering due to merger of Atlas Investment Bank Limited.
- (iv) The Company is already listed and it was a 2nd offer.
- (v) The Bank has been listed without public offering due to merger of Jahangir Siddiqui Investment Bank Limited and American Express Bank Limited – Pakistan branches.
- (vi) The Bank has been listed without public offering due to merger of Union Bank Limited.



LISTING OF NEW DEBT INSTRUMENTS

Rs. in million

Name of Company	Date of Listing	Amount Offered			Subscription Received			Amount Listed
		General Public	Others	Total Issue	General Public	Others	Total Issue	
United Bank Limited (III)	30-10-2006	500.000	1,500.000	2,000.000	28.395	1,500.000	1,528.395	2,000.000
Allied Bank Limited	12-01-2007	625.000	1,875.000	2,500.000	90.395	1,875.000	1,965.395	2,500.000
Bank AL - Habib Limited (II)	15-03-2007	375.000	1,125.000	1,500.000	721.890	1,125.000	1,846.890	1,500.000
TOTAL		1,500.000	4,500.000	6,000.000	840.680	4,500.000	5,340.680	6,000.000

LISTING OF OPEN-END MUTUAL FUNDS

Rs. in million

Sr. #	Name of Company	Date of Listing	Seed Capital
1	United Stock Advantage Fund	05-10-2006	250.000
2	Reliance Income Fund	11-12-2006	250.000
3	Meezan Islamic Income Fund	02-04-2007	115.000
4	AKD Income Fund	16-04-2007	250.000
5	KASB Stock Market Fund	20-04-2007	260.000
6	Faysal Savings Growth Fund	25-06-2007	250.000

DELISTING OF COMPANIES

(I) COMPANIES DELISTED AFTER BUY-BACK OF SHARES BY THE SPONSORS

Sr. #	Name of Company	Date of De-listing	Buy-back Price (Rs)
1	Tobacco International Limited	August 27, 2006	14.00
2	Associated Industries Limited	October 10, 2006	110.00
3	Chenab Textile Mills Limited	December 26, 2006	42.00
4	Dawood Fibre Mills Limited	February 12, 2007	10.00
5	Haroon Oils Limited	March 19, 2007	170.00
6	Ahmed Spinning Mills Limited	June 18, 2007	120.00

(II) COMPANIES DELISTED DUE TO VIOLATION OF LISTING REGULATIONS

Rs. in million

Sr. #	Name of Company	Date of De-listing	Paid up Capital
1	Lafayette Industries Synthetics Limited	October 13, 2006	356.483
2	Asian Leasing Corporation Limited	November 27, 2006	104.544

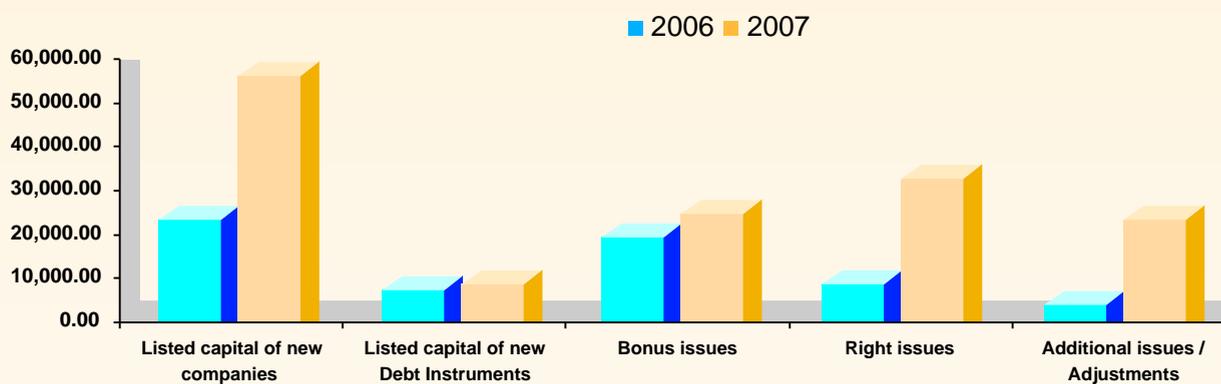
(III) COMPANIES DELISTED DUE TO MERGER/AMALGAMATION

Sr. #	Name of Company	Merged With	Date of Merger
1	Modaraba Al-Tijarah	Modaraba Al-Mali	July 11, 2006
2	Atlas Investment Bank Limited	Atlas Bank Limited	July 26, 2006
3	Pakistan Papersack Corporation Ltd.	Thal Limited	August 04, 2006
4	First Allied Bank Modaraba	Allied Bank Limited	August 25, 2006
5	Colony Textile Mills Limited	Colony Mills Limited	August 28, 2006
6	Union Bank Limited	Standard Chartered Bank (Pakistan) Ltd.	December 29, 2006
7	Jahangir Siddiqui Inv. Bank Ltd.	JS Bank Limited	December 30, 2006
8	Guardian Modaraba	BRR International Modaraba	May 25, 2007



BREAK-UP OF LISTED CAPITAL

	2007	2006
Listed capital of new companies	56,081.61	25,209.83
Listed capital of new Debt Instruments	6,000.00	6,900.00
Bonus issues	23,349.22	20,388.57
Right issues	35,110.52	9,006.14
Additional issues / Adjustments	26,274.51	5,714.52
	146,815.86	67,219.05

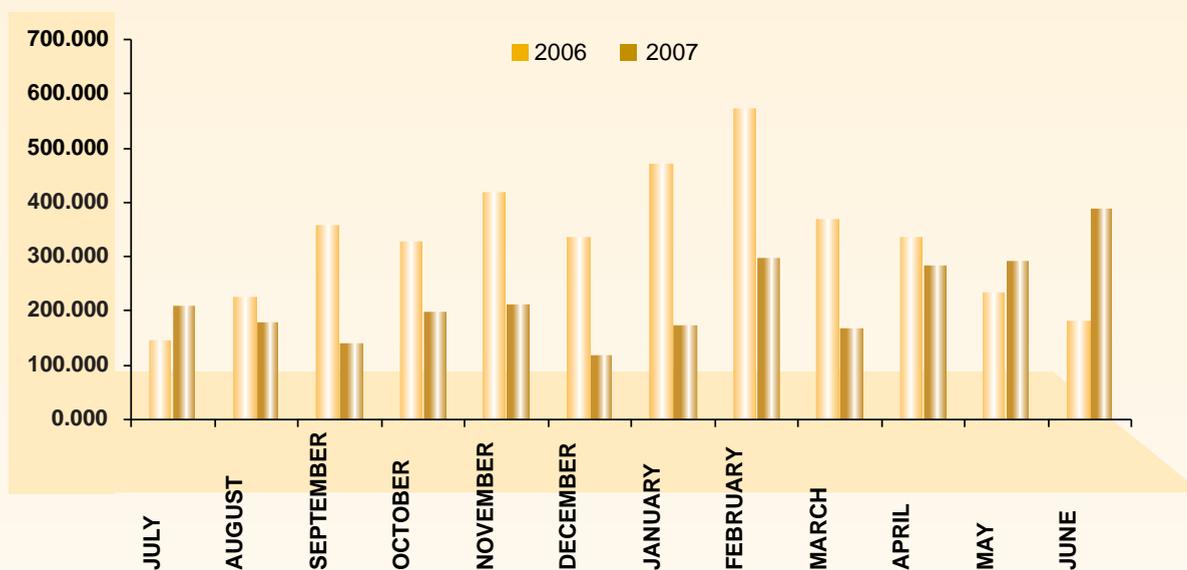


AVERAGE DAILY TURNOVER OF SHARES

(Ready)

(In million)

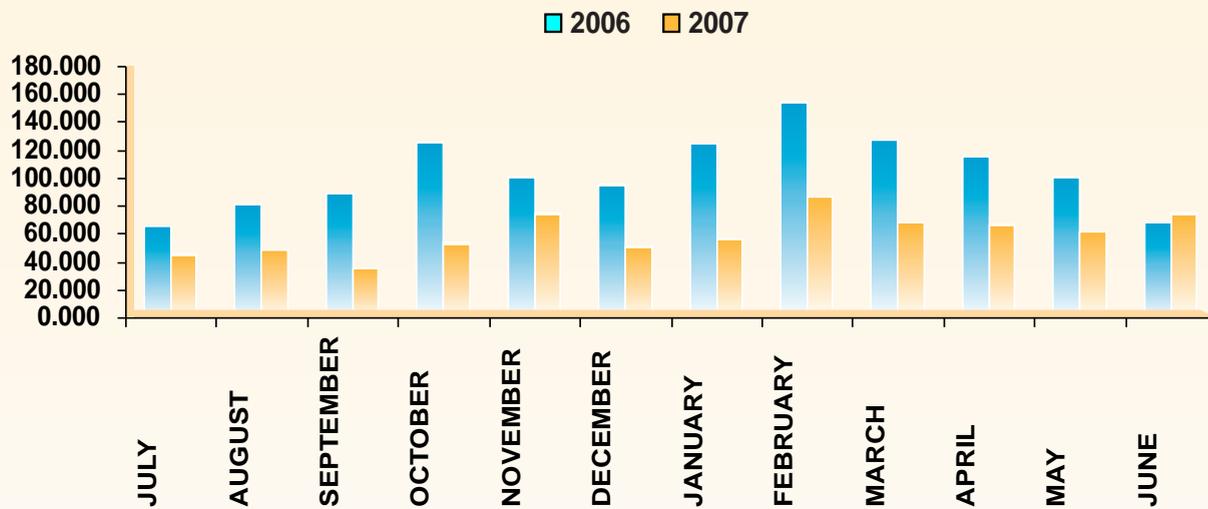
	2007	2006
July	209.077	146.064
August	179.993	226.319
September	141.276	357.204
October	198.742	326.885
November	213.310	417.630
December	119.552	337.044
January	174.926	470.107
February	296.396	572.486
March	169.291	369.428
April	284.551	335.091
May	293.444	233.265
June	387.330	182.823
Total	2,667.888	3,974.346



AVERAGE DAILY TURNOVER OF SHARES
(Futures Counter)

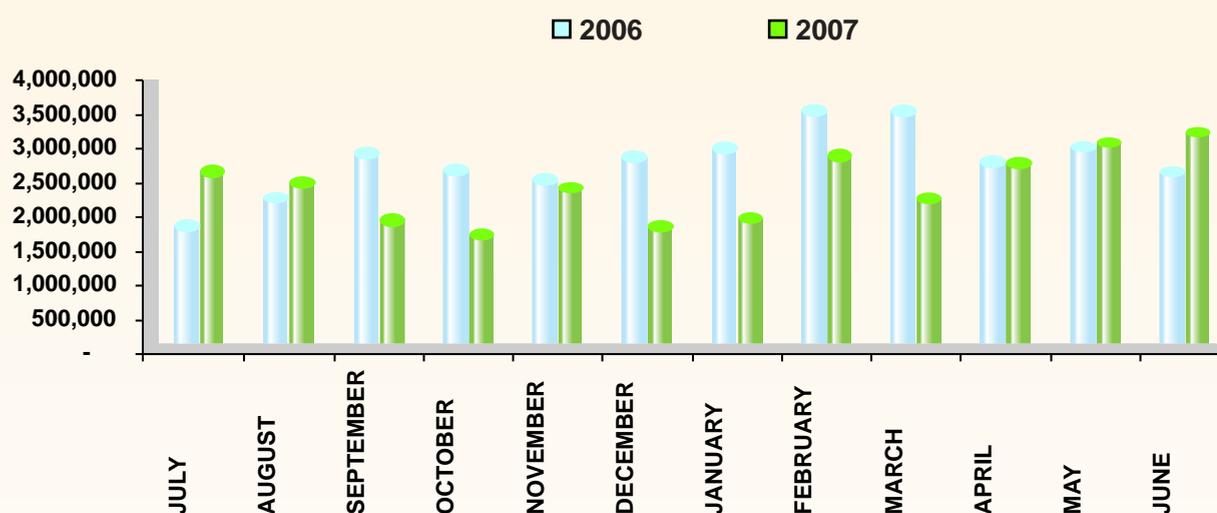
(In million)

	2007	2006
July	46.602	65.645
August	48.227	81.343
September	35.587	89.823
October	53.924	126.258
November	74.418	100.602
December	51.855	95.976
January	56.437	125.452
February	87.342	155.069
March	67.698	127.866
April	67.300	115.351
May	61.387	100.917
June	75.495	68.639
Total	726.272	1,252.942



DETAILS OF TRADES EXECUTED ON KATS

Month	2007		2006	
	No. of Trades	Daily Average	No. of Trades	Daily Average
July	2,523,792	120,181	1,718,683	81,842
August	2,366,570	107,571	2,136,742	97,125
September	1,825,713	86,939	2,796,194	127,100
October	1,604,155	100,260	2,523,389	126,169
November	2,279,242	108,535	2,408,593	133,811
December	1,722,043	86,102	2,725,831	123,901
January	1,839,856	96,835	2,850,412	158,356
February	2,737,087	144,057	3,396,022	188,668
March	2,123,796	101,133	3,413,041	155,138
April	2,632,245	125,345	2,685,555	149,198
May	2,933,488	133,340	2,868,220	130,374
June	3,094,095	147,338	2,503,695	113,804
Total	27,682,082		32,026,377	
Average Daily		113,136		132,124



SECTOR-WISE CAPITAL LISTED
ON THE EXCHANGE

Rs. in million

Sector Name	2007		2006	
	No. of Cos.	Paid up Capital	No. of Cos.	Paid up Capital
Close-end Mutual Fund	25	27,984.896	21	25,609.145
Modaraba	35	9,097.435	37	9,477.107
Leasing Companies	19	5,384.117	21	5,704.749
Inv. Banks / Inv. Cos. / Securities Cos.	28	18,499.937	26	12,717.308
Commercial Bank	24	160,735.738	22	72,332.332
Insurance	38	8,774.073	37	6,847.307
Textile Spinning	109	14,205.202	112	13,298.313
Textile Weaving	18	2,710.264	20	3,054.047
Textile Composite	59	20,300.312	58	16,371.849
Woollen	5	91.254	5	91.254
Synthetic & Rayon	19	10,234.092	19	10,212.559
Jute	6	485.445	6	437.897
Sugar & Allied Industries	37	6,956.566	37	6,637.766
Cement	22	40,803.760	21	36,112.875
Tobacco	4	3,188.759	5	3,196.757
Refinery	4	5,456.051	4	3,821.936
Power Generation & Distribution	13	75,339.123	13	56,706.696
Oil & Gas Marketing Companies	6	14,898.238	7	14,292.081
Oil & Gas Exploration Companies	4	52,206.377	4	52,206.377
Engineering	13	2,094.900	13	1,904.443
Automobile Assembler	13	5,346.686	13	4,940.747
Automobile Parts & Accessories	12	1,394.933	12	1,382.002
Cable & Electrical Goods	9	1,480.388	9	1,258.916
Transport	5	22,382.273	5	20,896.800
Technology & Communication	9	67,514.383	9	66,473.263
Fertilizer	4	16,786.844	4	16,786.844
Pharmaceuticals	8	3,195.909	8	2,697.965
Chemical	23	20,203.114	23	20,100.978
Paper & Board	10	1,904.323	11	1,872.430
Vanaspati & Allied Industries	12	429.127	13	435.005
Leather & Tanneries	5	309.888	5	309.888
Food & Personal Care Products	22	2,506.975	21	2,456.197
Glass & Ceramics	10	2,055.986	10	1,508.822
Miscellaneous	28	6,168.188	27	3,814.914
TOTAL	658	631,125.556	658	495,967.569



SECTOR WISE PERFORMANCE OF COMPANIES LISTED ON
THE EXCHANGE - 2006

Sector	Number of Companies	Companies that announced annual results	Profit making Companies	Dividend paying Companies	Profit making Companies that omitted Dividend	Loss Making Companies
Close-end Mutual Funds	23	19	16	16	-	3
Modaraba	35	30	23	19	4	7
Leasing Companies	20	19	11	7	4	8
Inv. Banks / Inv. Cos. / Securities Cos.	24	21	15	13	2	6
Commercial Banks	22	22	19	12	7	3
Insurance	38	30	27	23	4	3
Textile Spinning	110	98	66	28	38	32
Textile Weaving	20	12	8	4	4	4
Textile Composite	58	47	33	23	10	14
Woollen	5	2	1	-	1	1
Synthetic & Rayon	19	15	7	6	1	8
Jute	6	5	2	2	-	3
Sugar & Allied Industries	37	36	25	17	8	11
Cement	21	21	16	12	4	5
Tobacco	4	5	4	3	1	1
Refinery	4	4	4	4	-	-
Power Generation & Distribution	13	12	5	3	2	7
Oil & Gas Marketing Cos.	7	7	6	5	1	1
Oil & Gas Exploration Cos.	4	4	4	4	-	-
Engineering	13	10	10	9	1	-
Automobile Assembler	13	12	12	10	2	-
Automobile Parts & Accessories	12	10	8	6	2	2
Cables & Electrical Goods	9	7	6	4	2	1
Transport	5	3	2	1	1	1
Technology & Comm.	9	9	6	4	2	3
Fertilizer	4	4	4	4	-	-
Pharmaceuticals	8	8	8	8	-	-
Chemical	23	21	14	10	4	7
Paper & Board	10	9	8	5	3	1
Vanaspati & Allied	12	6	1	1	-	5
Leather & Tanneries	5	5	3	3	-	2
Food & Personal Care	21	19	14	13	1	5
Glass & Ceramics	10	7	5	3	2	2
Miscellaneous	27	22	15	12	3	7
TOTAL	651	561	408	294	114	153
PERCENTAGE		86.18%	62.67%	45.16%	17.51%	23.50%
2005						
TOTAL	661	582	436	300	136	146
PERCENTAGE		88.05%	65.96%	45.39%	20.57%	22.09%

Notes:

- 1 Based on the financial results of the companies up to December 31, 2006.
- 2 Dividend includes Cash / Stock Dividend.



KSE vs. Global Stock Exchanges

July 01, 2006 To June 30, 2007

Exchange	Index	Date		Change	
		30-June-06	30-June-07	Points	%
China	Shanghai Composite	1672.21	3820.70	2148.49	128.48
Jakarta	Composite	1310.26	2139.28	829.02	63.27
Manila	PSE	2296.11	3665.23	1369.12	59.63
Brazil	BVSP	36631.00	54392.00	17761.00	48.49
Kuala Lumpur	Composite	914.69	1354.38	439.69	48.07
Singapore	Straits Times	2435.39	3548.20	1112.81	45.69
Frankfurt	Dax	5683.31	8007.32	2324.01	40.89
Mumbai	BSE 30	10609.25	14650.51	4041.26	38.09
KSE	KSE 100	9989.41	13772.46	3783.05	37.87
Seoul	KOSPI Composite	1295.15	1743.60	448.45	34.63
Hong Kong	Hang Seng	16267.62	21772.73	5505.11	33.84
Istanbul	ISE National – 100	35453.31	47093.67	11640.36	32.83
Taiwan	TSEC Weighted	6704.41	8883.21	2178.80	32.50
Argentina	Mer Val	1711.09	2190.87	479.78	28.04
Australia	AORD	5034.00	6310.60	1276.60	25.36
Amsterdam	AEX General	440.25	548.21	107.96	24.52
Paris	CAC 40	4965.96	6054.93	1088.97	21.93
NYSE	D. Jones	11150.22	13408.62	2258.40	20.25
NYSE	NASDAQ	2172.09	2603.23	431.14	19.85
New Zealand	NZX 50	3585.87	4234.29	648.42	18.08
Tokyo	Nikkei	15505.18	18138.36	2633.18	16.98
Colombo	All Share	2203.80	2572.20	368.40	16.72
London	FTSE	5883.40	6607.90	724.50	12.31



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED as at June 30, 2007 and the related income and expenditure account and cash flow statement 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 report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and income and expenditure 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 except for the change in accounting policy as stated in note 2.3 to the accompanying financial statements with which we concur;
 - (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;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account and cash flow statement 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, 2007 and of the income and its cash flows 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 attention to the contents of note 24 to the accompanying financial statements in respect of Contingencies. The ultimate outcome of the matters stated therein cannot presently be determined and, hence, pending the resolution thereof, no provision for any liability that may arise from such matters has been made in the financial statements.

Sd/-

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi –
September 10, 2007



BALANCE SHEET
AS AT JUNE 30, 2007

		June 30, 2007	June 30, 2006
		(Rupees in '000)	
	Note		(Restated)
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	3	192,842	210,507
Capital work-in-progress	4	8,272	14,404
Intangible assets	5	8,360	12,880
Investment property	6	8,213	10,664
Investment in associates	7	581,759	474,435
Long term investments	8	24,591	2,500
Long term deposits	9	3,294	3,294
Long term loans	10	33,714	27,740
Deferred taxation	11	5,914	—
		866,959	756,424
CURRENT ASSETS			
Accounts receivable	12	14,939	4,467
Loans and advances	13	10,542	8,990
Deposits, prepayments and other receivables	14	169,898	91,835
Short term investments	15	1,401,167	1,063,604
Taxation - net	16	54,257	—
Cash and bank balances	17	9,518,392	2,924,012
		11,169,195	4,092,908
TOTAL ASSETS		12,036,154	4,849,332
FUNDS, RESERVES AND LIABILITIES			
FUNDS			
General Entrance Fee Fund		140,295	140,295
Dara F. Dastoor Scholarship Fund	18	2,193	1,645
		142,488	141,940
RESERVES			
	19	2,071,073	1,565,195
		2,213,561	1,707,135
NON-CURRENT LIABILITIES			
Deferred liability - Agent Welfare Fund		450	328
Payable to Clearing House Protection Fund	20	357,387	324,998
Deferred taxation		—	5,179
Long term deposits	21	111,381	47,694
		469,218	378,199
CURRENT LIABILITIES			
Provision for wealth tax	22	1,684	1,684
Provision for taxation - net		—	89,467
Deposits, accrued and other liabilities	23	9,351,691	2,672,847
		9,353,375	2,763,998
CONTINGENCIES AND COMMITMENT			
	24	—	—
TOTAL FUNDS, RESERVES AND LIABILITIES		12,036,154	4,849,332

The annexed notes 1 to 37 form an integral part of these financial statements.

Sd/-

Chairman

Sd/-

Managing Director



FINANCIAL STATEMENTS

annual report
2007

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2007

	Note	June 30, 2007	June 30, 2006 (Restated)
(Rupees in '000)			
INCOME			
Income from listing	25	119,386	81,617
Income from operations	26	548,167	689,082
		<u>667,553</u>	<u>770,699</u>
EXPENDITURE			
Administrative expenses	27	424,426	313,059
Financial charges	28	81,945	136
		<u>506,371</u>	<u>313,195</u>
		<u>161,182</u>	<u>457,504</u>
OTHER INCOME	29	385,531	272,119
SHARE OF PROFIT OF ASSOCIATES	30	138,449	139,109
INCOME BEFORE TAXATION		<u>685,162</u>	<u>868,732</u>
Taxation	31	177,441	265,710
NET INCOME FOR THE YEAR		<u>507,721</u>	<u>603,022</u>
Unappropriated income brought forward		1,269,666	666,644
UNAPPROPRIATED INCOME CARRIED FORWARD		<u><u>1,777,387</u></u>	<u><u>1,269,666</u></u>

The annexed notes 1 to 37 form an integral part of these financial statements.

Sd/-

Chairman

Sd/-

Managing Director



CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Income before taxation

June 30, 2007	June 30, 2006
(Rupees in '000)	
(Restated)	
685,162	868,732

Adjustments for non-cash charges and other items

Depreciation

- fixed assets

- investment property

Amortisation of intangible assets

Provision for gratuity

Dividend on long term investments

Return on investment and bank deposits

Provision for receivable considered doubtful

Liability no longer considered payable, written back

Share of profit of associates

Gain on disposal of fixed assets

118,133	53,255
432	561
8,306	5,384
6,843	5,331
(125)	(75)
(356,165)	(249,756)
—	2,165
(1,000)	—
(138,449)	(139,109)
(615)	(401)
(362,640)	(322,645)

Operating income before working capital changes

322,522	546,087
---------	---------

MOVEMENT IN WORKING CAPITAL

Increase in current assets

Accounts receivable

Loans and advances

Deposits, prepayment and other receivables

Increase in current liabilities

Deposits, accrued and other liabilities

Cash generated from operations

Income tax paid

Gratuity paid

Increase in deferred liability

Decrease/Increase in long term deposits

Return received on bank deposits

Net cash inflow from operating activities

(10,472)	211
(1,552)	(715)
(6,009)	(3,053)
(18,033)	(3,557)

6,673,192	276,415
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6,977,681	818,945
-----------	---------

(332,258)	(324,724)
(1,191)	(8,749)
122	48
63,687	(13,440)
282,944	254,692
13,304	(92,173)

6,990,985	726,772
-----------	---------

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure

Capital work-in-progress

Proceeds from sale of fixed assets

Dividend received

Increase in long term deposit

Increase in long term loans

Investments made during the year

Net cash outflow from investing activities

(107,268)	(69,483)
6,132	10,091
6,895	10,030
29,413	15,998
—	(56)
(5,974)	(5,076)
(22,090)	—

(92,892)	(38,496)
----------	----------

balance c/f

6,898,093	688,276
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	June 30, 2007	June 30, 2006
Note	(Rupees in '000)	
		(Restated)
balance b/f	6,898,093	688,276
CASH FLOWS FROM FINANCING ACTIVITIES		
Clearing House Protection Fund	32,889	21,061
Investors Protection Fund	—	64
Increase in Dara F. Dastoor Scholarship Fund	961	297
Net cash inflow from financing activities	33,850	21,422
Net increase in cash and cash equivalents	6,931,943	709,698
Cash and cash equivalents at the beginning of the year	3,987,616	3,277,918
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR 32	10,919,559	3,987,616

The annexed notes 1 to 37 form an integral part of these financial statements.

Sd/-

Chairman

Sd/-

Managing Director



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. THE COMPANY AND ITS OPERATIONS

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

The Company is engaged in conducting, regulating and controlling the trade or business of buying, selling and dealings in shares, scrips, participation term certificates, modaraba certificates, stocks, bonds, debentures stock, government papers, loans, and any other instruments and securities of like nature including, but not limited to, special national fund bonds, bearer national fund bonds, foreign exchange bearer certificates and documents of similar nature, issued by the Government of Pakistan or any other agency authorised by the Government of Pakistan.

The registered office of the Company is situated at Stock Exchange Building, Stock Exchange Road, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.3 Change in accounting policy

As per the accounting policy, the Company recognizes its income from listing on accrual basis in accordance with the IAS 18 "Revenue" which requires that the revenue should be recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity.

In prior years, the Company followed a practice, whereby, the income from listing (annual fees) remaining uncollected at the end of each financial year was reversed by reducing the related account receivable as the same was not considered recoverable. However, during the current year, the Company revised the above referred practice and now accounts for the same by recording the receivable and providing against the same if not considered recoverable. This revision has been accounted for in accordance with the requirements of IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The said IAS requires restatement of the comparative amounts for the prior period presented and opening balances of assets, liabilities and equity for the earliest prior period presented. The net effect of the above on the net income is nil as shown below:

	July 01, 2005 to June 30, 2006 (Rupees in '000)	Periods prior to June 30, 2005
Income and Expenditure Account:		
- Income from listing (annual fee)	1,080	24,875
- Provision for receivable considered doubtful	(1,080)	(24,875)
- Taxation - current	378	8,706
- Taxation - deferred	(378)	(8,706)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>



2.4 Critical accounting estimates and judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's / accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

- (a) determining the residual values and useful lives of property and equipment (Note 2.6);
- (b) classification of investments (Note 2.10);
- (c) recognition of taxation and deferred tax (Note 2.16);
- (d) provisions (Note 2.14);
- (d) accounting for post employment benefits (Note 2.17 & 2.18); and
- (e) impairment of financial assets (Note 2.20)

2.5 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

IAS - 1 Presentation of Financial Statements - amendments relating to capital disclosures	effective from accounting periods beginning on or after January 01, 2007
IAS - 23 (Revised) Borrowing Costs	effective from accounting periods beginning on or after January 01, 2009
IAS - 41 Agriculture	effective from accounting periods beginning on or after May 22, 2007
IFRS - 2 Share based Payment	effective from accounting periods beginning on or after December 06, 2006
IFRS - 3 Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS - 5 Non-current Assets Held for Sale and Discontinued Operations	effective from accounting periods beginning on or after December 06, 2006
IFRS - 6 Exploration for and Evaluation of Mineral Resources	effective from accounting periods beginning on or after December 06, 2006

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective

The Company expects that the adoption of the above standards, amendments and interpretations will have no impact on the Company's financial statements in the period of initial application.

2.6 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the diminishing balance method over its estimated useful life after taking into account residual value, except for "Computers and related accessories" which are depreciated using straight-line method. The cost of leasehold land is amortised over its lease term.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

In respect of additions and disposals of assets, depreciation is charged from the month in which asset is available to use and continue depreciating it until it is derecognized i.e. up to the month preceding the disposal, even if during that period the asset is idle.



Useful lives are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

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

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

2.7 Capital work-in-progress

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

2.8 Intangible assets

These are stated at cost less accumulated amortisation. Amortisation is charged to income using the straight-line method at the rate disclosed in note 5 to the financial statements.

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

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

2.9 Investment property

Investment property, representing the portion of buildings let out on rent, is stated at cost, determined on the basis of area (square feet) rented out, less accumulated depreciation and impairment, if any.

Depreciation is charged to income applying the reducing balance method at the rates specified in note 6 to the financial statements. Depreciation on additions is charged for the full month in which an asset is put to use and on deletions up to the month immediately preceding the deletion.

Maintenance and normal repairs are charged to the income and expenditure account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains or losses on disposal of investment property, if any, are included in income currently.

2.10 Investments

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

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

Available for sale investments

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



Held to maturity investments

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

Investment in associates

The Company's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Financial statements of the associates for the year ended June 30, 2007 have been used in applying the equity method. Associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

2.11 Accounts and other receivables

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

2.12 Loans, advances and deposits

These are stated at cost.

2.13 Cash and cash equivalents

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

2.14 Provisions

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

2.15 Revenue recognition

Income resulting from trading, listing and other similar activities is accounted for on an accrual basis.

Investments purchased at premium or discount, are amortized through the income and expenditure account using the effective interest rate method.

Income from investments and bank accounts is recognised on an accrual basis.

Dividend income is recognised when the Company's right to receive payment is established.



2.16 Taxation

Current

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

Deferred

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

2.17 Staff retirement benefits

The Company operates a funded gratuity scheme (defined benefit plan) for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Provision is made annually, to cover obligations under the scheme, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation. The most recent valuation in this regard was carried out as at June 30, 2006, using the Projected Unit Credit Method for valuation of the scheme.

2.18 Actuarial gains and losses

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for each individual plan exceeds 10% of the higher of (a) the defined benefit obligation and (b) the fair value of plan assets. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

2.19 Compensated absences

The Company accounts for these benefits in the period in which the absences are earned. Accrual is made for employees compensated absences on the basis of accumulated leaves and the last drawn pay.

2.20 Impairment

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

2.21 Related party transactions

Transactions between the Company and its related parties are carried out on an arm's length basis. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

2.22 Foreign currency translation

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



2.23 Financial instruments

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

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

2.24 Offsetting of financial assets and financial liabilities

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



3. OPERATING FIXED ASSETS - Tangible

	Note	COST			Rate / Period %	ACCUMULATED DEPRECIATION / AMORTISATION			Rate / Period %	ACCUMULATED DEPRECIATION / AMORTISATION			Rate / Period %	WRITTEN DOWN VALUE	
		As at July 01, 2006	Additions / Transfers during the year	(Disposals)		As at June 30, 2007	As at July 01, 2006	For the year		On transfers / (On Disposals)	As at June 30, 2007	As at July 01, 2005		For the year	On Disposals
June 30, 2007															
Leasehold land		151	-	-	151	85	2	-	87	64					
Building on leasehold land	3.2	95,026	517 3,266 *	-	98,809	5	3,498	1,247 *	32,173	66,636					
Lift, generators and electric installation	3.2	62,734	5,552	-	68,286	25	4,073	-	53,048	15,238					
Furniture and fixtures		32,969	2,985	-	35,954	20	2,183	-	25,236	10,718					
Office equipment		23,471	2,950	-	26,421	20	2,189	-	16,295	10,126					
Computers and related accessories	3.2	269,640	77,324	(16,745)	330,219	33.33	100,181	(16,745)	269,701	60,518					
Vehicles	3.2	41,717	14,154	(9,753)	46,118	20	6,007	(4,720)	16,576	29,542					
		525,708	106,748	(26,498)	605,958		118,133	(20,218)	413,116	192,842					
* This represents transfer of assets from Investment Property, as stated in note 6.3.															
June 30, 2006															
Leasehold land		151	-	-	151	83	2	-	85	66					
Building on leasehold land		87,711	7,315	-	95,026	5	3,206	-	27,428	67,598					
Lift, generators and electric installation		62,649	3,285	(3,200)	62,734	25	3,826	(3,129)	48,975	13,759					
Furniture and fixtures		31,255	1,714	-	32,969	20	2,242	-	23,053	9,916					
Office equipment		21,034	2,437	-	23,471	20	1,967	-	14,106	9,365					
Computers and related accessories		238,501	31,139	-	269,640	33.33	37,556	-	186,265	83,375					
Vehicles		38,534	19,443	(16,260)	41,717	20	4,456	(6,702)	15,289	26,428					
		479,835	65,333	(19,460)	525,708		53,255	(9,831)	315,201	210,507					

3.1 During the current year, the Company changed its method of computation of depreciation on computers and related accessories, whereby, with effect from the current year, depreciation on these assets are charged using straight line method, as against the previous method of charging depreciation on written down value of assets.

Had the Company not made the above change, profit before taxation for the current year and operating fixed assets at the end of the year would have been higher by Rs.41.483 million whereas depreciation charge for the year would have been lower by the same amount.

	June 30, 2007	June 30, 2006
	(Rupees in '000)	
3.2 Included in additions during the year are the following amounts transferred from capital work-in-progress:		
Building on leasehold land	—	7,315
Lift, generators and electric installation	3,506	1,913
Computers and related accessories	8,197	19,737
Vehicles	560	—
Internally developed software	3,402	—
	<u>15,665</u>	<u>28,965</u>

	June 30, 2007	Additions / (Transfers)	June 30, 2006
	Rs. in '000'		
4. CAPITAL WORK-IN-PROGRESS			
Tangible			
Civil works	1,846	1,354	492
Lift, generators and electric installation	150	(3,506)	3,656
Advances to suppliers in respect of: - computers and related accessories	3,496	3,496 (8,197)	8,197
- vehicles	—	(560)	560
Intangible			
Internally developed software	1,780	3,683 (3,402)	1,499
Computer software	11,150	1,000	10,150
	<u>18,422</u>	<u>9,533</u> (15,665)	<u>24,554</u>
Provision for impairment in intangible asset	(10,150)	—	(10,150)
	<u>8,272</u>	<u>9,533</u> (15,665)	<u>14,404</u>

	COST		Rate / Period %	ACCUMULATED AMORTISATION		WRITTEN DOWN VALUE
	As at July 01, 2006Rs. in '000'	Additions As at June 30, 2007		As at July 01, 2006Rs. in '000'	For the year As at June 30, 2007	
5 INTANGIBLE ASSETS						
June 30, 2007						
Computer software	24,880	384	25	13,232	7,847	4,185
Internally developed software	3,535	3,402	25	2,303	459	4,175
	<u>28,415</u>	<u>3,786</u>		<u>15,535</u>	<u>8,306</u>	<u>8,360</u>
June 30, 2006						
Computer software	21,568	3,312	33.33	8,254	4,978	11,648
Internally developed software	2,697	838	33.33	1,897	406	1,232
	<u>24,265</u>	<u>4,150</u>		<u>10,151</u>	<u>5,384</u>	<u>12,880</u>

5.1 During the current year, the Company changed its method of computation of amortisation on intangible assets, whereby, with effect from the current year, depreciation on intangible assets is charged using straight line method, as against the previous method of charging amortisation on written down value of assets. Further, the rate of amortisation on intangible assets is also revised from 33.33% to 25% to better reflect the pattern of utilisation of economic benefits from these assets.

Had the Company not made the above change, profit before taxation for the year and intangible assets at the end of the current year would have been higher by Rs.1.121 million whereas amortisation charge for the year would have been lower by the same amount.

6. INVESTMENT PROPERTY

	Note	COST		Rate / Period %	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE As at June 30, 2007
		As at July 01, 2006	Transferred during the year		As at June 30, 2007	For the year	As at June 30, 2007	
June 30, 2007								
Buildings on leasehold land	6.1, 6.2 & 6.3	17,214	(3,266)	5	6,550	(1,247)	432	5,735
		17,214	(3,266)		6,550	(1,247)	432	5,735
June 30, 2006								
Buildings on leasehold land	6.1 & 6.2	17,214	—	5	5,989	561	-	6,550
		17,214	—		5,989	561	-	6,550

6.1 The fair value of the investment property, as at June 30, 2007, amounted to Rs.633.755 (2006: Rs.677.722) million, which has been arrived at on the basis of a valuation carried out by MYK Associates (Private) limited, independent valuers. The valuation was arrived at by reference to detailed inspection of the subject property and numerous independent market inquiries from local realtors in the vicinity and on the basis of present physical condition and location of the investment property.

6.2 The rental income for the year from the investment property amounted to Rs.27.626 (2006: Rs.21.887) million (note 29).

6.3 During the year, Mezzanine Floor of new Stock Exchange Building, measuring 2,093 sq feet, is transferred to owner occupied property of the Company, as the said property is vacated by the tenant and is now being used by the Company.



	Note	June 30, 2007	June 30, 2006
(Rupees in '000)			
7. INVESTMENT IN ASSOCIATES			
Unlisted companies	7.1	<u>581,759</u>	<u>474,435</u>

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

Name of associate	Country of incorporation	Total Assets	Total Liabilities	Net Assets	Share of net assets	Revenues	Interest held %
Rupees in '000							
June 30, 2007							
Central Depository Company of Pakistan Limited	Pakistan	1,379,510	270,424	1,109,086	441,505	779,294	39.81
Break-up value of each Ordinary share of Rs.10 is Rs.55.04 based on the latest audited accounts available for the year ended June 30, 2007.							
National Clearing Company of Pakistan Limited	Pakistan	467,259	169,226	298,033	140,254	205,692	47.06
Break-up value of each Ordinary share of Rs.10 is Rs.46.75 based on the latest audited accounts available for the year ended June 30, 2007.							
		<u>1,846,769</u>	<u>439,650</u>	<u>1,407,119</u>	<u>581,759</u>	<u>984,986</u>	
June 30, 2006							
Central Depository Company of Pakistan Limited	Pakistan	1,146,467	233,622	912,845	363,385	836,814	39.81
Break-up value of each Ordinary share of Rs.10 is Rs.70.22 based on the latest audited accounts available for the year ended June 30, 2006.							
National Clearing Company of Pakistan Limited	Pakistan	474,961	238,983	235,978	111,050	210,660	47.06
Break-up value of each Ordinary share of Rs.10 is Rs.37.01 based on the latest audited accounts available for the year ended June 30, 2006.							
National Commodity Exchange Limited	Pakistan	875,693	931,368	(55,675)	—	20,929	36.36
Break-up value of each Ordinary share of Rs.10 is Rs.Nil based on the latest audited accounts available for the year ended June 30, 2006. (refer note 7.2)							
		<u>2,497,121</u>	<u>1,403,973</u>	<u>1,093,148</u>	<u>474,435</u>	<u>1,068,403</u>	

7.2 This represents the cost of investment, amounting to Rs.20.000 million, representing 2,000,000 Ordinary shares of Rs. 10 each, made during the financial year ended June 30, 2003, fully adjusted against the Company's share of accumulated losses of NCEL upto the year ended June 30, 2006. During the year, the said investment is classified as available for sale, as more fully explained in note 8.1.



	Note	June 30, 2007 (Rupees in '000)	June 30, 2006
8. LONG TERM INVESTMENTS			
Available for sale - unquoted			
JCR VIS Credit Rating Company Limited, a related party 250,000 (2006: 250,000) Ordinary shares of Rs.10 each, representing 12.50% equity therein. Break-up value of each Ordinary share of Rs.10 is Rs.19.98 (2006: Rs.13.78) based on the unaudited accounts available for the year ended June 30, 2007.		2,500	2,500
National Commodity Exchange Limited (NCEL), a related party 3,636,356 (2006: 2,000,000) Ordinary shares of Rs.10 each, representing 36.36% equity therein. Break-up value of each Ordinary share of Rs.10 is Rs.0.85 (2006: Nil) based on the unaudited accounts available for the year ended June 30, 2007.	8.1 & 8.2	22,091	—
		<u>24,591</u>	<u>2,500</u>

8.1 In order to achieve broad basing of the shareholding in NCEL, undertakings were entered into by the Company, Lahore Stock Exchange and Islamabad Stock Exchange, to keep the equity stakes and associated voting rights of the Company in NCEL upto the extent of 17.5% of their paid up capital, and in the meantime, to divest itself of control over the excess shares held by the Company by March 2008. As a result, the Company entered into an agreement with the proxy holder in respect of 18.86% shares out of total of 36.36% shares held by the Company, to cast the said votes and act solely and exclusively in accordance with the directions given to him by the Board of Directors of NCEL. In view of the above developments during the year, the management believes that it does not have significant influence over NCEL any more and, accordingly, the status of investment in NCEL has now been changed from an associate of the Company to an available for sale investment.

8.2 Pursuant to the recommendation of the Board of Directors, the Company in its Extraordinary General Meeting held on March 05, 2007 adopted a Special Resolution approving an investment of Rs.22,090,806 in the equity of NCEL by subscribing 1,636,356 Ordinary shares of Rs.10 each @ Rs.13.50 per share. The allotment of said shares is also approved by the Securities & Exchange Commission of Pakistan (SECP) vide its letter No.SM/CEW/3(8)2005 dated April 03, 2007.

9. LONG TERM DEPOSITS

Utilities	1,915	1,915
Others	<u>1,379</u>	<u>1,379</u>
	<u>3,294</u>	<u>3,294</u>

10. LONG TERM LOANS

Considered good Loans		
Employees		
Secured	10.1	42,251
Unsecured	10.2	1,114
		<u>43,365</u>
Recoverable within one year shown under current assets	13	<u>(9,651)</u>
		<u>33,714</u>
Loans outstanding for periods exceeding three years		17,547
Others		<u>16,167</u>
		<u>33,714</u>

10.1 These are personal loans given to employees and are secured against the outstanding balances in the Employees' Gratuity Fund. These are recoverable in monthly installments over a period, ranging between 2 and 6 (2006: 2 and 6) years and are interest free. These loans have not been discounted to their present value as the financial impact thereof is not material.

10.2 The unsecured loans to employees are given for the purchase of motorcycles and performing Hajj. These are recoverable in monthly installments over a period of 4 (2006: 4) years and are interest free.



	Note	June 30, 2007	June 30, 2006
(Rupees in '000)			
11. DEFERRED TAXATION			
Deferred tax debits arising from:			
Provision for debts considered doubtful		11,603	11,747
Deferred tax credit arising from:			
Differences between written down values and tax bases of assets		<u>(5,689)</u> <u>5,914</u>	<u>(16,926)</u> <u>(5,179)</u>
12. ACCOUNTS RECEIVABLE			
Unsecured			
Considered good			
Due from members	12.1	8,756	4,467
Due from companies		6,183	-
		14,939	4,467
Considered doubtful			
Due from companies		33,152	33,152
		48,091	37,619
Provision for receivable considered doubtful		<u>(33,152)</u> <u>14,939</u>	<u>(33,152)</u> <u>4,467</u>
12.1	Included herein is a sum of Rs.1.983 (2006:Rs.0.675) million due from related parties.		
13. LOANS AND ADVANCES			
Considered good			
Loans			
Current portion of long term loans to employees	10	9,651	8,058
Advances			
Employees		91	206
Suppliers		800	726
		891	932
		<u>10,542</u>	<u>8,990</u>
14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits			
Earnest money	14.1	33,819	33,819
Tender deposits		-	500
Prepayments			
Insurance		948	2,143
Others		5,487	5,613
		6,435	7,756
Other receivables			
Due from members	14.2	4,096	9,074
Interest / profit accrued on PLS savings accounts		101,183	29,129
Rent receivable		14,246	1,125
Due from an ex-member	14.3	6,574	6,574
Miscellaneous		3,545	3,858
		<u>169,898</u>	<u>91,835</u>



14.1 This includes 10% of the bid amount, amounting to Rs.32.999 (2006: Rs.32.999) million, paid by the Company to Pakistan Railways during the year ended June 30, 1993 as earnest money against the purchase of land. However, as a result of certain legal proceedings, initiated by one of the bidders, Pakistan Railways cancelled the sale of railway land to the Company and requested the Company to apply for the refund of the above-referred amount. Although the matter is currently under litigation in the Honourable High Court of Sindh, the Board of Directors of the Company in a meeting held during the year ended June 30, 2001 opted to apply for the refund of the deposit along with profit for the period for which the amount remained with Pakistan Railways.

However, during the year ended June 30, 2002, based upon the legal advice obtained, the Company filed a counter suit against Pakistan Railways for the specific performance of the agreement which, if decided in favour of the Company, may require the Company to purchase the land and pay the balance of the purchase consideration, amounting to Rs.296.995 (2006: Rs.296.995) million.

14.2 This represents amount due from the members on account of license fee and reimbursement of electricity charges incurred by the Company.

14.3 This represents amount recorded by the Company during the year ended June 30, 2000 as due from an ex-member upon the cancellation of his membership and declaration as a defaulter. As a result thereof, certain shares of the ex-member were taken over by the Company in order to square up the ex-member's position and are held pending the outcome of a law suit brought against the Company by him in the Honourable High Court of Sindh [refer note 24 (v), (vi) and (vii)]. The market value of these shares aggregate to Rs. 30.917 (2006: Rs.24.472) million.

	Note	June 30, 2007	June 30, 2006
		(Rupees in '000)	
15. SHORT TERM INVESTMENTS			
Held to maturity			
Term Deposit Certificates		<u>1,401,167</u>	<u>1,063,604</u>
15.1 These represents TDRs (having a face value of Rs.1,400 million, including interest accrued thereon of Rs.1.167 million) placed with commercial banks on a short term basis. Rate of return on Term Deposit Certificates issued by various banks range from 10 % to 10.25 % per annum due on maturity. These will mature latest by September 27, 2007.			
15.2 Included herein is a sum of Rs. 0.253 (2006: Rs.5.543) million representing interest accrued on short term investment, earmarked by the Company against the outstanding balance in the Clearing House Protection Fund.			
15.3 Included herein are funds earmarked by the Company against the outstanding balance in the Clearing House Protection Fund, amounting to Rs. 300.000 (2006: Rs.300.000) million (note 20).			
16. TAXATION - net			
Advance tax paid		242,791	170,369
Provision for taxation		(188,534)	(259,836)
		<u>54,257</u>	<u>(89,467)</u>
17. CASH AND BANK BALANCES			
In hand		22	24
With banks on			
Current accounts	17.1 & 17.3	26,359	29,968
PLS savings accounts in:			
foreign currency		201	302
local currency	17.1, 17.2 & 17.3	<u>9,491,810</u>	<u>2,893,718</u>
		<u>9,518,392</u>	<u>2,924,012</u>



17.1 Included in 'Current accounts' and 'PLS Savings accounts' are Rs.2.774 (2006: Rs.1.650) million and Rs.8,927.590(2006: Rs.2,386.821) million, respectively, aggregating to Rs.8,930.364 (2006: Rs.2,388.471) million, representing deposits from members against exposures and losses (note 23.1). These deposits are utilised by the Company in the event of default of members to recover losses therefrom, as provided for in the Regulations Governing Members' Exposure.

17.2 Included herein are funds earmarked by the Company against the outstanding balance in the Dara F. Dastoor Scholarship Fund, amounting to Rs.2.195 (2006: Rs.1.645) million (note 18) and Clearing House Protection Fund, amounting to Rs. 55.884 (2006: Rs.24.991) million (note 20).

17.3 Included herein are balances, aggregating to Rs.64.928 (2006: Rs.32.042) million, deposited with the Company by members and an ex-member with respect to certain arbitration cases pending settlement.

	Note	June 30, 2007	June 30, 2006
(Rupees in '000)			
18. DARA F. DASTOOR SCHOLARSHIP FUND			
Opening balance		1,645	1,348
Contribution during the year		600	200
Profit on bank deposits during the current year		136	112
		<u>2,381</u>	<u>1,660</u>
Scholarships awarded during the year		<u>(188)</u>	<u>(15)</u>
		<u>2,193</u>	<u>1,645</u>

18.1 This represents profit on bank deposits of Rs.1.700 (2006:Rs.1.40) million @ 8.00% (2006: 8.00%) per annum allocated by the Board of Directors of the Company for the purposes of utilizing the same for the scholarship of the children of employees.

19. RESERVES

Capital reserve			
Capital receipts		148,385	148,385
Revenue reserves			
General reserve		62,781	62,781
Building reserve		15,000	15,000
Computerisation and Modernisation reserve		43,250	43,250
Unappropriated income carried forward		1,777,387	1,269,666
		1,898,418	1,390,697
Share of Associates' reserves			
Central Depository Company of Pakistan Limited			
Actuarial loss in respect of the defined benefit plan		(1,113)	(753)
Surplus on revaluation of available for sale investments		23,134	26,330
		22,021	25,577
National Clearing Company of Pakistan Limited			
Surplus on revaluation of available for sale investments		2,249	536
		<u>2,071,073</u>	<u>1,565,195</u>



Note	June 30, 2007	June 30, 2006
	(Rupees in '000)	
20. PAYABLE TO CLEARING HOUSE PROTECTION FUND	<u>357,387</u>	<u>324,998</u>

This represents balance of contributions from the members that were credited directly to the Clearing House Protection Fund (CHPF) until June 30, 2003, inclusive of interest on earmarked funds for the year, amounting to Rs.32.387 (2006: Rs.20.661) million, net of taxes, amounting to Rs.140.444 (2006: Rs.140.444) million, levied by the income tax authorities over fund balances. The company has filed appeals against the levy of taxes with the Honourable High Court of Sindh up to assessment year 2002-2003 and with the Income Tax Appellate Tribunal (ITAT) in respect of the tax year 2003, which are pending therewith.

21. LONG TERM DEPOSITS		
Clearing house deposits from members	107,341	41,191
Other security deposits	<u>4,040</u>	<u>6,503</u>
	<u>111,381</u>	<u>47,694</u>
22. PROVISION FOR WEALTH TAX	<u>1,684</u>	<u>1,684</u>

Included herein are (a) a sum of Rs.0.500 (2006: Rs.0.500) million, representing provision in respect of the assessed liability for the assessment year 1999-2000 and (b) a sum of Rs.1.184 (2006: Rs.1.184) million, representing provision for the assessment year 2000-2001 the assessment of which is currently pending finalisation by the relevant tax authorities.

Further, the Inspecting Additional Commissioner (IAC) raised an additional demand of Rs.19.184 million in respect of assessment years 1996-97 to 1999-2000 against which various appeals have been filed by the Company with the ITAT. During the year ended June 30, 2002, the ITAT issued an order to vacate the above-referred assessments of the IAC the Appeal Effect Order for which is currently pending. Furthermore, during the previous year, the Income Tax Department filed an appeal with the Honourable High Court of Sindh against the order issued by the ITAT. Pending the resolution of these matters, no provision has been made in the financial statements of the current year for a sum of Rs.19.184 (2006: Rs.19.184) million (note 24).

23. DEPOSITS, ACCRUED AND OTHER LIABILITIES

Deposits		
From members against:		
exposures and losses	23.1 8,930,364	2,388,472
trading in provisionally listed securities	11,304	4
arbitration	23.2 43,428	10,542
	8,985,096	2,399,018
From an ex-member against arbitration	23.3 21,500	21,500
	<u>9,006,596</u>	<u>2,420,518</u>
Accrued liabilities		
Accrued expenses	<u>65,962</u>	<u>34,833</u>
	<u>9,072,558</u>	<u>2,455,351</u>



	Note	June 30, 2007	June 30, 2006
(Rupees in '000)			
Other liabilities			
Retention money		885	1,075
Payable to Investors Protection Fund	23.4	162,646	162,646
Fees received in advance		19,835	17,237
Amount received in respect of employees' car and motorcycle installments		4,651	4,420
Employees' Gratuity Fund	23.5	12,143	6,491
Tax deducted at source		18,324	10,770
Interest on Clearing House Protection Fund		6,372	6,372
SECP transaction fee		6,736	3,375
Payable against Relief Fund		1,736	1,736
Payable to members against return on cash margins on future contracts	28.1	42,716	—
Others		3,089	3,374
		<u>279,133</u>	<u>217,496</u>
		<u>9,351,691</u>	<u>2,672,847</u>

23.1 In addition to the amount deposited by members against their exposures and losses, the members have pledged their shares, amounting to Rs. 34,376.567 (2006: Rs.18,078.889) million, in the CDC account of the Company.

23.2 This represents amount deposited with the Company by members with respect to certain arbitration cases pending settlement (note 17.3).

23.3 This represents amount held by the Company on behalf of an ex-member against a full and final settlement between the ex-member and a bank. The above amount would be transferred to the said bank after all pending cases filed against the ex-member have been withdrawn by the bank (note 17.3).

23.4 This represents balance of contributions from the members that were credited directly to the Investors Protection Fund (IPF) until June 30, 2003, net of taxes of Rs. 83.345 (2006: Rs. 83.345) million levied by the income tax authorities over fund balances. The Company has filed appeals against the levy of taxes with the Honourable High Court of Sindh up to assessment year 2002-2003 and with the Income Tax Appellate Tribunal (ITAT) in respect of the tax year 2003, which are pending therewith.

During the year, the Board of Directors of the Company decided to pay the balance appearing in the books of the Company, amounting to Rs.162.646 million, to the Fund. The said amount was paid to the Fund subsequent to the year end.

23.5 Employees' Gratuity Fund

23.5.1 Principal actuarial assumptions
Significant actuarial assumptions used in the valuation are as follows.

	2007	2006
(Rupees in '000)		
	<u>12,143</u>	<u>6,491</u>



	2007	2006
	Per annum	
Discount rate	10%	10%
Increase in salaries	10%	10%
Expected return on plan asset	10%	10%
	June 30, 2007	June 30, 2006
	(Rupees in '000)	
23.5.2 Liability recognised in the balance sheet:		
Present value of obligation	61,569	56,171
Fair value of Plan Assets	(35,099)	(34,683)
	<u>26,470</u>	<u>21,488</u>
Unrecognised actuarial loss	(14,327)	(14,997)
	<u>12,143</u>	<u>6,491</u>
23.5.3 Expense recognised in Income and Expenditure Account:		
Current Service Cost	4,024	3,835
Interest Cost	5,617	4,395
Actuarial loss recognised during the year	670	—
Expected Return on Plan Assets	(3,468)	(2,899)
	<u>6,843</u>	<u>5,331</u>
23.5.4 Movement in the liability recognised in the balance sheet:		
Opening balance	6,491	9,909
Charge for the year	27.1 6,843	5,331
Benefits paid	(1,191)	(8,749)
Closing balance	<u>12,143</u>	<u>6,491</u>
23.5.5 Actual return on plan assets	<u>3,286</u>	<u>2,740</u>

24. CONTINGENCIES AND COMMITMENT

Contingencies

- (i) The income tax assessments of the Company have been finalized up to and including the tax year 2006, corresponding to the income year ended June 30, 2006. However, the Company has filed an appeal in respect of tax year 2003 before the ITAT against the decision of the CIT(A) in respect of the addition made by the Taxation Officer of Rs.36.583 million on account of tax gain / (loss) on disposal / write off of fixed assets, which is currently pending adjudication.

The management of the Company is hopeful that the outcome of the appeal would be in favour of the Company and, hence, pending the resolution of this matter, provision amounting to Rs.13.5 million has not been made in the financial statements of the current year.



- (ii) During the year ended June 30, 1997, a law suit was filed by a commercial bank against the Company for the recovery of Rs.500.00 (2006: Rs.500.00) million as damages for defamation on the grounds that the Company placed the bank on Defaulters Counter illegally and malafidely, which caused loss of reputation to the bank. The said law suit is currently pending in the Honorable High Court of Sindh. As per the legal advisor, it is unlikely that the court would award substantial damages in favour of the bank as the Company acted in good faith and public interest. Accordingly, no provision has been made by the Company in the financial statements of the current year for any liability that may arise as a result of this law suit.
- (iii) During the year ended June 30, 1997, a law suit was filed by five investors against the Company and an ex-member for declaration, injunction and recovery of damages, aggregating to Rs.70.00 (2006: Rs.70.00) million together with interest thereon @ 22% (2006: 22%) per annum with quarterly rests, or any other relief that may be apt. The investors alleged that the Company had unlawfully taken possession and disposed off some shares belonging to the petitioner that were lying with the above-mentioned ex-member. The Company considers the said law suit to be untenable and not maintainable in the court of law and has, therefore, not made provision in the financial statements for any liability that may arise as a result of this law suit.
- (iv) The Company has been named as a defendant in a law suit filed by an investor in the Honourable High Court of Sindh against an ex-member and others, alleging that the shares delivered to him were forged. As such the investor claimed that a sum of Rs.41.524 (2006: Rs.41.524) million is due to him on this account. The Company had disposed of the membership and offices of the ex-member to meet his liabilities to other members. The plaintiff requested the Court for a restraining order for the further transfer / sale of the membership and offices of the ex-member which was granted. Pending a final decision in this matter, no provision has been made by the Company for any liability that may arise as a result of this law suit.
- (v) An ex-member filed a law suit during the year ended June 30, 2000 against the Company, Central Depository Company (CDC) and the Securities and Exchange Commission of Pakistan (SECP), in the Honorable High Court of Sindh, for canceling his membership and declaring him as a defaulter. He further claimed damages of Rs. 300.00 (2006: 300.00) million from each. The Company had declared him as a defaulter in accordance with its regulations as the said member had not made payments to settle his liability to the Company for the ready clearing dues and exposure and losses, aggregating to Rs.351.392 (2006: Rs.351.392) million. A sum of Rs.302.882 (2006: Rs.302.882) million [including receivables amounting to Rs.6.574 (2006: Rs.6.574) million shown under other receivables] was subsequently realized by the Company from the sale of the assets of the ex-member and the Company squared up his position by paying Rs.48.509 (2006: Rs.48.509) million from the Clearing House Protection Fund, which is still due from him. The ex-member had also filed a constitution petition against the Company, alleging certain technical deviations on part of the Company from the existing rules and regulations which was later withdrawn by the defaulting member. As per the legal advisor of the Company, the overall position of the Company seems to be sound and the Company has a fairly good defence in the said law suit. Accordingly, no provision has been made by the Company in the financial statements for any liability that may arise as a result of this law suit (note 14.3).



- (vi) A fund management and investment Company filed a law suit in the Honourable High Court of Sindh against the above-referred ex-member, CDC, SECP and the Company during the year ended June 30, 2000. The fund management and investment Company (the petitioner), currently being represented by an official liquidator as the petitioner has since gone into liquidation, alleged that the Company had unlawfully taken the delivery of shares for which the petitioner had entered into contracts for purchase with the ex-member, discussed above. The petitioner claimed declaration, injunction and delivery of the undelivered shares and damages of Rs.500.00 (2006: Rs.500.00) million. According to the legal advisor of the Company, the Company has a very good defence and he sees no exposure to the company. For this reason, no provision has been made by the Company in the financial statements for any liability that may arise as a result of this law suit (note 14.3).
- (vii) In addition to the law suits, as disclosed above, five (2006: five) law suits in prior years, involving the above-referred ex-members' default, were filed by Mr. Iftikhar Ahmed Shafi, Mian Nisar Elahi, Shafi Chemical Industries, Diamond Industries Limited and Mr. Muhammad Ali, against several other defendants and the Company in the Honorable High Court of Sindh for the recovery of damages of Rs.5,606.612 (2006: Rs.5,606.612) million, Rs.428.440 (2006: Rs.428.440) million, Rs.49.777 (2006: Rs.49.777) million, Rs.743.026 (2006: Rs.743.026) million and Rs.23.419 (2006: Rs.23.419) million, respectively, for declaration, injunction, recovery of shares, damages and compensation. The Company considers the above mentioned law suits to be untenable and not maintainable in the court of law and has, therefore, not made provision in the financial statements for any liabilities that may arise as a result of these law suits (note 14.3).
- (viii) In addition to the law suits disclosed above, certain other law suits have been filed against the Company. These comprise (a) three (2006: three) law suits, involving an aggregate sum of Rs.11.314 (2006: 11.314) million, and (b) seven (2006: five) law suits having no financial effect on the Company. No provision has, therefore, been made in the financial statements for any liability that may arise as a result of these law suits.
- (ix) Contingency relating to wealth tax amounts to Rs.19.184 (2006: Rs.19.184) million, as discussed in detail in note 22. Pending resolution of this matter, no provision has been made in the financial statements of the current year for any liability that may arise on this account.

The contingencies, disclosed under (i) to (ix) above, aggregated to Rs.8,306.796 (2006: Rs.8,358.180) million at the end of the current year.

Commitment

(x) Capital expenditure

Aggregate commitments for capital expenditure at the end of the year were Rs.12.531 (2006: Rs.3.836) million.

(xi) Others

Commitment for professional charges in respect of demutualization of the Company at the end of the year amounted to Rs.22.500 million (2006: Nil).



	Note	June 30, 2007	June 30, 2006
(Rupees in '000)			
25. INCOME FROM LISTING			
Annual fees		25,410	25,585
Initial fees		93,976	56,032
		<u>119,386</u>	<u>81,617</u>
26. INCOME FROM OPERATIONS			
Trading fees		492,052	617,931
Facilities and equipment fees		39,369	62,998
Membership fees		2,460	2,140
Other fees		14,286	6,013
		<u>548,167</u>	<u>689,082</u>
27. ADMINISTRATIVE EXPENSES			
Salaries and other benefits [including Chief Executive's remuneration of Rs.10.321 (2006: Rs.5.242) million]	27.1	161,134	133,299
Property tax		1,294	1,294
Fuel and power		18,631	12,567
Repairs and maintenance		13,949	10,241
Vehicle running and maintenance expenses		10,785	8,946
Computer maintenance and related expenses		27,730	24,629
Insurance		6,568	7,483
Telephone, courier and postage		3,645	3,080
Printing and stationery		8,651	8,719
Donations		—	20,301
Audit fee		400	350
Legal and professional charges	27.2	27,977	5,356
Depreciation			
- operating fixed assets	3	118,133	53,255
- investment property	6	432	561
Amortisation of intangible assets	5	8,306	5,384
Travelling and conveyance		2,190	3,682
Entertainment expenses		2,332	1,712
Reception meetings and functions		2,344	1,221
Advertisements		1,954	1,136
Security expenses		4,270	4,163
Subscription fee		3,115	3,029
Provision for receivable considered doubtful		—	2,165
Miscellaneous		586	486
		<u>424,426</u>	<u>313,059</u>

27.1 Included herein is a sum of Rs.6.843 (2006: Rs.5.331) million and Rs.8.346 (2006: Rs.8.083) million in respect of retirement benefits and compensated absences, respectively.

27.2 Included herein is a sum of Rs.22.500 million (2006: Nil) representing professional charges incurred as a result of ongoing process of demutualization of the Company. The Board of Directors of the Company in its meeting held on December 23, 2006 had appointed M/s. Deutsche Bank for valuation of the Company at an agreed fee of US\$750,000.



28. FINANCIAL CHARGES

	Note	June 30, 2007	June 30, 2006
Bank charges		112	136
Return on Cash Margin on future contracts	28.1	81,833	—
		<u>81,945</u>	<u>136</u>

28.1 Pursuant to the implementation of new risk management system with effect from December 04, 2006, the Company has accrued return on cash margins deposited by members against future contracts at various rates ranging between 0.74% and 8.00% per annum, after deducting 1% service charges, as per the Directive issued by the Securities and Exchange Commission of Pakistan.

29. OTHER INCOME

Gain on sale of fixed assets	615	401
Dividend on long term investment	125	75
Liability no longer considered payable, written back	1,000	—
Return on:		
Short term investments	61,948	71,617
PLS savings accounts	294,217	178,139
Income from investment property	27,626	21,887
	<u>385,531</u>	<u>272,119</u>

30. SHARE OF PROFIT OF ASSOCIATES

Associate	2007		
	Percentage of Shareholding %	Associates' profit after tax	Share of associates' profit after tax
		(Rupees in '000)	
Un-listed			
Central Depository Company of Pakistan Limited	39.81	263,670	104,962
National Clearing Company of Pakistan Limited	47.06	73,942	33,487
		<u>337,612</u>	<u>138,449</u>
		2006	
Associate	Percentage of Shareholding %	Associates' profit after tax	Share of associates' profit after tax
		(Rupees in '000)	
Un-listed			
Central Depository Company of Pakistan Limited	39.81	304,841	121,351
National Clearing Company of Pakistan Limited	47.06	37,734	17,758
National Commodity Exchange Limited	36.36	—	—
		<u>342,575</u>	<u>139,109</u>



	June 30, 2007	June 30, 2006
Note	(Rupees in '000)	
31. TAXATION		
Current	188,534	259,836
Deferred	(11,093)	5,874
	<u>177,441</u>	<u>265,710</u>
31.1 Relationship between income tax expense and accounting profit		
Income before taxation	<u>685,162</u>	<u>868,732</u>
Tax at the applicable rate of 35% (2006: 37%)	239,807	321,431
Tax effect of expenses that are admissible / inadmissible in determining taxable profit	(39,533)	(51,966)
Tax effect of Receipts from members not being real income based on doctrine of mutuality	(13,211)	(11,228)
Tax effect of Receipts taxed as separate block of income	<u>1,471</u>	<u>1,599</u>
	188,534	259,836
Reduction in opening deferred taxes resulting from reduction in tax rates	-	860
Tax effect of temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for taxation purposes	(11,093)	5,014
Tax charge for the year	<u>177,441</u>	<u>265,710</u>

The rate of tax on the taxable income of the Company has changed from 37% to 35% during the current year, as stated in Part I of the First Schedule of the Income Tax Ordinance, 2001.

32. CASH AND CASH EQUIVALENTS

Short term investments	15	1,401,167	1,063,604
Cash and bank balances	17	<u>9,518,392</u>	<u>2,924,012</u>
		<u>10,919,559</u>	<u>3,987,616</u>

33. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The related parties comprise of associates, joint venture, staff gratuity fund, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, remuneration of chief executive are disclosed in the relevant notes.



Terms and conditions of transactions with related parties

The transactions with the related parties are made at normal market prices. Outstanding balances are disclosed in the respective notes. There have been no guarantees provided or received for any related party receivables or payables. For the year ended June 30, 2007, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2006: Nil). Other material / significant transactions with related parties are given below:

Associates

- Central Depository Company of Pakistan
- National Clearing Company of Pakistan Limited

Common Directorship

- JCR VIS Credit Rating Company Limited
- National Commodity Exchange Limited
- Housing Advisory Group, State Bank of Pakistan
- Pakistan Steel Mills Company
- Pakistan Industrial Development Corporation
- Institute of Business Administration
- Sindh Club
- Mohatta Palace Museum
- Dewan Drilling Limited
- Bagasrawala Securities (Private) Limited
- Shehzad Chamdia Securities (Private) Limited
- Pakistan State Oil Company Limited
- Civil Aviation Authority of Pakistan
- Pakistan Power Infrastructure Board
- Lahore University of Management Sciences
- Pakistan Tourist Development Corporation
- Pakistan Sports Trust
- Cupola Cares Foundation
- National Academy of Performing Arts
- Alfalah Securities (Private) Limited
- DJM Securities (Private) Limited
- Engro Chemical Pakistan Limited
- Engro Asahi Polymer & Chemicals Limited
- Engro Vopak Terminal Limited
- Engro Foods (Private) Limited
- Engro Energy (Private) Limited
- Pakistan Centre for Philanthropy
- Oil & Gas Development Company Limited
- The Pakistan Business Council
- Al-Abbas Industries Limited
- Central Depository Company of Pakistan Limited
- Hum Securities (Private) Limited
- Amin Siddique Parekh Securities (Private) Limited
- Dawood Equity (Private) Limited
- Thatta Cement Limited



	Note	June 30, 2007	June 30, 2006
Transactions with related parties		(Rupees in '000)	
Dividend income			
Central Depository Company of Pakistan		23,288	15,923
JCR VIS Credit Rating Company Limited		125	75
National Clearing Company of Pakistan Limited		6,000	—
		<u>29,413</u>	<u>15,998</u>
Trading fees			
DJM Securities (Private) Limited		28,179	11,089
Bagasrawala Securities (Private) Limited		4,707	—
Shehzad Chamdia Securities (Private) Limited		5,858	—
Alfalah Securities (Private) Limited		—	4,651
Hum Securities (Private) Limited		4,129	—
Dalal Securities (Private) Limited		—	4,608
Lakhani Securities (Private) Limited		—	664
S.C. Securities (Private) Limited		—	7,242
Eastern Capital Limited		—	3,130
Zafar Moti Capital Securities (Private) Limited		—	2,038
Haji Ghani Haji Usman		—	7,289
B.M.A. Capital Management Limited		—	1,996
		<u>47,524</u>	<u>38,056</u>
IT related services			
DJM Securities (Private) Limited		152	237
Bagasrawala Securities (Private) Limited		287	—
Shehzad Chamdia Securities (Private) Limited		254	—
Alfalah Securities (Private) Limited		425	—
Hum Securities (Private) Limited		823	—
Dawood Equity (Private) Limited		580	—
Dalal Securities (Private) Limited		—	32
Lakhani Securities (Private) Limited		—	5
S.C. Securities (Private) Limited		—	193
Zafar Moti Capital Securities (Private) Limited		—	11
Haji Ghani Haji Usman		—	198
B.M.A. Capital Management Limited		—	356
		<u>2,521</u>	<u>1,032</u>
Listing fees			
Engro Chemical Pakistan Limited		312	213
Pakistan State Oil Company Limited		60	60
Oil & Gas Development Company Limited		60	60
Pakistan International Airlines		—	1,511
Pakistan Telecommunication Company Limited		—	60
Al-Abbas Sugar Mills Limited		—	30
ICI Pakistan Limited		—	60
Lakson Tobacco Company Limited		—	60
Karachi Electric Supply Corporation Limited		—	60
		<u>432</u>	<u>2,114</u>



34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Interest / mark-up rate risk management

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicate their effective interest / mark-up rates at the balance sheet date and the periods in which they will re-price or mature:

	Interest / Mark-up bearing				
	Effective Yield / mark-up rate	Up to one year	Over one year to five year	Over five year	Total June 30, 2007
	%	Rs. on '000'			
June 30, 2007					
FINANCIAL ASSETS					
Investments	9.5 – 10.25	1,401,167	-	-	1,401,167
Cash and bank balances	6 – 9	9,492,011	-	-	9,492,011
		<u>10,893,178</u>	<u>-</u>	<u>-</u>	<u>10,893,178</u>
FINANCIAL LIABILITIES					
Accrued and other liabilities	0.74 – 8	4,310,690	-	-	4,310,690
		<u>4,310,690</u>	<u>-</u>	<u>-</u>	<u>4,310,690</u>
June 30, 2006					
FINANCIAL ASSETS					
Investments	8 – 9	1,063,604	-	-	1,063,604
Cash and bank balances	5 – 7	2,915,520	-	-	2,915,520
		<u>3,979,124</u>	<u>-</u>	<u>-</u>	<u>3,979,124</u>

34.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.10,908.117 (2006: Rs.4,116.186) million, the financial assets which are subject to credit risk amounted to Rs. 1,416.106 (2006: Rs.1,192.174) million.

The management believes that it is not exposed to major concentration of credit risk and appropriately accounts for any doubtful debts.



34.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cashflow position. The Company is exposed to liquidity risk with respect to the funds. The management has developed a funding process in which funding is made through allocation of the clearing house commission.

34.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, the Company is not exposed to any significant foreign currency risk. As at June 30, 2007, the total foreign currency risk exposure was Rs.0.200 (2006: Rs.0.302) million in respect of bank balances.

34.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

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

35. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on September 10, 2007 by the Board of Directors of the Company.

36. CORRESPONDING FIGURES

Corresponding figures have been reclassified for better presentation. Major changes are as follows:

Statement	Component	Reclassification from	Reclassification to	Rupees in 000'
Balance sheet	Interest accrued on short term investment	Deposits, prepayments and other receivables	Short term investment	18,604
Balance sheet	Current account balances with bank	PLS saving accounts in local currency	Current account	21,500
Balance sheet	Other reserves	Share of associates' reserves	Unappropriated income	39,808
Balance sheet	Clearing House Protection Fund	Funds	Non-Current Liabilities	324,998
Balance sheet	Investors Protection Fund	Funds	Deposits, accrued and other liabilities	162,646
Balance sheet	Shares of associates' surplus on revaluation of available for sale securities	Shares of associates' surplus on revaluation of available for sale securities	Share of associates' reserves	26,866

37. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Sd/-

Chairman

Sd/-

Managing Director

