

Exploring New Horizons
Scaling New Heights



KSE
The Karachi Stock Exchange
(Guarantee) Limited

Stock Exchange Building, Stock Exchange Road, Karachi-Pakistan
UAN: (+92-21) 111-001-122 Fax: (+92-21) 2410825
URL: www.kse.com.pk Email: info@kse.com.pk

HeadLine



KSE
The Karachi Stock Exchange
(Guarantee) Limited

ANNUAL REPORT
2008

CONTENTS

Vision and Mission Statement	2
Corporate Information	4
Board of Directors	6
Management	12
About KSE	14
Market Highlights	18
Notice of Annual General Meeting	27
Directors' Report	29
Events	41
Financials	45

VISION AND MISSION



Vision without a task is only a dream. But vision with a task is a dream fulfilled.

“With a diameter of 21.06 and weight (g) 1, the most artistic feature that Pakistan's currency ever had. Metal was aluminum, on the face there was a plant and on the reverse side there was a crescent and was in the shape of a round edged square.

The finest and numismatics material that was witnessed in Pakistan's currency was a 5 paise coin. Our consignment specialists with over a century of experience have claimed, that the beauty of 5 paise coin has the most amazing features and has preserved the ancient materials that reflect our heritage.”

VISION AND MISSION

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



**We live by information,
not by sight.**

“Lydian electrum trite, this coin type, made of a gold and silver alloy, was in all likelihood the world's first, minted by King Alyattes in Sardis, Lydia, Asia Minor (present-day Turkey), c. 610-600 BC.

One of the most fascinating coins of all time, a coin that believed to be the first true coin, features one the most fascinating lions ever to appear on a coin.”

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Kamran Y. Mirza (Chairman)
Mr. Adnan Afridi (Managing Director)
Mr. Muhammad Aliuddin Ansari
Mr. Shehzad Chamdia
Mr. Muhammad Sohail Dayala
Mr. Osman Asghar Khan
Mr. Munir M. Ladha
Mr. Muhammad Shoib Memon
Mr. Dawood Jan Muhammad
Mr. Khalid Ahmed Sherwani

COMPANY SECRETARY

Mr. Muhammad Rafique Umer

AUDIT COMMITTEE

Mr. Osman Asghar Khan (Chairman)
Mr. Muhammad Aliuddin Ansari
Mr. Muhammad Sohail Dayala
Mr. Munir M. Ladha
Mr. Khalid Ahmed Sherwani

LEGAL ADVISORS

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

AUDITORS

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

BANKERS

Allied Bank of Pakistan Limited
Arif Habib Bank Limited
Askari Bank Limited
Bank Al Falah Limited
Bank Al Habib Limited
Bank Islami Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
MyBank Limited
NIB Bank Limited
Soneri Bank Limited
United Bank Limited

REGISTERED ADDRESS

Stock Exchange Building
Stock Exchange Road
Karachi-74000
Phone: (92 21) 5205528-29
UAN: (92 21) 111-00-11-22
Fax: (92 21) 2410825

E-MAIL: info@kse.com.pk

WEBSITE: www.kse.com.pk

BOARD OF DIRECTORS



Leaders establish the vision for the future, and set the strategy for getting there.

“The main Roman currency during most of the Roman Republic and the western half of the Roman Empire consisted of coins including the aureus (gold), the denarius (silver), the sestertius (bronze), the dupondius (bronze), and the as (copper). These were used from the middle of the third century BC until the middle of the third century AD.

They were still accepted as payment in Greek influenced territories, even though these regions issued their own base coinage and some silver in other denominations, either called Greek Imperial or Roman provincial coins.”

BOARD OF DIRECTORS



Left to right: Dawood Jan Muhammad, Shehbaz Chaudhry, Muhammad Shabbir Mirza, Muhammad Rafique Ullah (Company Secretary), Farhan T. Miska (Chairman), Osman Agha, Shah Mirza M. Latha, Shabbir Ahmed Sherwani, Adnan Akbar (Managing Director), Muhammad Sohail Dawood and Muhammad Akbar Anwar.

INDIVIDUAL PROFILES



KAMRAN Y. MIRZA (Chairman)

Mr. Kamran Y. Mirza is a qualified Chartered Accountant from United Kingdom. Mr. Mirza started his career in Pakistan as an auditor with A. F. Ferguson & Co. Mr. Mirza then made a career move in December 1970 and joined Abbott Laboratories (Pakistan) Limited, a multinational pharmaceutical company as Chief Financial Officer. He became one of the youngest Managing Directors of his time in the year 1977 and remained in that position for 29 years till September 2006.

Mr. Mirza is presently holding the position of Chairman-Export Processing Zones Authority since February 2007. Apart from holding the positions of Chairman of the Board and HR Committee of Karachi Stock Exchange, Mr. Mirza is also serving as Director on the Boards of several organizations, which include Abbott Laboratories, National Commodity Exchange, State Bank of Pakistan, Pakistan Textile City Limited, National Vocational & Technical Education Commission and Pakistan Institute of Corporate Governance. Previously he served as President of Overseas Chamber of Commerce & Industry (OICCI), President of American Business Council, Chairman of Association of Pharmaceutical Multinationals and Director of Pakistan State Oil, Pakistan Steel and National Bank of Pakistan. Mr. Mirza has also been a past Member of Economic Advisory Board and Sindh Wild Life Board.



ADNAN AFRIDI (Managing Director)

Mr. Afridi has a degree in Economics (A.B, Magna Cum Laude, 1992) from Harvard University and a degree in Corporate Law (JD, Magna Cum Laude in 1995) from Harvard Law School. Mr. Afridi has over 15 years of experience in managing businesses in emerging markets. He started his career with Monitor Company, USA as a Strategy Consultant, designing business unit and corporate strategies for Fortune 50 companies in the financial services sector. Over the past ten years, Mr. Afridi has been facilitating foreign direct

investment into Pakistan by assisting in Private Equity transactions, including key privatization transactions. Prior to joining KSE, Mr. Afridi served as the Chief Executive Officer of the Overseas Investors Chamber of Commerce and Industry (OICCI).

At the Karachi Stock Exchange, Mr. Afridi has been responsible for restructuring the organization into a commercial entity with the introduction of professional management, new products including derivatives and data-vending, enhanced branding and agreements with regional exchanges. The Karachi Stock Exchange is now well positioned to be corporatized and demutualized. Mr. Afridi is also on the Boards of Central Depository Company (CDC), National Clearing Company of Pakistan Limited and Institute of Capital Markets. He is also the Vice Chairman of the South Asian Federation of Exchanges (SAFE) for 2008.

Mr. Afridi is an active supporter of charitable organizations. He is the President of the Old Grammarians Society & Trust and member of the Executive Committee (Fund Raising) of Kidney Centre.



MUHAMMAD ALIUDDIN ANSARI (Director)

Mr. Muhammad Aliuddin Ansari earned BA (Hons.), Business Administration & Economics majoring in Finance, from Richmond College (London, England) in 1985 and received Investment Management Program Certification from London Business School in 1988.

At present, he is the CEO of Dewan Drilling, Pakistan's first independent Oil & Gas drilling company. He is also a director of Colliers International Pakistan and Al Meezan Investment Management.

He is formerly the CEO of AKD Securities. He built AKD into a leading financial services firm at the forefront of innovation with a number of firsts to its name, including the first venture capital incubator and fund, the first large domestic M&A deal, the first online trading service and the first securitization and distressed debt transactions. Prior to joining AKD, Mr. Ansari was based in London with Credit Lyonnais Securities (CLS) as Chief Operating Officer (Emerging Europe, Middle East & Africa – EEMEA). He joined CLSA as Chief Executive Officer – CLSA Pakistan. Mr. Ansari started his career in 1986 as an Investment Manager at Worldinvest / Bank of America in London.

Mr. Ansari has also been considerably involved in the securities market reform process and has served on various committees constituted by the SECP as well as the KSE. Mr. Ansari represents KSE on the Board of National Clearing Company of Pakistan Limited as its Chairman.

As part of promoting entrepreneurship, Mr. Ansari is a Charter member of The Indus Entrepreneurs (TIE), a global organization headquartered in Silicon Valley whose aim is to promote entrepreneurs through networking and mentoring.



SHEHZAD CHAMDIA (Director)

Mr. Shehzad Chamdia is a Fellow Member of the Institute of Chartered Accountants in Pakistan. Mr. Chamdia is the Chairman of Shehzad Chamdia Securities (Private) Limited, the President, College of Accounting & Management Sciences (CAMS) as well as a Director of the Avicenna School (Private) Limited. Besides serving on the Board of the Karachi Stock Exchange, he is also serving on the Boards of the Central Depository Company of Pakistan Limited. He is currently serving as the Chairman, Demutualization Committee and Market Development & New Products Committee of the KSE.

He is also a member of KSE's HR Committee.



MUHAMMAD SOHAIL DAYALA (Director)

Mr. Muhammad Sohail Dayala has over 12 years of experience in the fields of Finance and Pakistan Equity Market. He has been engaged with Dewan Mushtaq Group as Financial Controller of Dewan Sugar Mills Limited and with Invest Capital Group for six years as Financial Controller and Directors.

Mr. Dayala has also held the offices of Director, Lahore Stock Exchange (Guarantee) Limited (LSE); Director, National Clearing Company of Pakistan Limited (NCCPL), Honorary Secretary of Mutual Funds Association of Pakistan, Member, Demutualization Committee of LSE, Member, Internal Audit & HR Committee of NCCPL and Member, Company Affairs Committee of Karachi Stock Exchange (Guarantee) Limited (KSE). Besides serving on the Board of the KSE, he is also serving on the Boards of Central Depository Company of Pakistan Limited and JCR-VIS Credit Rating Company Limited and also chairs the Company Affairs Committee of the KSE. He is also the Chief Executive Officer of Invest and Finance Securities Limited.



OSMAN ASGHAR KHAN (Director)

Mr. Osman Asghar Khan is a Certified Public Accountant from USA and a Chartered Accountant from Canada and Pakistan. He has completed his MBA (Accounting) from Boston University (USA) and BA (Economics & International Relations) from Brown University (USA). Mr. Khan is currently holding the position of Country Manager, EMC Pakistan & Afghanistan for EMC Corporation (www.EMC.com), the world's leading developer and provider of information infrastructure technology and solutions. Mr. Khan

is the Chairman of the Audit Committee and IT Steering Committee of the Exchange.



MUNIR M. LADHA (Director)

Mr. Munir M. Ladha is a member of the Institute of Chartered Accountants in England and Wales. He was CEO of AKD Securities and Safe Deposit Company Limited till December 1998, a financial services and marketing company, with exclusive corporate finance relationship with Dresdner Klientwort Benson. In his capacity as the CEO of AKD Securities, he pioneered several new corporate financial products and techniques in the local financial markets. His experience includes the first ever reverse takeover

of a listed company, Security Safe Deposit Company Limited, (SSDCL) which was the oldest company listed on Karachi Stock Exchange and established in mid 1930's as Hindustan Safe Deposit Company. Before setting up AKD Securities as CEO, Mr. Ladha was the Chief Executive of Capital Market Operations at Bear Sterns Jahangir Siddiqui Limited, where he managed the brokerage, trading and settlement activities of the firm. Mr. Munir M. Ladha represents Eastern Capital Limited, a corporate brokerage house of KSE. He is also Chairman of the Defaulters' Committee of the Exchange.



MUHAMMAD SHOIB MEMON (Director)

Mr. Memon is a graduate from the Master of Business Administration program at Quaid-e-Azam University, Islamabad. He has an overall experience of 19 years with almost 17 years of experience in the stock brokerage industry. He is currently the CEO of Alfalah Securities (Pvt.) Limited, a Corporate Brokerage House of the Exchange. Before joining Alfalah Securities, Mr. Memon was heading Equity Sales at Elixir Securities (Pvt.) Ltd. (formerly Indosuez W.I. Carr Securities Pakistan, part of the Credit

Agricole Indosuez Group of France), which was one of the leading stock brokerage houses in the country active in the field of equities, money market, corporate finance and investment advisory. His work experience includes selling and marketing Pakistani equities to local and international investors, both institutions and individuals. Additionally, he has also conducted road shows in UK and Far East to market Pakistani equities to foreign institutional investors. He is also one of the sponsoring directors of Alfalah Securities. Mr. Memon represents KSE on the Boards of National Clearing Company of Pakistan Limited, National Commodity Exchange Limited and JCR-VIS Credit Rating Company Limited. He is also Chairman of the Advisory & Arbitration Committee of the Exchange.



DAWOOD JAN MUHAMMAD (Director)

Mr. Dawood Jan Muhammad has more than 20 years' experience in the field of capital market and construction business. He is the founding member and Nominee Director of DJM Securities (Pvt.) Limited. He brings to the organization over 12 years of hands on experience of the equity markets and business. Apart from serving on the Board of Karachi Stock Exchange and also as Chairman of Development, Technology & Trading Affairs Committee of the Exchange, he also represents KSE on the Boards

of National Clearing Company of Pakistan Limited and National Commodity Exchange Limited.



KHALID AHMED SHERWANI (Director)

Mr. Sherwani was appointed on the Board of KSE on September 11, 2008 by the SECP. He has done B.Sc. (Honours) and M.Sc. from the University of Karachi. He possesses a blend of management and information technology experience of 39 years, including 7 years as President, Allied Bank Limited. He worked at United Bank Limited for over 32 years, as SEVP in senior management positions for 16 years prior to working in IT in various functions for a similar period. He also served as President, UBL and Managing Director, HBFC during this period.

MANAGEMENT



Innovation distinguishes between a leader and a follower.

“Around 600 BC, the island of Aegina produced what are believed to be the first Greek coins. These coins were known as silver drachmae and obols and depicted a turtle on the reverse, the symbol of Aegina. The largest of the Greek city states was Athens which around 610 BC began producing very artistic coins often featuring an amphora or wine vessel design.

Alexander the Great (336-323 B.C.) established the practice of coinage throughout the Hellenic empires. His successors introduced portraits as a regular feature of their coinage designs thereby recording for posterity many images of ancient kings and rulers.”

MANAGEMENT



(Sitting from left to right)

Jawad Bin Shabbir
GM HR & Admin

Shafqat Ali
GM Risk Management

Fiyaz Ahmed Longi
GM Internal Audit & Compliance

Haroon Askari
GM Operations

Adnan Afridi
Managing Director

Muhammad Rafique Umer
Company Secretary & GM Law & Corporate Affairs

Ahmed Ali Mitha
Chief Financial Officer

Abdullah Jan Farooqui
GM Information Technology

(Standing from left to right)

Junaid Mirza
DGM Market Control & Surveillance

Muhammad Farooq Sharif
DGM Trading & Member Affairs

Nadeem Chishtee
DGM HR & Admin

Abbas Mirza
DGM Operations

Mohammad Ghufri
DGM Company Affairs

Sani-e-Mehmood
DGM Product Development

Anita Mirza
DGM Marketing

Aamir Nazir
DGM Finance

Abdul Razzak Ali Muhammad
DGM Clearing & Settlement

ABOUT KSE



The Bulls-the Bears and the hereafter.

“By the time of the Emperor Romanos Diogenis (1067-1071) the solidus had been debased to only roughly 15% gold content. Under Alexius I Comnenus (1081-1118) the debased solidus was discontinued and a gold coinage of higher fineness (generally .900-.950) was established, commonly called the hyperpyron at 4.45 grs. It was introduced along with the electrum aspron trachy worth a third of a hyperpyron and about 25% gold and 75% silver. tetarteron”

ABOUT KSE

Exploring New Horizons, Scaling New Heights

The Karachi Stock Exchange (KSE) is Pakistan's oldest and largest stock exchange. Incorporated in 1949 as a Company Limited by Guarantee, we are the premier stock exchange in Pakistan offering a range of high quality products and services that have enabled us to become the leading hub of capital formation in the country.

KSE offers companies and investors an efficient and transparent securities market for raising capital and achieving investment objectives. Companies listed on the KSE are present in all aspects of our lives and are amongst Pakistan's most well known, largest and most innovative companies.

We remain the pioneer of Pakistan's Capital Market Developments by introducing new products, constantly upgrading our technology infrastructure through partnerships with the world's leading technology companies and through the continuous assessment and improvement of our services catering to every segment of our customers' needs.

KARACHI STOCK EXCHANGE – THE JOURNEY

KSE Yesterday

- Incorporated March 10, 1949
- Started with 5 companies with a paid up capital of Rs. 37 million
- Trading was done through an open-outcry system
- The first index was the KSE 50 Index

KSE Today (as at June 30, 2008)

- Exchange owned by 200 members
- Premier Stock Exchange of the Country
- 652 companies listed
- 3 indices
 - KSE 100
 - KSE 30
 - KSE All Shares Index
- Trading currently through an Electronic Trading System
- Market capitalization: US \$ 55.35 billion

- Total Capital Listed on the Exchange: US\$ 10.35 billion

KSE Tomorrow

- Publicly Listed Company with strategic investor
- Products to include:
 - Index Trading
 - Options
 - Swaps
 - New indices (e.g. Islamic Index, Sector Indices)
- Broad based investor participation
- Increased float of existing traded companies becoming a Regional Hub for source of Capital
- Cross border listings of companies and trading of indices

PRODUCTS & SERVICES

KSE offers a range of products to its brokering members through a state of the art technology infrastructure. Market participants (both local and internationally based investors) are provided access to these products through the various distribution channels of the brokerage houses.

Our Trading products include:

- Equities (otherwise known as the Ready Market)
- Deliverable Futures Contracts
- Cash Settled Futures
- Stock Index Futures Contracts

KSE plans on introducing new products in the year 2008-2009

- New Indices (Islamic Index)
- Trading based on Sector Indices
- Options
- Exchange Traded Funds (ETF's)

The KSE also offers a number of data products and services providing both historical and "live" data feed to our customers. Additional services are offered to our customers by our organization include:

- Technology services by our I.T. help desk
- Customer Services & Investor Relations Services to help resolution of investor complaints and queries
- Investor Education programmes



CORPORATE SOCIAL RESPONSIBILITY

The Karachi Stock Exchange being the premier exchange of the country realizes its responsibility towards the social welfare of the people of Pakistan. We actively seek to participate and encourage community based activities and sustainable development projects.

In line with our commitment, the Karachi Stock Exchange Board of Directors in their March 2008 meeting approved a new Corporate Philanthropy Policy. This policy encourages the KSE to contribute a significant amount of funds towards philanthropic activities.

The KSE philanthropic outreach program has two strategic priorities:

1. To improve education
2. To improve social welfare including, but not limited to environment, drinking water facilities, healthcare and support community initiatives.

All contributions are made after a thorough and transparent evaluation process by KSE Management and the Board of Directors. All contributions are non discriminatory in nature and do not provide any bias towards religion, caste, gender or ethnic group.

In light of our commitment, our donations to noble causes for the year 2007-08 have been substantially higher than previous years. A number of projects were funded including the Karachi Water Partnership and the construction of the Hub School located at Deh Loharko Lung, Hub Dam Road, Karachi.

Additionally, KSE initiated a food programme known as "Dastarkhwan" which aims to distribute free meals amongst the less privileged people of Karachi. Generous Donations have also been received from KSE Members and other stakeholders for this purpose. This programme was initiated in the month of June, 2008 to distribute 2,000 meals. KSE plans to increase the number of meals up to 5,000 meals a day in the near future.

KSE hopes to continue to participate in such noble causes and play its part for the growth and development of communities in Pakistan.

MARKET HIGHLIGHTS



As unique opportunities come up to highlight our content, we will use this great delivery platform.

“The ‘Classical period’ saw Greek coinage reach a high level of technical and aesthetic quality. Larger cities now produced a range of fine silver and gold coins, most bearing a portrait of their patron god or goddess, or a legendary hero, on one side, and a symbol of the city on the other. Some coins employed a visual pun: coins from Rhodes featured a rose, since the Greek word for rose is rhodon. The wealthy cities of Sicily produced some especially fine coins. The large silver decadrachm coin from Syracuse is regarded by many collectors as the finest coin produced in the ancient world, perhaps ever.”

MARKET HIGHLIGHTS

DESCRIPTION	2006	2007	2008
Total Listed Companies	658	658	652
Total Listed Capital (Rs. in million)	495,967.57	631,125.55	706,419.98
Total Market Capitalization (Rs. in million)	2,801,182.46	4,019,418.17	3,777,704.89
New Companies Listed	14	16	7
Listed Capital of New Companies (Rs. in million)	25,209.83	56,081.61	14,274.24
New Debt Instruments Listed	6	3	7
Listed Capital of New Debt Instruments (Rs. in million)	6,900.00	6,000.00	23,500.00
Total Shares Volume (million)	79,454.53	54,042.36	63,316.12
Average Daily Share Volume (million)	348.53	262.48	238.15

KSE Indices

KSE - 100 Index			
Year End	9989.41	13772.46	12289.03
High	12273.77	13772.46	15676.34
Low	6970.59	9504.47	11162.17

KSE - All Share Index			
Year End	6708.36	9758.81	8834.24
High	8184.60	9758.81	11148.68
Low	4589.51	6399.29	8038.39

KSE - 30 Index			
Year End		16993.51	14326.27
High		17002.75	18996.33
Low		12248.93	12750.28

NOTES:

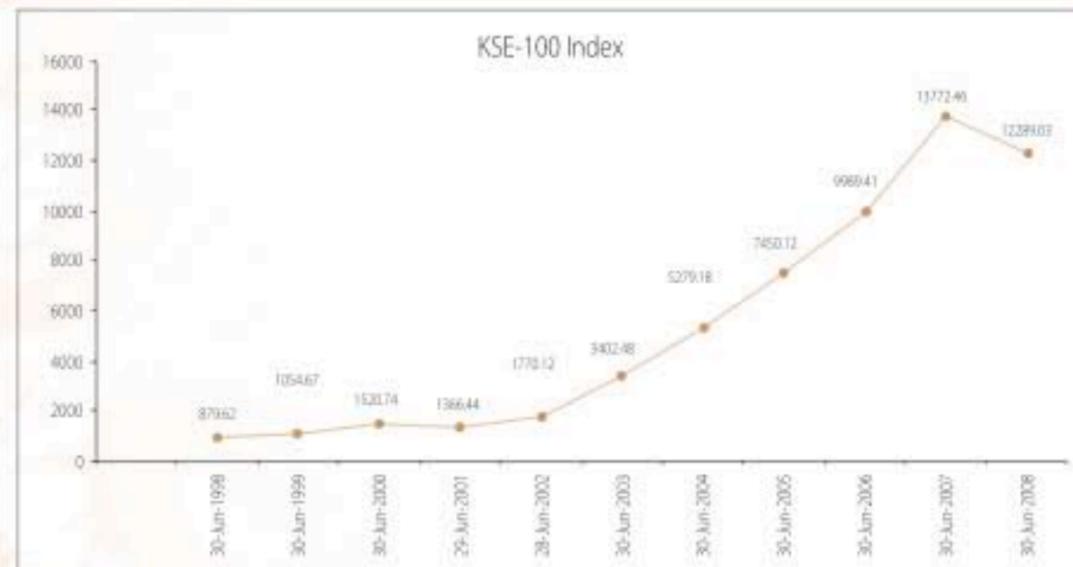
- The figures are from July to June.
- The total number of listed companies have been stated after 6 companies de-listed in 2006, 8 companies in 2007 and 5 companies in 2008 and 8 companies merged in 2006, 8 companies in 2007 and 8 companies in 2008.

- (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 29, 2008 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 = 10000, introduced w.e.f. September 01, 2006.

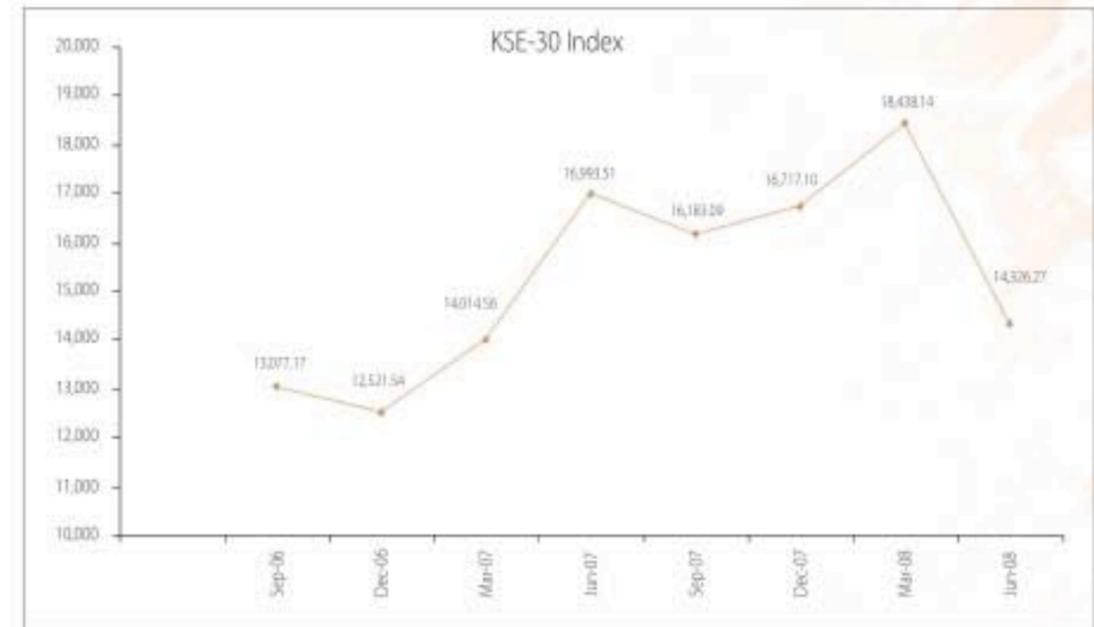
KSE HISTORIC RECORDS

Records	Date	Closing Index	Net Change	Highest Turnover	Total Paid up Capital (Rs. in million)	Market Capitalization (Rs. in million)
Maximum Increase in KSE-100 Index	24-06-2008	12122.67	960.50	-	706,220.40	3,730,726.49
Maximum Decrease in KSE-100 Index	31-12-2007	14075.83	(696.25)	-	671,255.82	4,329,909.78
Highest KSE-100 Index	18-04-2008	15676.34	-	-	692,368.20	4,790,984.91
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

KSE-100 INDEX 1998 TO 2008



KSE-30 INDEX 2006 TO 2008



STATISTICS (Since July 2007 to June 2008)

LISTING OF NEW COMPANIES – EQUITY

Rs. in million

Name of Company	Date of Listing	Paid up Capital	Capital Offered to		Subscription Received	
			General Public/Employees	Premium	General Public/Employees	Premium
Sitara Peroxide Limited.	23-07-2007	551,000	250,000	-	1,429,475	-
Habib Bank Limited (i) <i>(Offer for sale @ Rs.2.20 premium per share)</i>	24-09-2007	6,900,000	345,000	7,762,500	806,191	18,139,298
Dost Steels Limited.	26-11-2007	675,000	275,000	-	1,868,410	-
Arif Habib Bank Limited (ii) <i>(Offer for sale @ Rs.11 premium per share)</i>	11-02-2008	4,500,000	597,485	657,234	3,390,411	3,729,453
Invest and Finance Securities Ltd.	20-03-2008	600,496	120,000	-	2,184,045	-
Thatta Cement Company Ltd. <i>(Offer for sale @ Rs.12.50 premium per share)</i>	07-04-2008	797,745	100,000	125,000	623,365	779,206
Dawood Equities Limited <i>(@ Rs.7.50 premium per share)</i>	14-04-2008	250,000	100,000	75,000	1,251,650	938,738
TOTAL		14,274,241	1,787,485	8,619,734	11,553,547	23,586,695

- (i) Present offer consists of 34,500,000 ordinary shares i.e. 5% of total paid up capital with a Green Shoe option of an additional 17,250,000 ordinary shares (2.5% of paid up capital) in case of over subscription.
- (ii) The Bank has exercised the Green Shoe option, offer up to 60,000,000 (13.33% of paid up capital) additional ordinary shares out of Offerer's shareholding in the Bank.

LISTING OF NEW DEBT INSTRUMENTS

Rs. in million

Name of Company	Date of Listing	Amount Offered			Subscription Received			
		Overall Public	Private	Total Issue	Overall Public	Other	Total Issue	Amount Listed
Dix Leasing Pakistan Limited (II)	02-07-2007	300,000	2,900,000	3,200,000	777,415	2,000,000	2,777,415	2,500,000
Engro Chemical Pakistan Limited (II)	14-01-2008	1,000,000	3,000,000	4,000,000	4,382,950	3,000,000	7,382,950	4,000,000
Faysal Bank Limited*	01-02-2008	250,000	1,000,000	1,250,000	905,910	750,000	1,655,910	1,250,000
Pakrab Fertilizers Limited	31-03-2008	1,250,000	3,750,000	5,000,000	7,250,160	3,750,000	11,000,160	5,000,000
NIB Bank Limited	31-03-2008	1,000,000	3,000,000	4,000,000	1,562,625	3,000,000	4,562,625	4,000,000
Saudi Pak Leasing Company Ltd	22-04-2008	200,000	550,000	750,000	210,530	580,000	790,530	750,000
United Bank Limited (IV)	30-04-2008	1,500,000	4,500,000	6,000,000	624,585	4,500,000	5,124,585	6,000,000
TOTAL		5,700,000	17,800,000	23,500,000	15,714,175	17,550,000	33,264,175	23,500,000

* The Bank has exercised the Green Shoe option an amount of Rs.250 million.

LISTING OF OPEN-END MUTUAL FUND

Sr. #	Name of Company	Date of Listing	Seed Capital
1	AKD Index Tracker Fund	16-07-2007	250,000
2	Alfalah GHP Income Multiplier Fund	27-07-2007	250,000
3	Dawood Islamic Fund	22-08-2007	250,000
4	BMA Chundrigar Road Saving Fund	17-09-2007	250,000
5	Alfalah GHP Islamic Fund	16-11-2007	250,000
6	POBOP Advantage Plus Fund	26-11-2007	250,000
7	KASB Balanced Fund	29-02-2008	375,000

DE-LISTING OF COMPANIES

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

Sr. #	Name of Company	Date of De-listing	Buy-back Price (Rs)
1	Sarhad Cigarette Industries Limited	August 06, 2007	50.00
2	Noon Textile Mills Limited	November 01, 2007	92.00

(II) CONVERSION OF A CLOSE-END MUTUAL FUND INTO AN OPEN-END

Rs. in million

Sr. #	Name of Company	Date of De-listing	Paid up Capital (Rs)
1	AKD Index Tracker Fund	July 02, 2007	750,000

(III) COMPANIES VOLUNTARY WINDING UP

Rs. in million

Sr. #	Name of Company	Date of De-listing	Paid up Capital (Rs)
1	Fayzan Manufacturing Modaraba	January 25, 2008	900,000
2	Kashmir Edible Oils Limited	March 31, 2008	80,000

(IV) COMPANIES DE-LISTED DUE TO MERGER/AMALGAMATION

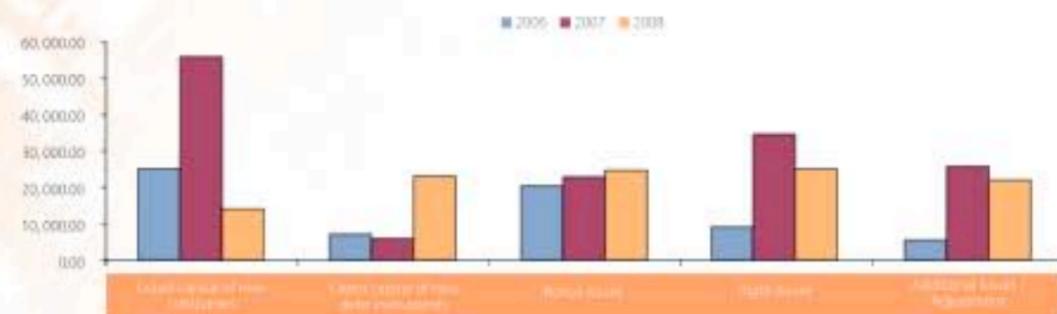
Sr. #	Name of Company	Merged With	Date of Merger
1	Crescent Standard Investment Bank Ltd.	Innovative Housing Finance Limited	July 20, 2007
2	Dewan Hattar Cement Limited	Dewan Cement Limited	October 22, 2007
3	Suzuki Motorcycles Pakistan Limited	Pak Suzuki Motor Company Limited	October 29, 2007
4	International Housing Finance Limited	KASB Bank Limited	November 22, 2007
5	PICIC Commercial Bank Limited	NIB Bank Limited	January 01, 2008
6	Pakistan Industrial Credit & Investment Corporation Limited	NIB Bank Limited	January 01, 2008
7	Universal Leasing Corporation Ltd.	Al-Zamin Leasing Corporation Limited	June 06, 2008
8	Pakistan Slag Cement Ind. Limited	Zeal Pak Cement Factory Limited	June 11, 2008

BREAK-UP OF LISTED CAPITAL

Rs. in million

	2006	2007	2008
Listed capital of new companies	25,209.83	56,081.61	14,274.24
Listed capital of new debt instruments	6,900.00	6,000.00	23,500.00
Bonus issues	20,388.57	23,349.22	24,808.05
Right issues	9,006.14	35,110.52	25,110.16
Additional issues/Adjustments	5,714.52	26,274.51	22,371.53
	67,219.05	146,815.86	110,063.98

BREAK-UP OF LISTED CAPITAL



SECTOR-WISE CAPITAL LISTED ON THE EXCHANGE

Rs. in million

Sector Name	No. of Cos.	2007 Paid up Capital	No. of Cos.	2008 Paid up Capital
Close-end Mutual Fund	25	27,984.896	24	27,703.234
Modaraba	35	9,097.435	34	9,225.592
Leasing Companies	19	5,384.117	18	5,221.717
Inv. Banks / Inv. Cos. / Securities Cos.	28	18,499.937	27	18,166.031
Commercial Bank	24	160,735.738	25	210,987.744
Insurance	38	8,774.073	38	13,169.538
Textile Spinning	109	14,205.202	107	14,339.202
Textile Weaving	18	2,710.264	18	3,120.331
Textile Composite	59	20,300.312	60	21,305.921
Woollen	5	91.254	5	116.604
Synthetic & Rayon	19	10,234.092	19	10,234.092
Jute	6	485.445	6	607.579
Sugar & Allied Industries	37	6,956.566	37	7,821.373
Cement	22	40,803.760	21	50,462.954
Tobacco	4	3,188.759	3	3,182.759
Refinery	4	5,456.051	4	5,781.485
Power Generation & Distribution	13	75,339.123	13	75,339.123
Oil & Gas Marketing Companies	6	14,898.238	6	15,172.297
Oil & Gas Exploration Companies	4	52,206.377	4	52,892.198
Engineering	13	2,094.900	14	3,173.711
Automobile Assembler	13	5,346.686	12	5,695.723
Automobile Parts & Accessories	12	1,394.933	12	1,528.053
Cable & Electrical Goods	9	1,480.388	9	1,847.360
Transport	5	22,382.273	5	23,953.318
Technology & Communication	9	67,514.383	9	68,788.823
Fertilizer	4	16,786.844	4	17,398.398
Pharmaceuticals	8	3,195.909	8	3,600.601
Chemical	23	20,203.114	24	20,904.394
Paper & Board	10	1,904.323	10	2,164.229
Vanaspati & Allied Industries	12	429.127	11	349.127
Leather & Tanneries	5	309.888	5	309.888
Food & Personal Care Products	22	2,506.975	22	2,593.668
Glass & Ceramics	10	2,055.986	10	2,864.455
Miscellaneous	28	6,168.188	28	6,398.459
TOTAL	658	631,125.556	652	706,419.981

SECTOR WISE PERFORMANCE OF COMPANIES LISTED ON THE EXCHANGE - 2007

Name of Sector	Number of Companies	2007		Profit Making Companies that Declared Dividend	Profit Making Companies	Loss Making Companies
		Companies that Announced Annual Results	Dividend Paying Companies			
Close-end Mutual Funds	24	23	19	3	22	1
Modaraba	35	27	19	4	23	4
Leasing Companies	19	17	5	5	10	7
Inv. Banks / Inv. Cos. / Securities Cos.	27	23	12	3	15	8
Commercial Banks	26	25	15	4	19	6
Insurance	38	29	21	5	26	3
Textile Spinning	108	96	22	18	40	56
Textile Weaving	18	10	1	6	7	3
Textile Composite	59	49	23	12	35	14
Woollen	5	2	1	1	2	-
Synthetic & Rayon	19	14	4	2	6	8
Jute	6	5	1	1	2	3
Sugar & Allied Industries	37	36	8	3	11	25
Cement	21	21	6	6	12	9
Tobacco	3	3	2	1	3	-
Refinery	4	4	3	-	3	1
Power Generation & Distribution	13	12	3	1	4	8
Oil & Gas Marketing Cos.	6	6	6	-	5	1
Oil & Gas Exploration Cos.	4	4	4	-	4	-
Engineering	14	10	9	-	9	1
Automobile Assembler	12	11	6	3	9	2
Automobile Parts & Accessories	12	10	4	4	8	2
Cables & Electrical Goods	9	7	4	2	6	1
Transport	5	3	3	-	2	1
Technology & Comm.	9	9	3	2	5	4
Fertilizer	4	4	4	-	4	-
Pharmaceuticals	8	8	8	-	8	-
Chemical	24	21	12	4	16	5
Paper & Board	10	9	6	2	8	1
Vanaspati & Allied	12	6	2	-	2	4
Leather & Tanneries	5	5	2	1	3	2
Food & Personal Care	22	19	14	1	15	4
Glass & Ceramics	10	7	5	-	5	2
Miscellaneous	28	23	11	4	15	8
TOTAL	655	558	267	97	364	194
PERCENTAGE		85.19%	40.76%	14.81%	55.57%	29.62%
2008						
TOTAL	691	365	294	117	411	154
PERCENTAGE		86.79%	45.16%	17.97%	63.13%	23.66%

Notes:

- Based on the financial results of the companies up to December 31, 2007.
- Companies omitted dividends are those companies, which have shown profit during the year but not declared dividend.
- Dividend includes Cash / Stock Dividend.

KSE VS OTHER STOCK EXCHANGES

July 01, 2007 to June 30, 2008

Exchange	Index	Date		Change	
		30-June-07	30-June-08	Points	%
Brazil	BVSP	54392.00	65018.00	10626.00	19.54
Jakarta	Composite	2139.28	2349.10	209.82	9.81
Hong Kong	Hang Seng	21772.73	22102.01	329.28	1.51
Bangkok	Set	776.79	768.59	(8.20)	(1.06)
Argentina	Mer Val	2190.87	2107.87	(83.00)	(3.79)
Seoul	KOSPI Composite	1743.60	1674.92	(68.68)	(3.94)
Bombay	BSE 30	14650.51	13461.60	(1188.91)	(8.12)
KSE	KSE-100	13772.46	12289.03	(1483.43)	(10.77)
NYSE	NASDAQ	2603.23	2292.98	(310.25)	(11.92)
Kuala Lumpur	Composite	1354.38	1186.57	(167.81)	(12.39)
London	FTSE	6607.90	5625.90	(982.00)	(14.86)
Taiwan	TSEC Weighted	8883.21	7523.54	(1359.67)	(15.31)
NYSE	D. Jones	13408.62	11350.01	(2058.61)	(15.35)
Australia	AORD	6310.60	5332.90	(977.70)	(15.49)
Singapore	Straits Times	3548.20	2947.54	(600.66)	(16.93)
Frankfurt	Dax	8007.32	6418.32	(1589.00)	(19.84)
Amsterdam	AEX General	548.21	425.93	(122.28)	(22.31)
New Zealand	NZX 50	4234.29	3194.61	(1039.68)	(24.55)
Istanbul	ISE National - 100	47093.67	35089.53	(12004.14)	(25.49)
Tokyo	Nikkei	18138.36	13481.38	(4656.98)	(25.67)
Paris	CAC 40	6054.93	4434.85	(1620.08)	(26.76)
China	Shanghai Composite	3820.70	2736.10	(1084.60)	(28.39)
Manila	PSE	3660.86	2459.98	(1200.88)	(32.80)

NOTICE OF ANNUAL GENERAL MEETING



A single annual meeting reflects the reality of the market.

“The Hellenistic period was characterised by the spread of Greek culture across a large part of the known world. Greek-speaking kingdoms were established in Egypt and Syria, and for a time also in Iran and as far east as what is now Afghanistan and northwestern India. Greek traders spread Greek coins across this vast area, and the new kingdoms soon began to produce their own coins. Because these kingdoms were much larger and wealthier than the Greek city states of the classical period, their coins tended to be more mass-produced, as well as larger, and more frequently in gold.”

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 61st Annual General Meeting of the Karachi Stock Exchange (Guarantee) Limited will be held on Wednesday, October 29, 2008 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 December 06, 2007 (Copy already circulated).
2. To receive and approve the Annual Audited Accounts of the Exchange for the year ended June 30, 2008, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors of the Exchange for the year ending June 30, 2009. The retiring auditors, M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.
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:
October 07, 2008

DIRECTORS' REPORT



Moving forward in the right direction.

“Unlike most modern coins, Roman coins had intrinsic value. While they contained precious metals, the value of a coin was higher than its precious metal content, so they were not bullion. Estimates of the value of the denarius range from 1.6 to 2.85 times its metal content, thought to equal the purchasing power of 10 modern British Pound Sterling and around three days' pay for a Legionnaire.

The majority of the written information about coins that survives is in the form of papyri preserved in Egypt's dry climate. The coinage system that existed in Egypt till the time of Diocletian's monetary reform was a closed system based upon the heavily debased tetradrachm.”

DIRECTORS' REPORT

PAKISTAN ECONOMY 2007-08

The year 2007-08 was a challenging year for Pakistan's economy with GDP growth recorded at 5.8% compared to a target of 7.2%. Heightened political uncertainty, deteriorating law and order situation, growing power shortages and rising cost of doing business were responsible for this shortfall. Some positives were seen however, as Pakistan's per capita income crossed US\$ 1,000 and for the first time revenue collection also surpassed Rs. 1 trillion.

General CPI calculated by the State Bank of Pakistan recorded an increase of 12% for the year 2007-08 which, coupled with weakening of Pakistani Rupee against major currencies of the world, added to Pakistan's external debt in Rupee terms. Additionally, the continuous increase in international oil prices continued to put pressure on Pakistan's foreign reserves and current account.

On a positive note for the future, the Government has reaffirmed its commitment to a vibrant and stable economy. A number of measures have already been put into place, which include the reduction in subsidy on fuel, a strong desire to curtail excessive expenditures and continuous support to businesses through implementation of business friendly policies.

CAPITAL MARKET OVERVIEW

The first three quarters of the fiscal year 2007-08 were characterized by a rising market which hit its peak at 15,676 points on April 18, 2008. However, towards the end of the fiscal year, the deteriorating macro-economy and rising political uncertainty led to a sharp decline in the index.

During the year under review, the stock market declined by 11%. This negative performance was witnessed after six consecutive years of index growth. KSE-100 Index closed at 12,289 points on June 30, 2008 compared to 13,772 points on June 30, 2007; while, KSE-30 Index and KSE All Shares Index showed a decline of 16% and 10% respectively. As a result of the fall in share prices, Market Capitalization of listed companies on the Exchange declined by 6% during the year. Investors preferred to pull their funds out of the capital market and place them in the money market; consequently, the average daily volumes in the market also showed a sharp decline in the last quarter.

Despite the rising political uncertainty, a total of 21 listings including 7 open end mutual funds took place. These also included 7 companies and 7 term finance certificates with a total listed capital of Rs. 14,274 million and Rs. 23,500 million respectively.

FINANCIAL REVIEW

The year 2007-08 was a strong year for the Karachi Stock Exchange, with revenue of Rs. 1,716 million registering a growth of 44% over the previous year. This strong growth was a result of higher revenues generated from trading, the introduction of professional treasury operations and a higher share of profits from associated companies.

The diversification of revenue streams is vital for preparing the Exchange for demutualization and the next year will focus on this aspect with the introduction of a product development and marketing department.

Total expenses of the Exchange increased by 41% to Rs. 715 million over the previous year, primarily due to higher spend on Human Resources, Legal & Professional Charges and Financial Charges.

Profit before Tax reached Rs. 1,000 million mark for the first time in Exchange History. As compared to Rs. 685 million last year this represents a growth of 46%. Profit after Tax stood at Rs. 771 million for the year 2007-08 compared to Rs. 508 million in 2006-07, showing a growth of 52% over the year 2006-07. The financials reflect the impact of professional management on the operations of the Exchange.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Capital Markets are large contributors to the national exchequer. The Exchange collected an aggregate amount of Rs. 4.67 billion from its members on securities market transactions and also paid a sum of Rs. 230 million as direct corporate tax to the government.

INVESTMENTS IN ASSOCIATE AND OTHER COMPANIES

The Karachi Stock Exchange currently holds investments in the following associate 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%	560.91
National Clearing Company of Pakistan Limited (NCCPL)	30.00	47.06%	185.47
Others			
JCR-VIS Credit Rating Company Limited	2.50	12.50%	2.50
National Commodity Exchange Limited (NCEL)	42.09	36.36%	42.09
Less: Provision for impairment in the value of investment			(20.00)
			22.09

Several Associates and other companies declared appreciable dividends which included a cash dividend @ 30% (2007: 45%) and stock dividend @ 50% (2007: 55%) declared by the CDC, cash dividend @ 50% (2007: 20%) by NCCPL and cash dividend @ 5% (2007: 5%) declared by JCR-VIS Credit Rating Company for the financial year ended June 30, 2007.

KEY ACHIEVEMENTS

Investment in Human Resources

KSE has renewed its focus on staff training and professional development of its Human Resources that will in turn enable it to become a competitive organization.

During the past year several customized training programs were conducted for different tiers of Management to improve their managerial & technical skills and develop future leadership as well.

During the year 2007-08, the KSE hired a combination of 51 fresh graduates and skilled professionals throughout the organization, with a diverse skill set and strong background in the financial industry from within Pakistan and overseas.

Technology

Adoption of VPN technology.

A Virtual Private Network (VPN) uses a public telecommunication infrastructure to provide remote users with secure access to their organization's network. VPN works by using the shared public infrastructure while maintaining privacy through security procedures and by encrypting and decrypting of data. As a provider of comprehensive financial services, we believe that appropriate protection and use of information resources are vital. Consequently, the KSE has adopted VPN technology for the secure transfer of data.

KSE adopts Financial Information Exchange (FIX) Protocol

KSE is moving towards a FIX solution whereby the KSE would be in a position to offer global connectivity with its trading application. This will enable international brokerage houses to participate in our market directly through their electronic trading applications as well as provide a facility to local financial institutions and brokerage houses to establish connectivity through global standards.

Penetration Testing

As per global best practices, KSE initiated an independent third party information security review (conducted by NIFT), to measure the effectiveness of existing information security controls. The activity was completed successfully in the month of June 2008.

New Products

Introduction of Stock Index Futures Contract

In April 2008, The Karachi Stock Exchange introduced a new product called Stock Index Futures Contract (SIFC). SIFC, a derivative instrument, consists of buying or selling a specified number of contracts of KSE-30 instead of individual stock picking. The SIFC can be used to hedge positions in other markets at the KSE.

Protection of KSE brand-Intellectual Property Rights

Management introduced an Intellectual Property Policy that gives the Exchange exclusive rights for all the creative products and information developed by KSE. All the products created by KSE for commercial purposes are protected by copyright law against infringement. To protect its brand, the KSE has initiated patent registration for protection of KSE indices and key terminology.

Risk Management Reforms

Implementation of CFS MK II

The implementation of the CFS MK-II market through NCCPL was completed in July 2008. The introduction of this new product facilitates the provision of financing to the market in a transparent and efficient manner thereby providing a level playing field to all market participants. The Exchange's IT team developed and operates the CFS MK II portal on behalf of NCCPL.

Implementation of F.I. Margining System

F.I. Margining System has been developed by the Exchange IT team, in order to facilitate member's liquidity management. Under the new system, the NCCPL collects the margins on the same day through IDS system from Financial Institutions directly and the Member exposure

is reduced on the same day. This allows members of all sizes to compete equally for the business of financial institutions.

Due to a significant increase in volatility, the risk management reforms currently in place have been stress tested; however, no default of a brokerage house has taken place as yet in the clearing house indicating that our risk management reforms have been successful.

Establishment of Marketing & Business Development Department

The Marketing & Business Development department was established in February 2008. The department aims to enhance the image of the Exchange and work on additional revenue generation through selling of Data Vending products amongst other initiatives.

Other Achievements

FTSE retains Pakistan in its Global Equity Index Series

The Karachi Stock Exchange and the Securities and Exchange Commission of Pakistan jointly formulated a strategy to convince FTSE to retain Pakistan in its Global Equity Index Series - Emerging Markets.

The efforts were successful after a series of negotiations with FTSE that also involved the participation of various Pakistani Capital Markets stakeholders. FTSE agreed with our assessment that Pakistan's capital market did meet FTSE listing criteria and hence decided to retain Pakistan in its Global Equity Index Series.

Capital Gains Tax Exemption and Other Initiatives decided between the KSE and the Government of Pakistan

In order to keep Pakistani Capital markets competitive with other regional markets, extensive discussions were held among the Karachi Stock Exchange management and officials from the Ministry of Finance and the Federal Board of Revenue over tax treatment of capital markets.

As a result of these discussions, the Government extended an exemption on the Capital Gains Tax on listed shares for another two years till June 30, 2010. Further, the Government of Sindh decided to do away with the stamp duty of 0.1% on the par value of each electronically transferred share through the Central Depository System to encourage local, foreign direct and portfolio investment in the capital markets.

International Relations

Abu Dhabi Securities Market and Dubai Financial Market sign MoU with KSE

In March 2008, Memorandums of Understanding were signed between the KSE and Abu Dhabi Securities Market (ADSM) and the KSE and Dubai Financial Markets (DFM) to collaborate and cooperate jointly to help develop the respective capital markets. Delegations from the KSE have visited Abu Dhabi and Dubai to discuss areas that are of mutual interest. Talks are currently underway with a number of other exchanges with the objective of mutual information sharing and co-operation.

The establishment of regional relationships is beneficial in preparing the KSE for demutualization.

South Asian Federation of Exchanges elects MD-KSE as its Vice Chairman

The KSE has been an active participant of the South Asian Federation of Exchanges (SAFE) and at SAFE's Second South Asian Capital Market Conference held on January 31, 2008 in Dhaka, Bangladesh, Mr. Adnan Afridi, Managing Director, KSE was elected its Vice Chairman for a period of two years.

The election of Managing Director-KSE as Vice Chairman is a recognition of KSE's importance in South Asian capital markets.

Road Shows

The KSE jointly held a road show with the Central Depository Company (CDC) and the Securities and Exchange Commission of Pakistan (SECP) in London in collaboration with FTSE. The road show projected a positive image about Pakistan's Capital Markets. Meetings with international hedge fund managers and institutional investors were also held.

Local road shows were also organized with the CDC and the SECP in Faisalabad and Gujranwala to promote the capital markets.

Investor Education

The Karachi Stock Exchange, in collaboration with the Institute of Securities, Management and Research organized three training courses aimed to introduce the basics of the equity markets to investors, traders and employees of the KSE Members. This initiative was first of its kind and reflected the focus of the Karachi Stock Exchange on improving its customer experience and broadening investor participation in Pakistan's capital markets.

Visitors to the Exchange

The KSE was host to a number of high profile dignitaries and visitors during the year. Delegations from Japan, Bangladesh and the United States of America have visited the KSE. In particular, the American Ambassador, Consul General and a number of U.S. Senators visited the KSE where they were given an overview of Pakistan's economy and the capital markets and the opportunities available to international investors.

CURRENTLY IN PROCESS

Corporatization and Demutualization of the Exchange

As per the Memorandum of Understanding executed on January 28, 2006 between SECP and KSE for demutualization of KSE, the valuation of the KSE was carried out by Deutsche Bank under a financial advisory agreement executed on January 23, 2007.

The SECP initially carried out amendments in the Securities & Exchange Ordinance, 1969 through Finance Act, 2006 by inserting a new section 32E which empowered the Commission to affect the process of corporatization and demutualization of the exchanges. However, after having felt that the said amendment did not provide the requisite framework for the entire process, a Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2007 was proposed to be promulgated by the Commission which was subsequently replaced by the Stock Exchanges (Corporatization, Demutualization and Integration) Ordinance, 2007, the draft of which was forwarded to all the exchanges on August 23, 2007. The draft Stock Exchanges (Corporatization, Demutualization and Integration) Ordinance was approved on January 22, 2008, by the Federal Cabinet of the then Caretaker Government of Mr. Muhammadmian Soomro. However, promulgation of the said Ordinance got delayed and in the mean time, a newly elected Government took its oath.

In view of the urgency of the matter, it was decided by all the stock exchanges and SECP to achieve the desired objectives of corporatization and demutualization through promulgation of the Rules under section 32E of the Securities and Exchange Ordinance, 1969. For this purpose, the said section 32E was further amended through Finance Act 2008, providing sufficient powers to SECP. The draft Stock Exchanges (Corporatization, Demutualization and Integration) Rules, 2008 are expected to come into force by December 2008 following which the process of corporatization and demutualization will commence.

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, Mr. Shehzad Chamdia, Mr. Dawood Jan Muhammad, Mr. Muhammad Shoib Memon, Mr. Munir M. Ladha and Mr. Muhammad Sohail Dayala were elected for the calendar year 2008. Similarly, two nominee directors, Mr. Shaukat Tarin and Mr. Muhammad Aliuddin Ansari, who were already on the KSE Board, were re-nominated by SECP for the year 2008. In addition Mr. Osman Asghar Khan and Mr. Kamran Y. Mirza were nominated by SECP to replace Mr. Asad Umar and Mr. Tariq Kirmani respectively. Mr. Shaukat Tarin, who was previously the Chairman of the Board, was re-elected as Chairman for the year 2008.

In November 2007, Mr. Adnan Afridi, with the approval of SECP, was appointed as the new Managing Director of the Exchange. Earlier, this position was temporarily held by Mr. Muhammad Yacoob Memon, due to the premature retirement of Mr. M. A. Lodhi, the previous Managing Director of the Exchange.

In February 2008, Mr. Shaukat Tarin resigned from the Board and Mr. Kamran Y. Mirza was elected as the Chairman of the Board in his place. Subsequent to the financial year end, on September 11, 2008, the SECP has nominated/appointed Mr. Khalid Ahmed Sherwani on the Board in place of Mr. Shaukat Tarin.

The KSE Board consists of experienced and successful professionals 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 local equity 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, 2008, 15 Board meetings (12 normal & 03 emergent) were held, in which directors' attendance was as follows:

Name of Director	Number of meetings during the tenure within the period	Number of Meetings attended
July-December 2007		
Mr. Shaukat Tarin	9	9
Mr. Muhammad Yacoob Memon	6	6
Mr. Adnan Afridi	3	3
Mr. Muhammad Aliuddin Ansari	9	7
Mr. Sikander Esmail Bagasrawala	9	9
Mr. Shehzad Chamdia	9	9
Mr. Tariq Kirmani	9	6
Mr. Muhammad Shoib Memon	9	8
Mr. Dawood Jan Muhammad	9	9
Mr. Asad Umar	9	6
Haji Ghani Haji Usman	9	8

Name of Director	Number of meetings during the tenure within the period	Number of meetings attended
January-June 2008		
Mr. Shaukat Tarin	2	2
Mr. Kamran Y. Mirza	6	6
Mr. Adnan Afridi	6	6
Mr. Muhammad Aliuddin Ansari	6	4
Mr. Shehzad Chamdia	6	5
Mr. Muhammad Sohail Dayala	6	6
Mr. Muhammad Shoib Memon	6	5
Mr. Dawood Jan Muhammad	6	6
Mr. Osman Asghar Khan	6	6
Mr. Munir M. Ladha	6	3

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

COMMITTEES

The Board has constituted the following committees, mandated with distinctive terms of reference. The Committees comprising of members of the Board and members of the Exchange were formed for the calendar year 2008 under the current chairmanship of various directors, as detailed herein below:

Committee	Chairman
i. Human Resource Committee	Mr. Kamran Y. Mirza
ii. Voluntary De-listing Committee	Mr. Adnan Afridi, MD-KSE
iii. Advisory & Arbitration Committee	Mr. Muhammad Shoib Memon
iv. Company Affairs / Corporate Governance Committee	Mr. Muhammad Sohail Dayala
v. Development, Technology & Trading Affairs Committee	Mr. Dawood Jan Muhammad
vi. Audit Committee	Mr. Osman Asghar Khan
vii. Market Development & New Products Committee	Mr. Shehzad Chamdia
viii. Demutualization Committee	Mr. Shehzad Chamdia
ix. Defaulters' Committee	Mr. Munir M. Ladha
x. I.T. Steering Committee	Mr. Osman Asghar Khan

AUDIT COMMITTEE

The Board has constituted an Audit Committee that comprises of five members including the Chairman:

1. Mr. Osman Asghar Khan	Chairman
2. Mr. Muhammad Aliuddin Ansari	Member
3. Mr. Muhammad Sohail Dayala	Member
4. Mr. Munir M. Ladha	Member
5. Mr. Khalid Ahmed Sherwani	Member

The Committee held seven meetings during the financial year 2007-08. The governing charter of the Audit Committee addresses requirements of the Code of Corporate Governance issued by SECP and includes adoption of international best practices in internal audit. The Committee is accountable to the Board for the recommendation of appointment of external auditors, directing and monitoring the audit function and reviewing the accuracy and quality of the

audit process. While the Chief Financial Officer is responsible for the accuracy of financial information included in the financial reports, the Committee provides the Board with additional assurance.

In addition, the Committee has oversight responsibilities for risk management and the control processes and for ensuring that the Exchange has an effective internal control framework. These controls include safeguarding of assets, maintaining of proper accounting records, complying with legislation and ensuring the reliability of financial information. The Committee monitors non-compliances identified through System Audits and other Special Audits of Brokerage Houses and ensures a fair mechanism for any penal action.

The Internal Audit & Compliance Department is the main resource supporting the Committee and as per best practices outlined in the Code of Corporate Governance, the General Manager Internal Audit and Compliance reports to the Chairman of the Committee with an administrative reporting line to the Managing Director.

CORPORATE GOVERNANCE - CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors and the Company remain committed to the principles of good corporate management practices with emphasis on transparency and disclosures. The Board and management are cognizant of their responsibilities and monitor the capital market operations and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

The KSE is on the way to be fully compliant with the Code of Corporate Governance and as per its requirements, following specific statements are being given hereunder:

- Proper books of accounts of the Company have been maintained.
- The financial statements prepared by the management present fairly its state of affairs, the results of its operations and cash flows.
- Appropriate accounting policies have been consistently applied in preparation of financial statements which conform to the International Accounting Standards as applicable in Pakistan. The accounting estimates, wherever required, are based on reasonable and prudent judgment.
- The system of internal controls is sound in design. It has been effectively implemented by the management and is monitored by the internal and external auditors as well as the Board of Directors and the Audit Committee. The Board reviews the effectiveness of established internal controls through the Audit Committee and suggests, wherever required, further improvement in the internal control systems.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There is no reported instance of any material departure from the best practices of Corporate Governance.
- Significant deviations from last years operating results, future plans and changes, if any have been separately disclosed, as appropriate, in this Report of the Directors.

- Size of KSE Gratuity Fund is Rs. 82.8 million based on unaudited accounts for the year ended June 30, 2008.
- Key operating and financial data of last 6 years has been included in this annual report.

AUDITORS

M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants have completed their assignment and retired. Being eligible, they have offered themselves for reappointment. The Audit Committee recommends the reappointment of M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants as auditors for the financial year ending on June 30, 2009.

KSE FUTURE OUTLOOK

Despite the current political scenario and major challenges being faced by the economy which enable only a moderate growth rate, KSE remains confident of a reasonably satisfactory performance under the circumstances.

For the next year, the slowdown in economic activity is expected to depress trading volumes and therefore reduce KSE's core revenues. However, KSE expects revenues from other sources to partially make up for this drop in core revenues. The establishment of a Business Development and Marketing Department and the Treasury Department within Finance is expected to reduce the adverse effect of this fall in core revenues on overall profitability.

Additionally, with the Corporatization and Demutualization process underway, the KSE expects that the introduction of a strategic investor will fast-track the introduction of new products to the market.

ACKNOWLEDGEMENT

The Board wishes to express its gratitude to KSE members and other stakeholders for their continued commitment and support to the KSE and the Capital Markets. The Board is also grateful to the Securities and Exchange Commission of Pakistan for its active support and guidance to the KSE at all times.

The Board would like to thank all Committee members and employees of the KSE in providing their guidance and support. The Board acknowledges and appreciates the professional expertise, diligence and dedication of all KSE staff members who were instrumental in achieving the desired milestones both at the financial and operational level.

For and on behalf of the Board of Directors

Sd/-

KAMRAN Y. MIRZA
Chairman

Sd/-

ADNAN AFRIDI
Managing Director

Karachi:
Dated: September 25, 2008

FINANCIAL HIGHLIGHTS



If you must work for money, find a way to work and be happy. That is financial intelligence.

“The type of coins issued changed under the coinage reform of Diocletian, the heavily debased antoninianus (double denarius) was replaced with a variety of new denominations, and a new range of imagery was introduced that attempted to convey different ideas. When introduced, the denarius contained nearly pure silver at a theoretical weight of approximately 4.5 grams, although the denarius remained the backbone of the Roman economy from its introduction in 211 BC until it ceased to be normally minted in the middle of the third century, the purity and weight of the coin slowly, but inexorably decreased.”

FINANCIAL HIGHLIGHTS

FOR THE PAST SIX YEARS

In Rs. '000

	2008	2007	2006	2005	2004	2003
BALANCE SHEET						
Reserves	2,739,397	2,071,073	1,565,195	950,582	337,050	82,487
Long Term Liabilities	268,757	611,706	520,139	677,967	757,243	610,230
Current Liabilities	5,994,339	9,353,375	2,763,998	2,384,159	1,526,012	973,138
Total Liabilities	9,002,493	12,036,154	4,849,332	4,012,708	2,620,305	1,665,855
Fixed Assets	271,533	217,687	248,455	257,892	223,005	167,299
Other Long term Assets	823,023	649,272	507,969	368,062	116,621	107,809
Current Assets	7,907,937	11,169,195	4,092,908	3,386,754	2,280,679	1,390,747
Total Assets	9,002,493	12,036,154	4,849,332	4,012,708	2,620,305	1,665,855
OPERATIONAL RESULTS						
Total Income	1,715,617	1,191,533	1,181,927	977,405	546,798	310,252
Total Expenses	715,472	506,371	313,195	267,373	236,069	225,419
Profit Before Tax	1,000,145	685,162	868,732	710,032	310,729	84,833
Profit after Tax	771,728	507,721	603,022	500,574	189,563	57,321
RATIOS						
Current Ratio	1.32	1.19	1.48	1.42	1.49	1.43
Quick Ratio	1.29	1.17	1.44	1.38	1.45	1.36
Net Profit Margin	45%	43%	51%	51%	35%	18%
Expenses as a percentage of revenue	42%	42%	26%	27%	43%	73%
Profit before tax as a percentage of revenue	58%	58%	74%	73%	57%	27%

EVENTS



The events in our lives happen in a sequence of time.

In 1921, cupro-nickel qirsh coins were introduced. In 1929, holed, nickel-brass 1 qirsh and silver 10, 25 and 50 qirsha were introduced. A new coinage was introduced between 1947 and 1948 in denominations of 2, 5, 10, 25 and 50 qirsha and 1 pound, with the 2, 5 and 10 qirsh struck in cupro-nickel and the others in silver. Aluminum-bronze replaced cupro-nickel in 1960, with nickel replacing silver in 1968. In 1996, following high inflation, new coins were introduced in denominations of 1, 2, 5, 10 and 25 pounds, with the 25 pounds a bimetallic coin. In 2003 5, 10, and 25 pound coins were issued, with latent images.



Mr. Adrian Afridi, MD KSE (second from left) on SAFE's Executive Committee meeting



Joint Road Show field with CDC and SECP in London in Collaboration with FTSE in May 2008



MOU signing between Karachi Stock Exchange and ADGM on 17th of February 2008
 From left to right: Dr. S. Qaiser Anis, President of Pakistan Business Council, Abu Dhabi; Mr. Adrian Afridi, Managing Director of KSE; Mr. Tom Healy, Director General of ADGM



Mr. Adrian Afridi awarding Certificate at a course held in collaboration with Institute of Securities Management & Research



US Senator Robert Casey Jr and Consul General Kay Aniske visit KSE



MOU signing between KSE and DFM on 06 March 2008
 From left to right: Dr. S. Qaiser Anis, President of Pakistan Business Council, Abu Dhabi; Mr. Ezza Kazim, Chairman of DFM; Mr. Adrian Afridi, Managing Director of KSE; Mr. Abdul Hameed Chaudry, Consul General of Dubai



60th Annual General Meeting in progress with Chairman Shaukat Tawi in the Chair



American Ambassador's visit to KSE
Mr. Shahzad Chaudhry, Mr. Adnan Afridi, Mr. Haroon Askari, Ms. Anne W. Patterson

FINANCIALS



Last but not the least.

“Coins were invented in Lydia-Ionia, possibly in Ephesus, in about 650-600 BCE. An important source of the metal used in these coins was the river Pactolus close to Sardis where there were alluvial deposits of gold mixed with as much as 40% silver and some copper; such a gold-silver mix is called electrum. The earliest coins were made of electrum with a standardized 55% gold, 45% silver and 1-2% copper concentration and had either no design or some apparently random surface striations on one side and a punch impression on the other.”

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED as at 30 June 2008 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 the accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and 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 30 June 2008 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 may arise from such matters has been made in the financial statements.

Karachi -
25 September 2008

Sd/-
Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

ASSETS	Note	June 30, 2008	June 30, 2007
(Rupees in '000)			
NON-CURRENT ASSETS			
Property, plant and equipment	4	228,182	201,114
Intangible assets	5	35,549	8,360
Investment property	6	7,802	8,213
Investment in associates	7	746,376	581,759
Long term investments	8	24,591	24,591
Long term deposits	9	3,297	3,294
Long term loans	10	34,488	33,714
Deferred taxation	11	14,271	5,914
		1,094,556	866,959
CURRENT ASSETS			
Accounts receivable	12	15,450	14,939
Loans and advances	13	13,674	10,542
Deposits, prepayments and other receivables	14	156,480	169,898
Short term investments	15	1,500,700	1,401,167
Taxation - net	16	47,719	54,257
Cash and bank balances	17	6,173,914	9,518,392
		7,907,937	11,169,195
TOTAL ASSETS		9,002,493	12,036,154
FUNDS, RESERVES AND LIABILITIES			
FUNDS			
General Entrance Fee Fund		140,295	140,295
Dara F. Dastoor Scholarship Fund	18	2,202	2,193
		142,497	142,488
RESERVES			
	19	2,739,397	2,071,073
		2,881,894	2,213,561
NON-CURRENT LIABILITIES			
Deferred liability – Agent Welfare Fund		721	450
Payable to Clearing House Protection Fund	20	-	357,387
Long term deposits	21	125,539	111,381
		126,260	469,218
CURRENT LIABILITIES			
Provision for wealth tax	22	1,684	1,684
Deposits, accrued and other liabilities	23	5,992,655	9,351,691
		5,994,339	9,353,375
CONTINGENCIES AND COMMITMENTS			
	24		
TOTAL FUNDS, RESERVES AND LIABILITIES		9,002,493	12,036,154

The annexed notes 1 to 42 form an integral part of these financial statements.

Sd/-

Chairman

Sd/-

Managing Director

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007
(Rupees in '000)			
INCOME			
Income from listing	25	109,560	119,386
Income from operations	26	690,270	548,167
Mark-up / interest income	27	596,718	356,165
		1,396,548	1,023,718
EXPENDITURE			
Administrative expenses	28	528,382	424,426
Financial charges	29	187,090	81,945
		715,472	506,371
		681,076	517,347
OTHER INCOME	30	30,183	29,366
GAIN ON DERECOGNITION OF FIXED ASSETS - NET	31	68,345	-
SHARE OF PROFIT OF ASSOCIATES	32	220,541	138,449
INCOME BEFORE TAXATION		1,000,145	685,162
Taxation	33	228,417	177,441
NET INCOME FOR THE YEAR		771,728	507,721
Unappropriated income brought forward		1,777,387	1,269,666
UNAPPROPRIATED INCOME CARRIED FORWARD		2,549,115	1,777,387

The annexed notes 1 to 42 form an integral part of these financial statements.

Sd/-

Chairman

Sd/-

Managing Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

	June 30, 2008	June 30, 2007
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxation	1,000,145	685,162
Adjustments for non-cash charges and other items		
Depreciation		
- fixed assets	76,117	118,133
- investment property	411	432
Amortisation of intangible assets	8,010	8,306
Provision for gratuity	39,799	6,843
Dividend on long term investments	(125)	(125)
Tangible assets written off	3,356	-
Return on investment and bank deposits	(508,204)	(356,165)
Reversal of provision against receivables on recovery	(700)	-
Liability no longer considered payable, written back	-	(1,000)
Gain on derecognition of assets to members	(68,345)	-
Share of profit of associates	(220,541)	(138,449)
Gain on disposal of fixed assets	(274)	(615)
	(670,496)	(362,640)
Operating income before working capital changes	329,649	322,522
MOVEMENT IN WORKING CAPITAL		
Increase in current assets		
Accounts receivable	(511)	(10,472)
Loans and advances	(3,132)	(1,552)
Deposits, prepayments and other receivables	(5,933)	(6,009)
	(9,576)	(18,033)
(Decrease) / Increase in current liabilities		
Deposits, accrued and other liabilities	(3,233,507)	6,673,192
Cash (used in) / generated from operations	(2,913,434)	6,977,681
Income tax paid	(230,236)	(332,258)
Gratuity paid	(2,682)	(1,191)
Increase in deferred liability	271	122
Increase in long term deposits	14,158	63,687
Return received on bank deposits	527,555	282,944
	309,066	13,304
Net cash flows from operating activities	(2,604,368)	6,990,985
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(122,853)	(107,268)
Capital work-in-progress	(42,035)	6,132
Proceeds from sale of fixed assets	5,923	6,895
Dividend received	39,189	29,413
Increase in long term loans	(774)	(5,974)
Increase in long term deposits	(3)	-
Investments made during the year	-	(22,090)
Net cash outflow from investing activities	(120,553)	(92,892)
balance c/f.	(2,724,921)	6,898,093

	June 30, 2008	June 30, 2007
	(Rupees in '000)	
balance b/f.	(2,724,921)	6,898,093
CASH FLOWS FROM FINANCING ACTIVITIES		
Clearing House Protection Fund	(357,387)	32,889
Investors Protection Fund	(162,646)	-
Increase in Dara F. Dastoor Scholarship Fund	9	961
Net cash flows from financing activities	(520,024)	33,850
Net (decrease) / increase in cash and cash equivalents	(3,244,945)	6,931,943
Cash and cash equivalents at the beginning of the year	10,919,559	3,987,616
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7,674,614	10,919,559

The annexed notes 1 to 42 form an integral part of these financial statements.

Sd/-

Chairman

Sd/-

Managing Director

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. STATEMENT OF COMPLIANCE

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

3.2 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:

- determining the residual values and useful lives of property and equipment (Note 3.4);
- classification of investments (Note 3.8);
- provisions (Note 3.12);
- recognition of taxation and deferred tax (Note 3.14);
- accounting for post employment benefits (Note 3.15 & 3.16); and
- impairment of financial assets (Note 3.18)

3.3 Accounting standards not yet effective

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3 - Business Combinations (Revised)	January 01, 2009
IFRS 7 - Financial Instruments: Disclosure	July 01, 2008
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 12 - Service Concession Arrangements	January 01, 2009
IFRIC 13 - Customer Loyalty Programs	July 01, 2008
IFRIC 14 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2008

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and enhancements in the presentation and disclosures in the financial statements.

3.4 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, except for "Computers and related accessories" which are depreciated using straight-line method, after taking into account residual value. 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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, 2008 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.

3.9 Accounts and other receivables

These are recognized 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.

3.10 Loans, advances and deposits

These are stated at cost.

3.11 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.

3.12 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.

3.13 Revenue recognition

Income from initial listing fee is recognised when the securities are initially listed on the ready board. Income from annual listing fee is recognised on an accrual basis.

Income in respect of trading by members in ready and futures is recognised when the transactions take place as per trade date accounting practices.

Income in respect of trading by members in CFS is recognised when the financing is settled.

Rental income, facilities and equipment fees and membership fees are recognised on accrual basis while other fees are recognised when received.

Investments purchased at premium or discount, are amortized through the 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.

3.14 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.

3.15 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, 2008, using the Projected Unit Credit Method for valuation of the scheme.

3.16 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.

3.17 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.

3.18 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 recognized in the profit and loss account.

3.19 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.

3.20 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.

3.21 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.

3.22 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.

		June 30, 2008	June 30, 2007
4. PROPERTY, PLANT AND EQUIPMENT	Note	(Rupees in '000)	
Operating fixed assets	4.1	177,396	192,842
Capital work-in-progress	4.2	50,786	8,272
		<u>228,182</u>	<u>201,114</u>

4.1 Operating fixed assets

June 30, 2008	COST						ACCUMULATED DEPRECIATION / AMORTIZATION			WRITTEN DOWN VALUE	
	Note	As at July 01, 2007	Additions	(Disposals) / (Written off)*	As at June 30, 2008	Rate / Period	As at July 01, 2007	For the year	(On Disposals) / (On Write offs)*	As at June 30, 2008	As at June 30, 2008
		Rs. in '000'			%	Rs. in '000'					
Leasehold land	4.1.1	151	-	(43)	108	99 yrs	87	2	(24)	65	43
Building on leasehold land	4.1.1 & 4.1.3	98,809	204	(29,143)	69,870	5	32,173	3,334	(10,958)	24,549	45,321
Lift, generators and electric installation	4.1.3	68,286	241	-	68,527	25	53,048	3,826	-	56,874	11,653
Furniture and fixtures	4.1.2	35,954	6,118	(369)	39,603	20	25,236	2,860	(254)	26,434	13,169
Office equipment	4.1.2	26,421	898	(5,364)*	21,955	20	16,295	2,109	(3,920)*	14,484	7,471
Computers and related accessories	4.1.2 & 4.1.3	330,219	61,728	(21)	382,578	33.33	269,701	57,067	(12)	318,307	64,271
Vehicles	4.1.2	46,118	18,465	(9,348)*	54,063	20	16,576	6,919	(4,771)	18,595	35,468
		605,958	87,654	(39,646)	636,704		413,116	76,117	(16,019)	459,308	177,396
				(17,262)*					(13,906)*		

June 30, 2007	COST						ACCUMULATED DEPRECIATION / AMORTIZATION			WRITTEN DOWN VALUE	
	Note	As at July 01, 2006	Additions / Transfers during the year*	(Disposals)	As at June 30, 2007	Rate / Period	As at July 01, 2006	For the year	(On transfers) / (On Disposals)	As at June 30, 2007	As at June 30, 2007
		Rs. in '000'			%	Rs. in '000'					
Leasehold land		151	-	-	151	99 yrs	85	2	-	87	64
Building on leasehold land		95,026	517	-	98,809	5	27,428	3,498	1,247*	32,173	66,636
Lift, generators and electric installation		62,734	5,552	-	68,286	25	48,975	4,073	-	53,048	15,238
Furniture and fixtures		32,969	2,985	-	35,954	20	23,053	2,183	-	25,236	10,718
Office equipment		23,471	2,950	-	26,421	20	14,106	2,189	-	16,295	10,126
Computers and related accessories		269,640	77,324	(16,745)	330,219	33.33	186,265	100,181	(16,745)	269,701	60,518
Vehicles		41,717	14,154	(9,753)	46,118	20	15,289	6,007	(4,720)	16,576	29,542
		525,708	3,266*	(26,498)	605,958		315,201	118,133	1,247*	413,116	192,842
			103,482						(21,465)		

4.1.1 As stated in note 31, a portion of leasehold land and building thereon was derecognised during the year having a written down value of Rs.18.204 million.

4.1.2 As a result of a comprehensive exercise in respect of physical verification of assets carried out during the current year, the Company wrote off missing assets having a written down value of Rs.3.356 million.

4.1.3 Included in additions during the year are the following amounts transferred from capital work-in-progress:

	June 30, 2008 (Rupees in '000)	June 30, 2007 (Rupees in '000)
Building on leasehold land	25	-
Lift, generators and electric installation	150	3,506
Computers and related accessories	3,496	8,197
Vehicles	-	560
	<u>3,671</u>	<u>12,263</u>

4.2 Capital work-in-progress

Tangible

	June 30, 2008 Rs. in '000'	Additions / (Transfers) / (Write offs)* Rs. in '000'	June 30, 2007 Rs. in '000'
Civil works	9,801	7,980 (25)	1,846
Lift, generators and electric installation	-	(150)	150
Advances to suppliers in respect of: - computers and related accessories	37,525	37,525 (3,496)	3,496
- vehicles	670	670	-

Intangible

	June 30, 2008 Rs. in '000'	Additions / (Transfers) / (Write offs)* Rs. in '000'	June 30, 2007 Rs. in '000'
Internally developed software	2,790	6,158 (5,148)	1,780
Computer software	10,150	-	11,150
	<u>60,936</u>	<u>(1,000)*</u>	<u>18,422</u>
		(8,819)	
		(1,000)*	
Provision for impairment	(10,150)	-	(10,150)
	<u>50,786</u>	<u>52,333</u>	<u>8,272</u>
		(8,819)	
		(1,000)*	

5. INTANGIBLE ASSETS

	C O S T		ACCUMULATED AMORTISATION		WRITTEN DOWN VALUE	
	As at July 01, 2007	As at June 30, 2008	As at July 01, 2007	As at June 30, 2008	As at July 01, 2007	As at June 30, 2008
	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'
Computer software	25,264	30,051	21,079	26,074	29,241	29,241
Internally developed software	6,937	5,148	2,762	3,015	6,308	6,308
	<u>32,201</u>	<u>35,199</u>	<u>23,841</u>	<u>31,851</u>	<u>35,549</u>	<u>35,549</u>
	Rate	Rate	Rate	Rate	Rate	Rate
	%	%	%	%	%	%
Computer software	25	25	25	25	25	25
Internally developed software	25	25	25	25	25	25

June 30, 2008

Computer software

Internally developed software

June 30, 2007

Computer software

Internally developed software

	C O S T		ACCUMULATED AMORTISATION		WRITTEN DOWN VALUE	
	As at July 01, 2006	As at June 30, 2007	As at July 01, 2006	As at June 30, 2007	As at July 01, 2006	As at June 30, 2007
	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'
Computer software	24,880	384	13,232	21,079	4,185	4,185
Internally developed software	3,535	3,402	2,303	2,762	4,175	4,175
	<u>28,415</u>	<u>3,786</u>	<u>15,535</u>	<u>23,841</u>	<u>8,360</u>	<u>8,360</u>
	Rate	Rate	Rate	Rate	Rate	Rate
	%	%	%	%	%	%
Computer software	25	25	25	25	25	25
Internally developed software	25	25	25	25	25	25

		June 30, 2008	June 30, 2007
	Note	(Rupees in '000)	
8. LONG TERM INVESTMENTS			
Available for sale - unquoted			
JCR VIS Credit Rating Company Limited, a related party		2,500	2,500
250,000 (2007: 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.18.97 (2007: Rs.19.98) based on the unaudited accounts available for the year ended June 30, 2008.			
National Commodity Exchange Limited (NCEL), a related party	8.1	22,091	22,091
3,636,356 (2007: 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 Nil (2007: Rs.0.85) based on the unaudited accounts available for the year ended June 30, 2008.			
		<u>24,591</u>	<u>24,591</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. However, the said agreement expired in March 2008. The management of the Company believes that although the Company holds 36.36% shares in NCEL, however, it does not have any significant influence over the NCEL. Further, the Company intends to dispose of 18.86% shares of the NCEL in the near future.

9. LONG TERM DEPOSITS

Utilities		1,918	1,915
Others		1,379	1,379
		<u>3,297</u>	<u>3,294</u>

10. LONG TERM LOANS

Considered good Loans

Employees			
Secured	10.1	43,826	42,251
Unsecured	10.2	1,383	1,114
		45,209	43,365
Recoverable within one year shown under current assets	13	(10,721)	(9,651)
		<u>34,488</u>	<u>33,714</u>
Loans outstanding for periods exceeding three years		17,395	17,547
Others		17,093	16,167
		<u>34,488</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 (2007: 2 and 6) years and are interest free. These loans have not been discounted to their present value as it is impracticable to do so.

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 (2007: 4) years and are interest free.

11. DEFERRED TAXATION

Deferred tax debits arising from:

	June 30, 2008	June 30, 2007
Note	(Rupees in '000)	
Provision for debts considered doubtful	11,358	11,603
Differences between written down values and tax bases of assets	2,913	-

Deferred tax credit arising from:

Differences between written down values and tax bases of assets	-	(5,689)
	<u>14,271</u>	<u>5,914</u>

12. ACCOUNTS RECEIVABLE

Unsecured

Considered good

Due from members	12.1	2,405	8,756
Due from companies		13,045	6,183
		15,450	14,939

Considered doubtful

Due from companies		32,452	33,152
		<u>47,902</u>	<u>48,091</u>
Provision for receivable considered doubtful		(32,452)	(33,152)
		<u>15,450</u>	<u>14,939</u>

12.1 Included herein is a sum of Rs.0.095 (2007:Rs.1.983) million due from related parties.

12.2 During the year, a sum of Rs.0.700 million was recovered against amount due from companies considered doubtful (note 30).

13. LOANS AND ADVANCES

Considered good

Loans

Current portion of long term loans to employee	10	10,721	9,651
--	----	--------	-------

Advances

Employees		342	91
Suppliers		2,611	800
		2,953	891
		<u>13,674</u>	<u>10,542</u>

	Note	June 30, 2008 (Rupees in '000)	June 30, 2007
14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits			
Earnest money	14.1	33,819	33,819
Prepayments			
Insurance		790	948
Others		21,564	5,487
		<u>22,354</u>	<u>6,435</u>
Other receivables			
Due from members	14.2	4,800	4,096
Interest / profit accrued on PLS savings accounts		81,832	101,183
Rent receivable		-	14,246
Due from an ex-member	14.3	6,574	6,574
Insurance claim receivable		1,035	-
Miscellaneous		6,066	3,545
		<u>156,480</u>	<u>169,898</u>

14.1 This includes 10% of the bid amount, amounting to Rs.32,999 (2007: 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 (2007: 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. 22,590 (2007: Rs.30,917) million.

	Note	June 30, 2008 (Rupees in '000)	June 30, 2007
15. SHORT TERM INVESTMENTS			
Held to maturity			
Term Deposit Certificates		<u>1,500,700</u>	<u>1,401,167</u>
15.1 These represents TDRs (having a face value of Rs.1,500 million, including interest accrued thereon of Rs.0.700 million) placed with commercial banks on a short term basis. Rate of return on Term Deposit Certificates issued by various banks range from 11.25 % to 14.5 % per annum due on maturity. These will mature latest by September 30, 2008.			
16. TAXATION - net			
Advance tax paid		284,493	242,791
Provision for taxation		<u>(236,774)</u>	<u>(188,534)</u>
		<u>47,719</u>	<u>54,257</u>
17. CASH AND BANK BALANCES			
In hand			
		7	22
With banks on:			
Current accounts	17.1 & 17.3	4,328	26,359
PLS savings accounts in:			
foreign currency		72	201
local currency	17.1, 17.2 & 17.3	<u>6,169,507</u>	<u>9,491,810</u>
		<u>6,173,914</u>	<u>9,518,392</u>
17.1 Included in 'Current accounts' and 'PLS Savings accounts' are Rs.1,773 (2007: Rs.2,774) million and Rs.5,657,415 (2007: Rs.8,927,590) million, respectively, aggregating to Rs.5,659,188 (2007: Rs.8,930,364) 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.2,202 (2007: Rs.2,193) million (refer note 18).			
17.3 Included herein are balances, aggregating to Rs.41,443 (2007: Rs.64,928) million, deposited with the Company by members and an ex-member with respect to certain arbitration cases pending settlement.			
18. DARA F. DASTOOR SCHOLARSHIP FUND			
Opening balance		2,193	1,645
Contribution during the year		-	600
Profit on bank deposits during the current year	18.1	176	136
		<u>2,369</u>	<u>2,381</u>
Scholarships awarded during the year			
		<u>(167)</u>	<u>(188)</u>
		<u>2,202</u>	<u>2,193</u>
18.1 This represents profit on bank deposits of Rs.2,202 (2007:Rs.1,700) million @ 8.00% (2007: 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.			

	Note	June 30, 2008 (Rupees in '000)	June 30, 2007
19. RESERVES			
Capital reserve			
Capital receipts	19.1	61,836	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		2,549,115	1,777,387
		<u>2,670,146</u>	<u>1,898,418</u>
Share of Associates' reserves			
Central Depository Company of Pakistan Limited			
Actuarial loss in respect of the defined benefit plan		(1,113)	(1,113)
Surplus on revaluation of available for sale investments		8,186	23,134
		<u>7,073</u>	<u>22,021</u>
National Clearing Company of Pakistan Limited			
Surplus on revaluation of available for sale investments		342	2,249
		<u>2,739,397</u>	<u>2,071,073</u>

19.1 This represents non-refundable deposits received by the Company from the "Licencees" for the office space in accordance with the "Leave and License Agreement" the Company had signed therewith (also see note 31).

20. PAYABLE TO CLEARING HOUSE PROTECTION FUND

This represented 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.25.794 (2007: Rs.32.387) million, net of taxes, amounting to Rs.140.444 (2007: 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.

During the year, in accordance with the decision of the Board of Directors of the Company in their meeting held on March 10, 2008, the Company paid the balance, appearing in the books as of April 23, 2008, amounting to Rs.383.180 million, to the CHPF.

21. LONG TERM DEPOSITS

Clearing house deposits from members	121,191	107,341
Other security deposits	4,348	4,040
	<u>125,539</u>	<u>111,381</u>

	Note	June 30, 2008 (Rupees in '000)	June 30, 2007
22. PROVISION FOR WEALTH TAX			
		<u>1,684</u>	<u>1,684</u>
Included herein are (a) a sum of Rs.0.500 (2007: 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 (2007: 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 (2007: Rs.19.184) million (note 24.10).			

23. DEPOSITS, ACCRUED AND OTHER LIABILITIES

Deposits

From members against:			
exposures and losses	23.1	5,659,188	8,930,364
trading in provisionally listed securities		21,104	11,304
arbitration	23.2	41,443	43,428
		<u>5,721,735</u>	<u>8,985,096</u>
From an ex-member against arbitration	23.3	-	21,500
		<u>5,721,735</u>	<u>9,006,596</u>

Accrued liabilities

Accrued expenses		119,245	65,962
		<u>5,840,980</u>	<u>9,072,558</u>

Other liabilities

Retention money		1,203	885
Payable to Investors Protection Fund	23.4	-	162,646
Fees received in advance		31,028	19,835
Amount received in respect of employees' car and motorcycle installments		5,465	4,651
Employees' Gratuity Fund	23.5	49,260	12,143
Tax deducted at source		3	18,324
Interest on Clearing House Protection Fund		-	6,372
SECP transaction fee		9,058	6,736
Payable against Relief Fund		-	1,736
Payable to members against return on cash margins on future contracts	28.1	43,098	42,716
Others		12,560	3,089
		<u>151,675</u>	<u>279,133</u>
		<u>5,992,655</u>	<u>9,351,691</u>

23.1 In addition to the amount deposited by members against their exposures and losses, the members have also pledged their shares, amounting to Rs.18,563.383 (2007: Rs.34,376.567) 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 represented amount held by the Company on behalf of an ex-member against a full and final settlement between the ex-member and a bank. During the current year, the plea bargain of the ex-member was accepted by the competent authority and the said amount was transferred to them.

23.4 This represented 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 had 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.

During the year, in accordance with the decision of the Board of Directors of the Company in their meeting held on April 12, 2007 paid the balance appearing in the books, amounting to Rs.162.646 million, to the IPF.

	June 30, 2008	June 30, 2007
	(Rupees in '000)	
23.5 Employees' Gratuity Fund	49,260	12,143
23.5.1 Principal actuarial assumptions		
Significant actuarial assumptions used in the valuation are as follows		
	2008	2007
	Per annum	
Discount rate	12%	10%
Increase in salaries	12%	10%
Expected return on plan assets	12%	10%
23.5.2 Liability recognised in the balance sheet:		
Present value of obligation	100,052	61,569
Fair value of Plan Assets	(35,933)	(35,099)
	<u>64,119</u>	<u>26,470</u>
Unrecognised actuarial loss	(14,859)	(14,327)
	<u>49,260</u>	<u>12,143</u>
23.5.3 Expense recognised in Income and Expenditure Account:		
Current Service Cost	6,701	4,024
Interest Cost	8,868	5,617
Actuarial loss recognised during the year	628	670
Expected Return on Plan Assets	(3,510)	(3,468)
Past Service Cost - Vested	27,112	-
	<u>39,799</u>	<u>6,843</u>

	Note	June 30, 2008	June 30, 2007
		(Rupees in '000)	
23.5.4 Movement in the liability recognised in the balance sheet:			
Opening balance		12,143	6,491
Charge for the year	28.1	39,799	6,843
Benefits paid		(2,682)	(1,191)
		<u>49,260</u>	<u>12,143</u>
23.5.5 Actual return on plan assets		<u>3,644</u>	<u>3,286</u>

23.5.6 The expected return on plan assets was determined by considering the market expectations and depends upon the assets portfolio of the Fund, at the beginning of the year, for returns over the entire life of the related obligation.

24. CONTINGENCIES AND COMMITMENTS

Contingencies:

24.1 The income tax assessments of the Company have been finalized up to and including the tax year 2007, corresponding to the income year ended June 30, 2007. 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.

24.2 During the year ended June 30, 1997, a lawsuit was filed by a commercial bank against the Company for the recovery of Rs.500.00 (2007: 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 lawsuit.

24.3 During the year ended June 30, 1997, a lawsuit was filed by five investors against the Company and an ex-member for declaration, injunction and recovery of damages, aggregating to Rs.70.00 (2007: Rs.70.00) million together with interest thereon @ 22% (2007: 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 petitioners that were lying with the above-mentioned ex-member. The Company considers the said lawsuit 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.

24.4 The Company has been named as a defendant in a lawsuit filed by an investor in the Honorable 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 (2007: 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 lawsuit.

24.5 An ex-member filed a lawsuit during the year ended June 30, 2000 against the Company, Central Depository Company and the Securities and Exchange Commission of Pakistan (SECP), in the Honorable High Court of Sindh, for cancelling his membership and declaring him as a defaulter. He further claimed damages of Rs.300 (2007: Rs.300) 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 (2007: Rs.351.392) million. A sum of Rs. 302.882 (2007: Rs. 302.882) million [including receivables amounting to Rs.6.574 (2007: 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 (2007: Rs.48.509) million from the Clearing House Protection Fund, which is still due from him. The ex-member had also filed a constitutional 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 lawsuit. Accordingly, no provision has been made by the Company in the financial statements for any liability that may arise as a result of this lawsuit (note 14.3).

24.6 A fund management and investment Company filed a lawsuit in the Honorable 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 (2007: 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 lawsuit (note 14.3).

24.7 In addition to the lawsuits, as disclosed above, five (2007: 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 (2007: Rs.5,606.612) million, Rs.428.440 (2007: Rs.428.440) million, Rs.49.777 (2007: Rs.49.777) million, Rs.743.026 (2007: Rs.743.026) million and Rs.23.419 (2007: Rs.23.419) million, respectively, for declaration, injunction, recovery of shares, damages and compensation. The legal advisor of the Company considers that above mentioned lawsuits would be decided in favour of the Company. Hence, no provision has been made in the financial statements for any liabilities that may arise as a result of these lawsuits (note 14.3).

24.8 During the current year, the Islamabad Stock Exchange (Guarantee) Limited filed a complaint with the Competition Commission of Pakistan against the Company alleging abuse of its dominant position in securities market in contravention of Section 3 of the Competition Ordinance, 2007. The Commission after giving due consideration issued a

show cause notice to the Company, against which the Company filed a petition in the Honorable High Court of Sindh. The Court allowed the Commission to proceed further but restrained it from passing any final order. The Islamabad Stock Exchange filed two separate civil petitions for leave to appeal against orders of the Honorable High Court of Sindh in the Supreme Court of Pakistan. As per the legal advisor of the Company, the Company has a reasonable case in respect of the above. Hence, no provision for any liability which may arise in this regard has been made in the financial statements of the Company.

24.9 In addition to the law suits disclosed above, certain other law suits have been filed against the Company. These comprise (a) four (2007: three) law suits, involving an aggregate sum of Rs.40.028 (2007: 11.314) million, and (b) eight (2007: five) law suits having no financial effect on the Company. No provision has been made in the financial statements for any liability that may arise as a result of these lawsuits.

24.10 Contingency relating to wealth tax amounts to Rs.19.184 (2007: 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 24.1 to 24.10 above, aggregated to Rs.8,335.510 (2007: Rs.8,306.796) million at the end of the current year.

Commitments

24.11 Capital expenditure

Aggregate commitments for capital expenditure at the end of the year were Rs.27.225 (2007: Rs.12.531) million.

24.12 Others

Commitment for professional charges in respect of various services at the end of the year amounted to Rs.7.379 (2007: 22.500) million.

	June 30, 2008	June 30, 2007
	(Rupees in '000)	
25. INCOME FROM LISTING		
Annual fees	25,060	25,410
Initial fees	84,500	93,976
	<u>109,560</u>	<u>119,386</u>
26. INCOME FROM OPERATIONS		
Trading fees	610,663	492,052
Facilities and equipment fees	66,029	39,369
Membership fees	2,120	2,460
Other fees	11,458	14,286
	<u>690,270</u>	<u>548,167</u>
27. MARK-UP / INTEREST INCOME		
Return on:		
short term investments	88,514	61,948
PLS savings accounts	508,204	294,217
	<u>596,718</u>	<u>356,165</u>

	Note	June 30, 2008	June 30, 2007
(Rupees in '000)			
28. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	28.1	255,995	161,134
Property tax		1,294	1,294
Fuel and power		22,382	18,631
Repairs and maintenance		12,497	13,949
Vehicle running and maintenance expenses		13,808	10,785
Computer maintenance and related expenses		34,965	27,730
Insurance		6,458	6,568
Telephone, courier and postage		3,787	3,645
Printing and stationery		8,718	8,651
Donations	28.2	3,650	-
Audit fee		400	400
Legal and professional charges	28.3	51,004	27,977
Depreciation			
- operating fixed assets	4	76,117	118,133
- investment property	6	411	432
Amortisation of intangible assets	5	8,010	8,306
Fixed assets written off	4	3,356	-
Travelling and conveyance		6,564	2,190
Entertainment expenses		2,798	2,332
Reception meetings and functions		1,600	2,344
Advertisements		4,674	1,954
Security expenses		5,096	4,270
Subscription fee		4,314	3,115
Miscellaneous		484	586
		<u>528,382</u>	<u>424,426</u>

28.1 Included herein is a sum of Rs.39,799 (2007: Rs.6,843) million and Rs.13,561 (2007: Rs.8,346) million in respect of retirement benefits and compensated absences, respectively.

28.2 Included herein is a sum of Rs.2,500 (2007: Nil) million paid in respect of rehabilitation / reconstruction of I.I.Chundrigar Road.

28.3 Included herein is a sum of Rs.22,500 (2007: Rs.22,500) million 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.

29. FINANCIAL CHARGES

Bank charges		127	112
Exchange loss		5,976	
Return on Cash Margin against future contracts	29.1	180,987	81,833
		<u>187,090</u>	<u>81,945</u>

29.1 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 3.58% and 8.13% (2007: 0.74% and 8%) per annum, after deducting 1% service charges, as per the Directive issued by the Securities and Exchange Commission of Pakistan.

30. OTHER INCOME

	June 30, 2008	June 30, 2007
(Rupees in '000)		
Gain on sale of fixed assets	274	615
Dividend on long term investment	125	125
Liability no longer considered payable, written back	-	1,000
Reversal of provision against receivables on recovery	700	-
Rental income from investment property	29,084	27,626
	<u>30,183</u>	<u>29,366</u>

31. GAIN ON DERECOGNITION OF ASSETS TO MEMBERS

During the year, the Company in its Extraordinary General Meeting of members held on December 06, 2007 adopted the ordinary resolution passed by its Board of Directors in their meeting held on November 22, 2005 in which it was decided to grant subleases of offices premises in new building to the registered Member and Non-member licensees. The said arrangement has also been intimated to Securities & Exchange Commission of Pakistan by the Company vide its letter dated December 07, 2007. As a consequence of aforesaid decision, the ownership of 228 rooms out of total 326 rooms has been transferred through execution of subleases in their respective names upto June 30, 2008.

Previously, receipts from members with respect to their Leave & License agreements were shown as part of capital receipts under 'Capital Reserves' in the Balance Sheet. As a result of the above decision, the said receipts have been realised and offset against the written down value of the premises to the extent of the number of rooms sub-leased upto the balance sheet date as under:

	Note	Rs. in '000
Capital receipts relating to 228 rooms realised		86,549
Less: Written down value of the related office space as at June 30, 2008	4.1.1	18,204
		<u>68,345</u>

32. SHARE OF PROFIT OF ASSOCIATES

Associate	Percentage of shareholding %	2 0 0 8	
		Associates' profit after tax (Rupees in '000)	Share of associates' profit after tax
Un-listed			
Central Depository Company of Pakistan Limited	39.81	397,875	158,386
National Clearing Company of Pakistan Limited	47.06	131,201	62,155
		<u>529,076</u>	<u>220,541</u>

Associate	Percentage of shareholding %	2 0 0 7	
		Associates' profit after tax (Rupees in '000)	Share of associates' profit after tax
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>

33. TAXATION

	Note	June 30, 2008 (Rupees in '000)	June 30, 2007
Current		236,774	188,534
Deferred		(8,357)	(11,093)
		<u>228,417</u>	<u>177,441</u>

33.1 Relationship between income tax expense and accounting profit

Income before taxation	<u>1,000,145</u>	<u>685,162</u>
Tax at the applicable rate of 35% (2007: 35%)	350,051	239,807
Tax effect of expenses that are admissible / inadmissible in determining taxable profit	(101,115)	(39,533)
Tax effect of Receipts from members not being real income based on doctrine of mutuality	(16,081)	(13,211)
Tax effect of Receipts taxed as separate block of income	3,919	1,471
	<u>236,774</u>	<u>188,534</u>
Tax effect of temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for taxation purposes	(8,357)	(11,093)
Tax charge for the year	<u>228,417</u>	<u>177,441</u>

34. CASH AND CASH EQUIVALENTS

Short term investments	15	1,500,700	1,401,167
Cash and bank balances	17	6,173,914	9,518,392
		<u>7,674,614</u>	<u>10,919,559</u>

35. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

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

June 30, 2008	Chief Executive	Directors	Total
	(Rupees in '000)		
Managerial remuneration	8,000	360	8,360
Bonus	12,500	-	12,500
Reimbursement of expenses	1,495	176	1,671
Fees	-	160	160
	<u>21,995</u>	<u>696</u>	<u>22,691</u>

No. of persons 1 See note 35.1

June 30, 2007	Chief Executive	Directors	Total
	(Rupees in '000)		
Managerial remuneration	10,105	372	10,477
Reimbursement of expenses	254	183	437
Fees	-	90	90
	<u>10,359</u>	<u>645</u>	<u>11,004</u>

No. of persons 1 See note 35.1

35.1 The managerial remuneration and reimbursement of expenses are for two (2007: two) directors where as the fees for attending the meetings are for two (2007: two) directors.

36. CAPITAL MANAGEMENT

The Company does not have any share capital nor it has any borrowings, hence, the above disclosure has not been presented in the financial statements.

37. 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, 2008, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2007: 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 State Oil Company Limited
- Abbott Laboratories (Pakistan) Limited
- State Bank of Pakistan
- National Vocational & Technical Education Commission
- Pakistan Textile City Limited
- Dewan Drilling Limited
- OA Enterprises (Private) Limited
- Shehzad Chamdia Securities (Private) Limited
- Alfalah Securities (Private) Limited
- Invest & Finance Securities Limited
- Eastern Capital Limited
- DJM Securities (Private) Limited

Dividend income

- Central Depository Company of Pakistan
- JCR VS Credit Rating Company Limited
- National Clearing Company of Pakistan Limited

June 30,
2008

June 30,
2007

(Rupees in '000)

24,064	23,288
125	125
15,000	6,000
<u>39,189</u>	<u>29,413</u>

Trading fees

- DJM Securities (Private) Limited
- Bagasrawala Securities (Private) Limited
- Shehzad Chamdia Securities (Private) Limited
- Alfalah Securities (Private) Limited
- Hum Securities (Private) Limited
- Invest & Finance Securities Limited
- Eastern Capital Limited

25,396	28,179
-	4,707
11,748	5,858
14,629	4,651
-	4,129
3,821	-
2,197	-
<u>57,791</u>	<u>47,524</u>

IT related services

- DJM Securities (Private) Limited
- Bagasrawala Securities (Private) Limited
- Shehzad Chamdia Securities (Private) Limited
- Alfalah Securities (Private) Limited
- Hum Securities (Private) Limited
- Invest & Finance Securities Limited
- Eastern Capital Limited

794	152
124	287
64	254
481	425
-	823
80	580
269	-
<u>1,812</u>	<u>2,521</u>

Listing fees

- Engro Chemical Pakistan Limited
- Pakistan State Oil Company Limited
- Oil & Gas Development Company Limited
- Abbott Laboratories (Pakistan) Limited

June 30, 2008	June 30, 2007
(Rupees in '000)	
-	312
60	60
60	60
60	-
<u>180</u>	<u>432</u>

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 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:

June 30, 2008

FINANCIAL ASSETS

- Investments
- Cash and bank balances

Effective Yield / mark-up rate	Interest / Mark-up bearing				Total June 30, 2008
	Up to one year	Over one year to five years	Over five years		
%	Rs in '000'				

11.25 - 14.5	1,500,700	-	-	1,500,700
4.58 - 9.6	6,169,579	-	-	6,169,579
	7,670,279	-	-	7,670,279

FINANCIAL LIABILITIES

- Accrued and other liabilities

3.58 - 8.13	3,700,542	-	-	3,700,542
-------------	-----------	---	---	-----------

June 30, 2007

FINANCIAL ASSETS

- Investments
- Cash and bank balances

Effective Yield / mark-up rate	Interest / Mark-up bearing				Total June 30, 2007
	Up to one year	Over one year to five years	Over five years		
%	Rs in '000'				

9.5 - 10.25	1,401,167	-	-	1,401,167
6 - 9	9,492,011	-	-	9,492,011
	10,893,178	-	-	10,893,178

FINANCIAL LIABILITIES

- Accrued and other liabilities

0.74 - 8	4,310,690	-	-	4,310,690
----------	-----------	---	---	-----------

38.2 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.7,759.864 (2007: Rs.10,908.117) million, the financial assets which are subject to credit risk amounted to Rs. 1,561.359 (2007: Rs.1,416.106) million.

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

38.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow 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.

38.4 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, 2008, the total foreign currency risk exposure was Rs.72,000 (2007: Rs.201,000) in respect of bank balances.

38.5 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.

39. DEMUTUALIZATION OF THE COMPANY

Pursuant to the powers conferred on the Securities and Exchange Commission of Pakistan (SECP) through the Securities and Exchange Ordinance, 1969, the SECP has compiled a draft of the Stock Exchanges (Corporatisation, Demutualization and Integration) Rules, 2008 which is currently in the process of being notified. The said Rules will enable the Company to be demutualized and converted into a limited liability Company by shares according to the requirements of the law.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 25 September 2008 by the Board of Directors of the Company.

41. CORRESPONDING FIGURES

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

Statement	Component	Reclassification from	Reclassification to	Rupees in 000
Income statement	Mark-up / interest income	Other income	Income Statement	356,165

42. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Sd/-

Chairman

Sd/-

Managing Director