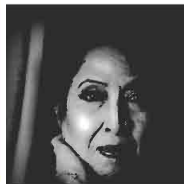
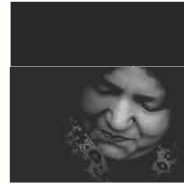


Annual Report

09



The Great Masters



“Excellence
is a Habit”

Goethe





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No chance, destiny, or
fate can hinder or
control the firm resolve
of a determined soul

Javed Miandad

A former Pakistani cricketer, who after his playing career has been a coach, he has held distinct positions in the Pakistan Cricket Board. He played 124 Test matches, batting in 189 innings. His aggregate of 8,832 Test runs is a Pakistani record. Miandad also had three coaching stints with the Pakistan national team.





VISION & 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.

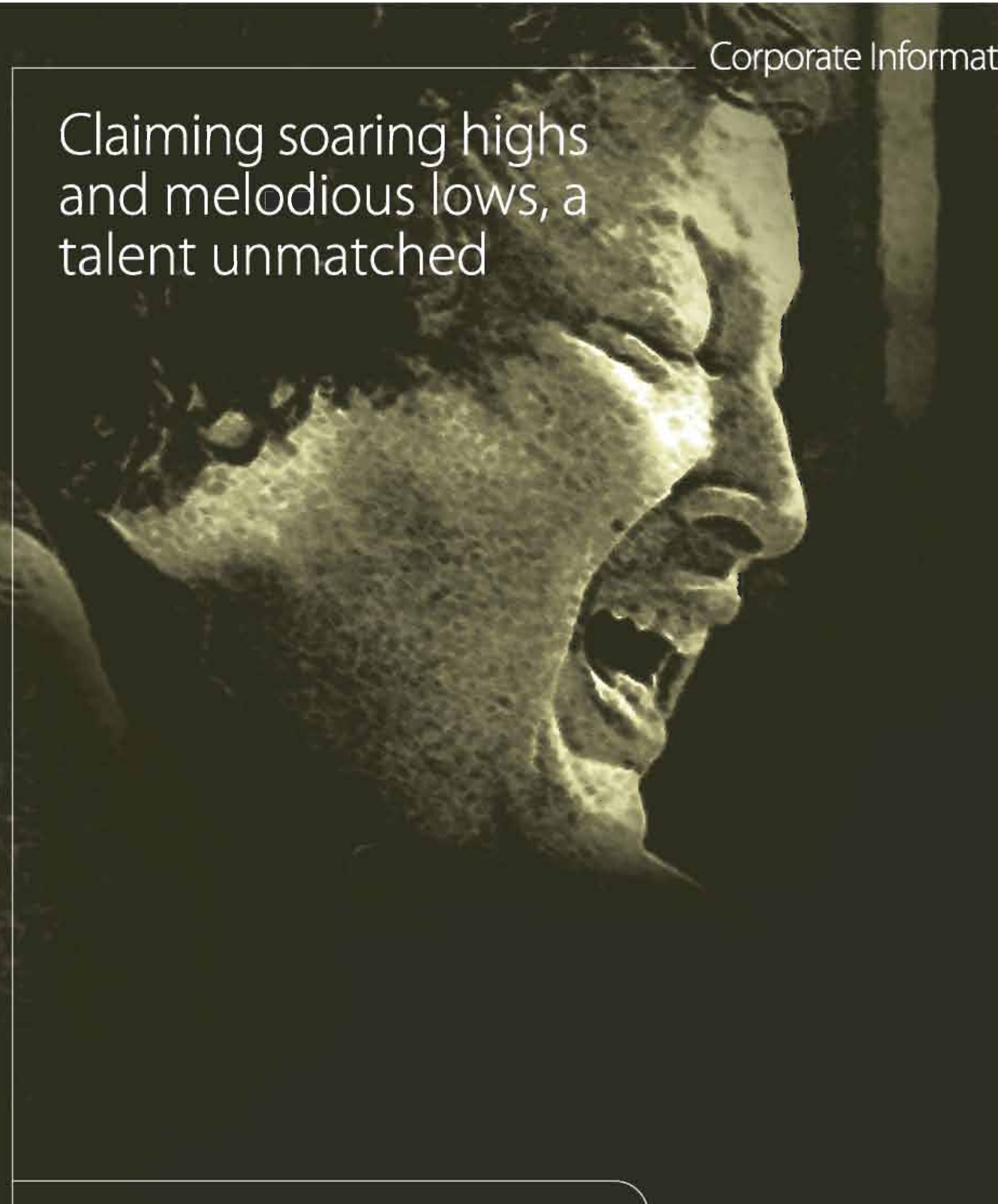
MISSION

To strive to 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 interests of all its stakeholders, i.e. members, listed companies, employees and the investors at large; and

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



Claiming soaring highs
and melodious lows, a
talent unmatched

Nusrat Fateh Ali Khan

Nusrat Fateh Ali Khan was a Pakistani musician, primarily a singer of Qawwali, the devotional music of the Sufis (a mystical tradition within Islam). He featured in Time magazine's 2006 list of 'Asian Heroes'. Among other honorary titles bestowed upon him, Nusrat was called Shahenshah-e-Qawwali, meaning The Emperor of Qawwali.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Kamran Y. Mirza (Chairman)
Mr. Adnan Afridi (Managing Director)
Mr. Asad Iqbal
Dr. Farid Khan
Mr. Osman Asghar Khan
Mr. Muhammad Yasin Lakhani
Mr. Zafar Moti
Mr. Khalid Ahmed Sherwani
Haji Ghani Haji Usman
Mr. Amin Yusuf

COMPANY SECRETARY

Mr. Muhammad Rafique Umer

AUDIT COMMITTEE

Mr. Osman Asghar Khan (Chairman)
Mr. Asad Iqbal
Dr. Farid Khan
Mr. Muhammad Yasin Lakhani
Mr. Khalid Ahmed Sherwani

LEGAL ADVISORS

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

AUDITORS

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

BANKERS

Allied Bank of Pakistan Limited
Arif Habib Bank Limited
Askari Bank Limited
Bank Al Falah Limited
Bank Al Habib Limited
Bank Islami Pakistan 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) 111-001-122
Fax: (+92 21) 2410825

E-MAIL: info@kse.com.pk

WEBSITE: www.kse.com.pk

More powerful than
the will to be, is the
courage to begin

Abida Parveen

A Pakistani singer of Sufi music, she sings in Urdu, Sindhi, Seralki, Punjabi and Persian. Abida Parveen embarked upon her professional career from Radio Pakistan, Hyderabad, in 1973. She was conferred upon the Pride of Performance Award in 1982 and the Sitara-e-Imtiaz in 2005.



BOARD OF DIRECTORS



(Front Row from Left to right) Osman Asghar Khan, Amin Yusuf, Muhammad Yasir Lakhani, Kamran Y. Mirza (Chairman), Adnan Afridi (Managing Director), Zafar Moti
(Back Row from Left to right) Asad Iqbal, Haji Ghani Haji Usman, Dr. Farid Khan, Khalid Ahmed Sherwani, Muhammad Rafique Umer (Company Secretary)

DIRECTORS' 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 held the position

of Chairman-Export Processing Zones Authority from February 2007 to March 2009 and then joined Pakistan Business Council as its Chief Executive Officer.

Apart from holding the positions of Chairman of the Board and HR Committee of Karachi Stock Exchange, Mr. Mirza is also the Chairman of the Board of National Commodity Exchange and is serving as Director on the Boards of several organizations, that include Abbott Laboratories, National Commodity Exchange, State Bank of Pakistan, Board of Investment and Competitive Support Fund. Previously, he served as President of Overseas Investors' Chamber of Commerce & Industry (OICCI), President of American Business Council, Chairman of Association of Pharmaceutical Multinationals and Director of Pakistan State Oil, Pakistan Steel, National Bank of Pakistan, Pakistan Textile City Limited and NAVTEC. Mr. Mirza has also been a Member of Economic Advisory Board and Sindh Wildlife 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. He has over 15 years of experience in managing businesses in emerging markets and 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, he has been facilitating foreign direct

investment into Pakistan by assisting private equity transactions, including key privatization transactions. Prior to joining KSE, he served as the Chief Executive Officer of the Overseas Investors' Chamber of Commerce and Industry (OICCI), a company representing major foreign investors operating in Pakistan. OICCI membership contributes over 14% of the GNP of Pakistan and over one third of all revenues collected by the Government of Pakistan.

At the Karachi Stock Exchange, he 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 Chairman of South Asian Federation of Exchanges (SAFE). Mr. Afridi was also selected in the 2008 International Who's Who of professionals and is also on the Board of Directors of Young Presidents Organization (YPO), Pakistan. Mr. Afridi is an active supporter of charitable organizations. He has served as the President of the Old Grammarians Society & Trust and is currently member of the Board of Governors (and Honorary Treasurer) of The Kidney Centre.



ASAD IQBAL (Director)

Mr. Asad Iqbal received his Bachelors of Science degree from Carnegie Mellon University in Pittsburgh, PA . He has worked at Wall Street from 1995 to 2002 in various capacities with the latest being as Vice President in Equities for Goldman, Sachs & Co.

At Goldman, Asad was responsible for book building for all Goldman lead Equity and Convertible equity offerings for their US clients. Asad worked on over a 100+ equity and convertible debt offerings including some of the most prominent deals such as the Goldman Sachs and Accenture Initial Public Offerings and the AT&T secondary offering. Mr. Asad Iqbal started at Goldman Sachs in 1995 as a programmer analyst in their International Trading group and moved to their Equity Capital Markets desk where he led the creation, development and deployment of their online IPO portal, www.gsonline.com. In October 2000, Asad moved to the Equity Sales desk focusing on sales and book building of Equity and Debt offerings. In December 2000, he was promoted as Vice President in Equities and was given the additional responsibility for sales of block deals as well as single stock risk management.

In late 2002, Mr. Asad moved to Pakistan to join the family business and started a software development company, aimed at creating customized solutions for the financial industry. He is now the Chief Executive of M/s. Ismail Iqbal Securities (Private) Limited, a Corporate Brokerage House of KSE.

Mr. Asad Iqbal has been appointed as Director of National Commodity Exchange Limited and JCR-VIS Credit Rating Company Limited to represent KSE. He has also been appointed as Chairman of Market Development and New Products Committee and as member of the Audit Committee.



DR. FARID KHAN (Director)

Dr. Farid Khan holds the Doctorate degree in Pharmaceutical Chemistry from London University UK, and brings with him a rich management experience of pharmaceutical industry. In addition, he has also completed professional courses in Finance, Marketing and Management from leading business schools of the world.

Dr. Farid is the former Managing Director of Novartis Pharma (Pakistan) where he served in various positions for an overall period of 25 years; including 2 years for a group company in Canada. Before that he has worked for Sanofi-aventis group (formerly Hoechst) for 11 years in Pakistan and Germany.

Dr. Farid is also the Director of IGI Investment Bank Limited. Furthermore, he is serving as Member of Governing Boards at Health Services Academy (Government of Pakistan) and Pakistan Institute of Management. In the past, he has held positions as Member, Governing Board of National Management Foundation (LUMS, Lahore), Member, Executive Committee, Overseas Investors' Chamber of Commerce & Industry (OICCI) and as Chairman/Co-Chairman of Pharma Bureau of OICCI.

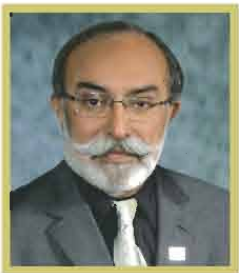
Dr. Farid Khan has been appointed by the present KSE Board as Chairman Advisory and Arbitration Committee and as member of Human Resource and Audit Committees.



OSMAN ASGHAR KHAN (Director)

Mr. Osman Asghar Khan is a Certified Public Accountant from USA and a Chartered Accountant from Canada and Pakistan respectively. 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. Mr. Osman Asghar Khan has been nominated by present KSE Board as the Director of National Clearing Company of Pakistan Limited to represent KSE and Trustee of Clearing House Protection Fund and Investors' Protection Fund. He is also on the Board of Pakistan Steel.



MUHAMMAD YASIN LAKHANI (Director)

Mr. Lakhani is currently the Chief Executive Officer of Lakhani Securities (Pvt.) Ltd. His previous experience reflects his involvement with the capital markets of Pakistan as he has held the position of Chairman of The Karachi Stock Exchange (Guarantee) Limited (KSE) during the years 1994, 1998-9, 2001 and 2005. In addition to above, Mr. Lakhani has been elected as director for KSE during the years 1969, 1986, 1987, 1989 and 1990.

He has also served as Chairman of Advisory and Arbitration Committee, Administration Committee, Rules and Regulations Committee, Taxation Committee, Company Affairs Committee and Defaulters' Committee of the Exchange for various terms. He was also the member of Pakistan's Delegation in the Investment Conference held in Seoul, Hong Kong, Singapore and London. He represented Pakistan at the Asia Pacific Forum on Securities Market Regulations and Supervision, General Assembly of the Euro Asia Stock Markets and Capital Market Forum of Islamic Countries. He is also the Member of Committee on Code of Corporate Governance drafted by ICAP.

Currently, he has been nominated to the Boards of Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited to represent KSE and as Trustee of Clearing House Protection Fund and Investors' Protection Fund. Furthermore, he has been appointed as Chairman of Company Affairs & Corporate Governance Committee and as member of Human Resource and Audit Committees. Mr. Lakhani holds degrees of BA Hon. and Masters in International Relations.



ZAFAR S. MOTI (Director)

Mr. Zafar Moti, the Chief Executive of Zafar Moti Capital Securities (Pvt) Ltd, holds an MBA degree from Institute of Business Administration (IBA) and was also the treasurer for BASE, a student body of IBA. He also has over 20 years of capital market experience.

Although Mr. Moti acquired the membership of Karachi Stock Exchange (Guarantee) Limited (KSE) and the Lahore Stock Exchange (Guarantee) Limited (LSE) in 1989, he had already been actively engaged in the family stock brokerage business since 1981. His active involvement in capital market development is evident from his various appointments. He has held the office of Director-KSE for the years 1992, 1994 and 2002 and LSE for the year 1993. Mr. Moti was also the Director for Central Depository Company during 1993 and the Chairman of New Products Committee at KSE in 1995. He is also a founder member of the National Commodity Exchange of Pakistan.

Mr. Zafar Moti has been nominated to the Boards of National Clearing Company of Pakistan Limited and National Commodity Exchange Limited to represent KSE and also as Trustee of Clearing House Protection Fund and Investors' Protection Fund. He has also been appointed as Chairman of Demutualization Committee and included as a Member of Human Resource Committee.



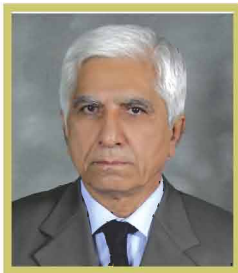
KHALID AHMED SHERWANI (Director)

Mr. Sherwani has done B. Sc. (Honors) 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.

Mr. Sherwani has also served on a committee for the development of financial instruments and standardized documents in the wake of Supreme Court of Pakistan's judgment on Riba. This committee developed numerous documents which are being used by banks in Pakistan after some refinements. At ABL, Mr. Sherwani restored operational profitability, stabilized the financial health and achieved strategic advantage over all major banks, with 100% online branch connectivity on taking over the Bank. He played a key role in the SBP-sponsored recapitalization of the Bank through the induction of a new strategic investor and thereafter achieved all round growth in terms of balance sheet size, advances, profitability, and shareholder value.

In recognition of these results, the Bank was awarded the Best Bank of the Year 2005 award by the Banker, UK and the Best Investment Bank 2005-06 by the CFA, Pakistan.

Mr. Sherwani has unique distinction of having played a key role in the turnaround of UBL and ABL, which are amongst the 5 largest banks of Pakistan and also in Habib Allied International Bank, UK (a joint venture of ABL and HBL) and in Pakistan Security Printing Corporation.



HAJI GHANI HAJI USMAN (Director)

Haji Ghani Haji Usman has 20 years of experience with Habib Bank Limited. He has been engaged in various departments of the banking industry during this period.

He is also the Chairman of various Brokerage Houses namely; Hum Securities (Private) Limited, Ghani Osman Securities (Private) Limited and Top Line Securities (Private) Limited . His previous experience includes holding offices of the Vice Chairman, Treasurer and Director of the Karachi Stock Exchange (Guarantee) Limited (KSE). Haji Ghani is also the Director in Central Depository Company of Pakistan Limited representing KSE and Trustee of Clearing House Protection Fund and Investors' Protection Fund, as nominated by the present KSE Board. Furthermore, he has also been appointed as Chairman of Defaulters' Committee.



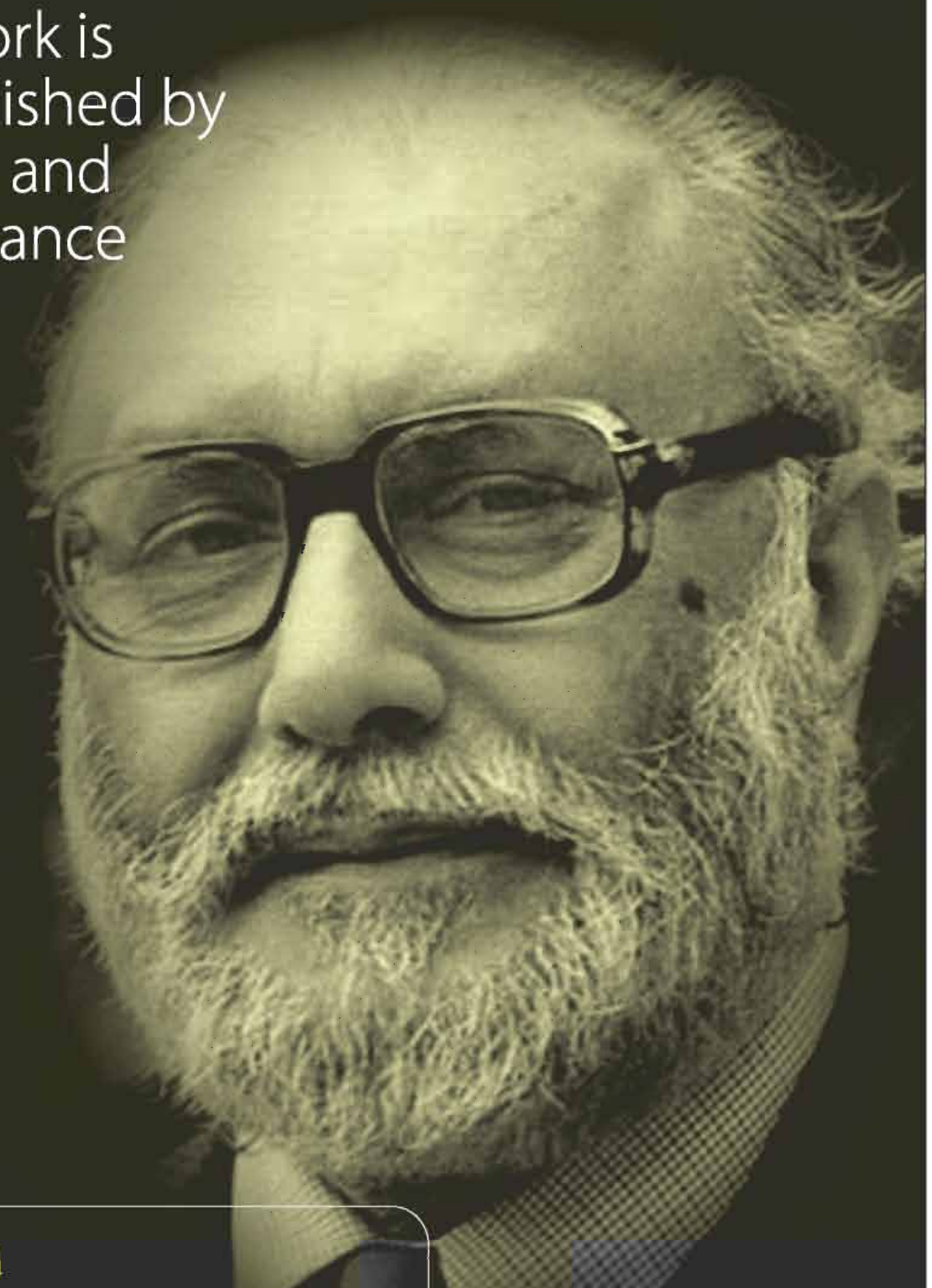
AMIN YUSUF (Director)

Mr. Amin Yusuf holds a Masters Degree in Business Administration and has been in the brokerage business since 2002.

He is a member of the Management Association of Pakistan, Management Committee of Pakistan and Chemical & Dyes Merchants Association. He has also served as Chairman of Public Relations, Information Technology and Internal Audit Committees of the Association.

Mr. Yusuf has been nominated by the KSE Board as Director of JCR-VIS Credit Rating Company Limited to represent KSE. He is also the Chairman of Development, Technology & Trading Affairs Committee of the Exchange.

Great work is
accomplished by
strength and
perseverance



Abdus Salam

A Pakistani theoretical physicist, astrophysicist and Nobel laureate in Physics for his work in Electro-Weak Theory. Salam holds the distinction of being the first Pakistani and Muslim Nobel Laureate. Professor Sir Abdus Salam is considered to have been one of the world's most influential scientists.



MANAGEMENT



(Front Row from left to right)

- | | | |
|---|--|--|
| ■ Anita Mirza
DGM Marketing | ■ Muhammad Rafique Umer
Company Secretary & GM Law
& Corporate Affairs | ■ Sani-e-Mehmood
DGM Product Development |
| ■ Fiyaz Ahmed Longi
GM Internal Audit & Compliance | ■ Ahmed Ali Mitha
Chief Financial Officer | ■ Abbas Mirza
DGM Operations |
| ■ Jawad Bin Shabbir
GM HR & Administration | (Back Row from left to right) | ■ Abdullah Jan Farooqui
GM Information Technology |
| ■ Adnan Afridi
Managing Director | ■ Junaid Mirza
DGM Market Control & Surveillance | |
| ■ Haroon Askari
GM Operations | ■ Shafqat Ali
GM Risk Management | |

A great man is he
who attains greatness
with in himself

Abdul Sattar Edhi

One of the most active philanthropists in Pakistan. He is head of the Edhi Foundation based in Pakistan with branches all over the world. Mr. Edhi received 1986 Ramon Magsaysay Award for Public Service. He is also the recipient of the Lenin Peace Prize as well as the Balzan Prize. According to the Guinness World Records, Edhi Foundation has the largest private ambulance service network in the world.



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. KSE is the premier stock exchange in Pakistan offering a range of high quality products and services that has enabled it 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.

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

KSE Yesterday	KSE Today	KSE Tomorrow
<ul style="list-style-type: none"> • Incorporated on March 10, 1949 • First Stock Exchange of the country • Started with 5 companies that had a paid up capital of Rs. 37 million • Trading was done through an open-out-cry system • The first index was the KSE 50 Index 	<ul style="list-style-type: none"> • Exchange owned by 200 members • 651 companies listed • 4 indices (KSE 100, KSE 30, KSE All Share Index, KMI 30) • KSE is FIX Compliant • Electronic Trading through KATS • Market capitalization*: US \$ 26.15 billion <p><small>*As of June 30th 2009</small></p>	<ul style="list-style-type: none"> • Publicly Listed Company with strategic investor • Products to include: <ul style="list-style-type: none"> • Options • Exchange Traded Fund (ETF's) • Tradable Sector Indices • Debt Market Trading • Broad based investor participation • Cross border listings of companies

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 various distribution channels of the brokerage houses.

Our Trading products include:

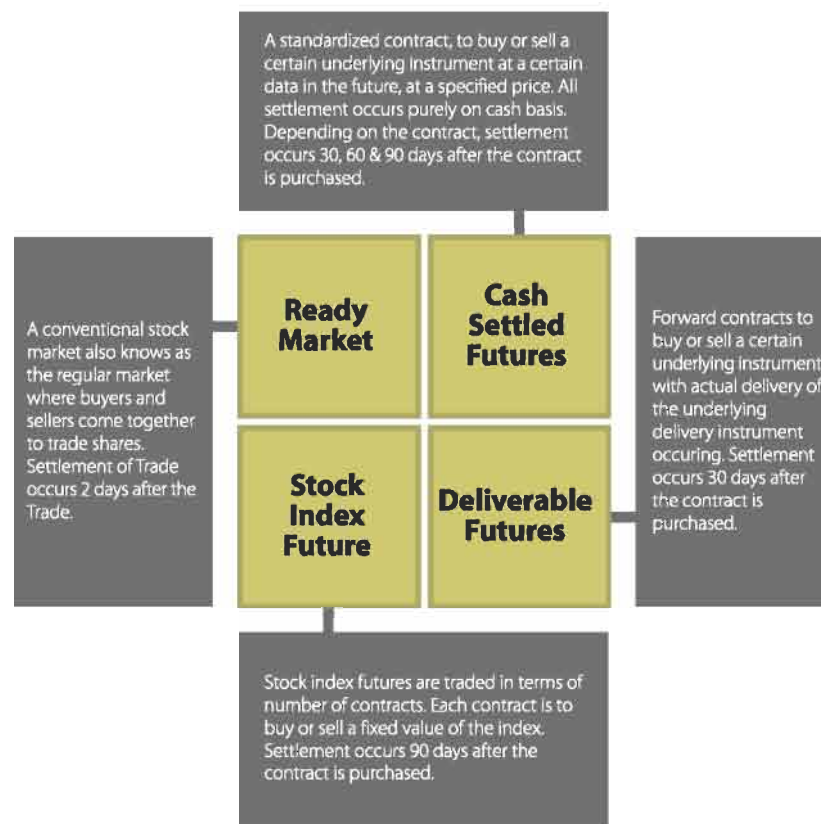
- Equities (otherwise known as the Ready Market)
- Deliverable Futures Contracts
- Cash Settled Futures Contracts
- Stock Index Futures Contracts

KSE plans on introducing new products in the year 2009-2010

- Trading based on sector indices
- Exchange Traded Funds
- Bond Trading
- Options

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

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



Corporate Philanthropy

The Karachi Stock Exchange considers community assistance as critical. In line with its Corporate Social Responsibility policy, the KSE donated over Rs. 3 million to various causes. This year, efforts were concentrated towards the improvement of health services in the community and the Internally Displaced Persons (IDPs) of Swat and other areas of northern Pakistan. To help improve the provision of health services, donations were made to the Marie Adelaide Leprosy Centre, Abbasi Shaheed Hospital and The Cardiovascular Foundation. In addition, donations were made to the Edhi Foundation and the Pakistan Red Crescent Society to help the Internally Displaced Persons (IDPs) of Swat and other areas of northern Pakistan.

Man's greatness lies in
his power of thought

Faiz Ahmed Faiz

Faiz Ahmed Faiz, voice of the conscience of the suffering humanity of our time. A distinct Urdu poet who rejuvenated the craft of poetry by his acute sensibility. Faiz was an affirmed supporter of Sufism and was the first Asian poet to be awarded the Lenin Peace Prize.



MARKET HIGHLIGHTS

DESCRIPTION	2006	2007	2008	2009
Total Listed Companies	658	658	652	651
Total Listed Capital (Rs. in million)	495,967.57	631,125.55	706,419.98	781,793.81
Total Market Capitalization (Rs. in million)	2,801,182.46	4,019,418.17	3,777,704.89	2,120,650.87
New Companies Listed	14	16	7	8
Listed Capital of New Companies (millions)	25,209.83	56,081.61	14,274.24	10,705.26
New Debt Instruments Listed	6	3	7	1
Listed Capital of New Debt Instruments (Rs. in million)	6,900.00	6,000.00	23,500.00	4,256.97
Total Shares Volume (million)	79,454.53	54,042.36	63,316.12	28,332.78
Average Daily Share Volume (million)	324.30	222.40	256.34	115.64
KSE Indices				
KSE - 100 Index				
Year End	9,989.41	13,772.46	12,289.03	7,162.18
High	12,273.77	13,772.46	15,676.34	12,221.43
Low	6,970.59	9,504.47	11,162.17	4,815.34
KSE - All Share Index				
Year End	6,708.36	9,758.81	8,834.24	5,121.73
High	8,184.60	9,758.81	11,148.68	8,791.08
Low	4,589.51	6,399.29	8,038.39	3,647.10
KSE - 30 Index				
Year End		16,993.51	14,326.27	7,571.08
High		17,002.75	18,996.33	14,230.42
Low		12,248.93	12,750.28	4,428.10
KMI - 30 Index				
Year End				10,647.69
High				11,421.34
Low				6,322.23

NOTES:

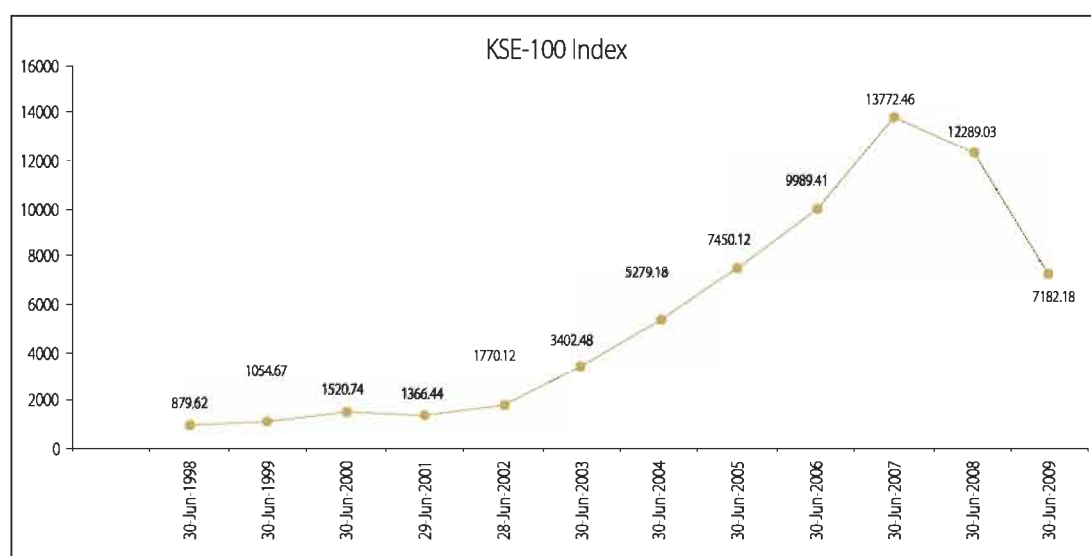
- The figures are from July to June.
- The total number of listed companies have been stated after 6 companies de-listed in 2006, 8 companies in 2007, 5 companies in 2008 and 6 companies in 2009 and 8 companies merged in 2006, 8 companies in 2007, 8 companies in 2008 and 3 companies in 2009.

- (iii) The total listed capital has been stated after adjustment of capital of companies by way of merger, bifurcation and de-listing,
- (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 27, 2009 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.
- (vii) The KMI – 30 Index introduced w.e.f. September 01, 2008.

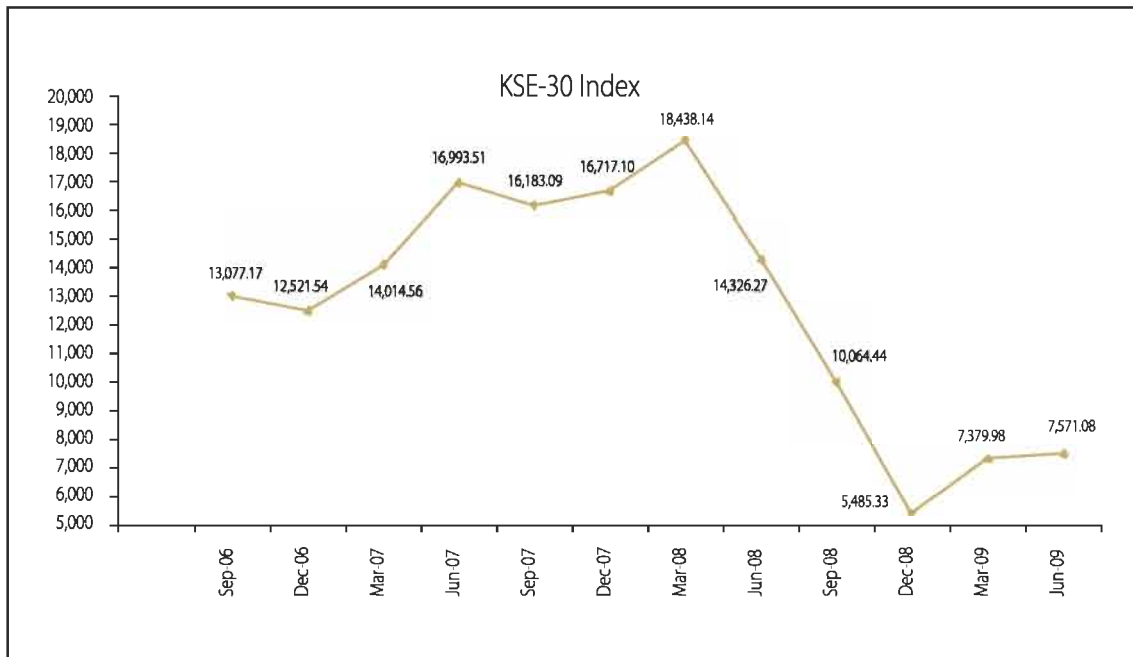
KSE HISTORIC RECORDS

Records	Date	Closing Index	Net Change	Highest Turnover	Total Paidup Capital Rs. in million	Market Capitalization Rs. in million
Maximum Increase in KSE-100 Index	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 2009



KSE-30 INDEX 2006 TO 2009



STATISTICS (Since July 2008 to June 2009)

LISTING OF NEW COMPANIES – EQUITY

Rs. in million

Name of Company	Date of Listing	Paidup Capital	Capital Offered to		Subscription Received	
			General Public/Employees	Premium	General Public/Employees	Premium
Engro Polymer & Chemicals Ltd. (Offer for Sale @ Rs.8 premium per share)	21-07-2008	5,203.677	500.000	400.000	1,578.537	1,262.830
KASB Securities Limited (Offer for Sale @ Rs.57.50 premium per share)	04-08-2008	1,000.000	240.000	1,380.000	43.544	250.378
Colony Sugar Mills Limited (i)	13-08-2008	990.200	-	-	-	-
First Credit & Investment Bank Ltd.	21-08-2008	650.000	250.000	-	19.480	-
Arif Habib Investment Management Ltd. (Offer for sale @ Rs.115 premium per share)	28-08-2008	300.000	75.000	862.500	80.665	927.648
Descon Oxychem Limited	15-09-2008	1,020.000	325.000	-	347.215	-
Media Times Limited	02-02-2009	1,341.383	336.600	-	3.275	-
IBL Healthcare Limited (ii)	27-03-2009	200.000	-	-	-	-
TOTAL		10,705.260	1,726.600	2,642.500	2,072.716	2,440.856

- (i) The Company is being listed on the Exchange under Listing Regulation No.25 pursuant to distribution of specie dividend by Colony Mills Limited to its shareholders.
- (ii) The Company has been listed without public offering pursuant to distribution of specie dividend by Searie Pakistan Limited, which divested its shareholding in IBL Healthcare Limited to its shareholders in the form of specie dividend.

LISTING OF NEW DEBT INSTRUMENTS

Rs. in million

Name of Company	Date of Listing	Amount Offered			Subscription Received			Amount Listed
		General Public	Others	Total Issue	General Public	Others	Total Issue	
Pakistan Mobile Communication Ltd. (i)	05-12-2008	1,250.000	4,417.000	5,667.000	6.970	4,250.000	4,256.970	4,256.970
TOTAL		1,250.000	4,417.000	5,667.000	6.970	4,250.000	4,256.970	4,256.970

(i) The public offer was undersubscribed and due to non-underwritten offer, the total issue size is reduced.

LISTING OF OPEN-END MUTUAL FUNDS

Rs. in million

Sr. #	Name of Company	Date of Listing	Seed Capital
1	KASB Islamic Income Fund	21-07-2008	100.000
2	ABL Income Fund	25-09-2008	250.000
3	Meezan Capital Protected Fund – I	08-10-2008	250.000
4	NAMCO Income Fund	22-10-2008	250.000
5	Alfalah GHP Alpha Fund	28-11-2008	100.000
6	Alfalah GHP Principal Protected Fund	26-12-2008	100.000
7	Pak Oman Advantage Islamic Income Fund	31-12-2008	100.000
8	Pak Oman Advantage Islamic Fund	26-02-2009	100.000
9	Pak Oman Advantage Stock Fund	26-02-2009	100.000

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	United Sugar Mills Limited	September 15, 2008	333.33
2	Kakakhel Pakistan Limited	October 06, 2008	22.50
3	Amin Fabrics Limited	October 24, 2008	8.91
4	Pakistan House International Limited	December 04, 2008	45.00
5	Haji Dossa Limited	December 22, 2008	146.00

(II) MEMBERS' VOLUNTARY WINDING UP

Rs. in million

Sr. #	Name of Company	Date of De-listing	Paid up Capital
1	WE Balanced Fund	March 19, 2009	200.000

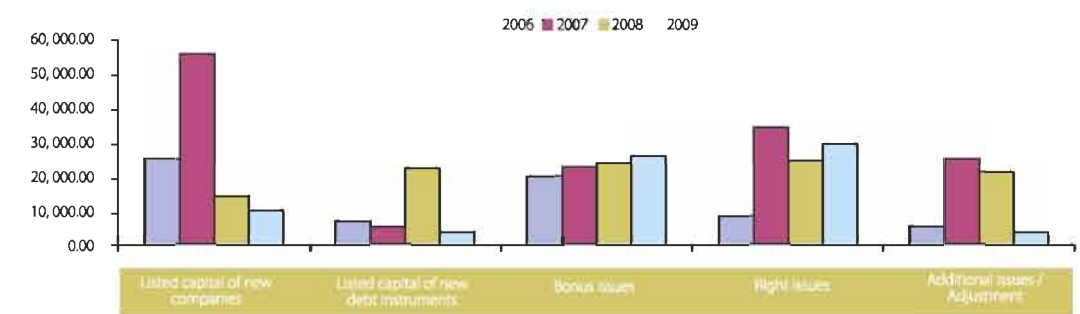
(IV) COMPANIES DE-LISTED DUE TO MERGER/AMALGAMATION

Sr. #	Name of Company	Merged With	Date of Merger
1	International Multi Leasing Corporation Limited	Al-Zamin Leasing Modaraba	January 19, 2009
2	Network Leasing Corporation Limited	KASB Bank Limited	February 17, 2009
3	Automotive Battery Company Limited	Exide Pakistan Limited	May 04, 2009

BREAK-UP OF LISTED CAPITAL

Rs. in million

	2006	2007	2008	2009
Listed capital of new companies	25,209.83	56,081.61	14,274.24	10,705.26
Listed capital of new debt instruments	6,900.00	6,000.00	23,500.00	4,256.97
Bonus issues	20,388.57	23,349.22	24,808.05	26,744.19
Right issues	9,006.14	35,110.52	25,110.16	29,987.26
Additional issues/Adjustments	5,714.52	26,274.51	22,371.53	4,435.26
	67,219.05	146,815.86	110,063.98	76,128.94



SECTOR-WISE CAPITAL LISTED ON THE EXCHANGE

Rs. in million

Sector Name	2008		2009	
	No. of Cos.	Paid up Capital	No. of Cos.	Paid up Capital
Close-end Mutual Funds	24	27,703.234	23	27,593.033
Modarabas	34	9,225.592	34	9,669.359
Leasing Companies	18	5,221.717	16	5,826.435
Inv. Banks / Inv. Cos. / Securities Cos.	27	18,166.031	30	27,928.534
Commercial Banks	25	210,987.744	25	250,100.421
Insurance	38	13,169.538	38	13,878.895
Textile Spinning	107	14,339.202	106	14,854.023
Textile Weaving	18	3,120.331	18	3,120.331
Textile Composite	60	21,305.921	60	24,308.877
Woollen	5	116.604	5	116.604
Synthetic & Rayon	19	10,234.092	19	10,234.091
Jute	6	607.579	5	554.510
Sugar & Allied Industries	37	7,821.373	37	8,976.982
Cement	21	50,462.954	21	56,202.298
Tobacco	3	3,182.759	3	3,182.759
Refinery	4	5,781.485	4	5,923.640
Power Generation & Distribution	13	75,339.123	13	75,429.310
Oil & Gas Marketing Companies	6	15,172.297	6	15,405.266
Oil & Gas Exploration Companies	4	52,892.198	4	54,040.847
Engineering	14	3,173.711	13	3,413.913
Automobile Assemblers	12	5,695.723	13	6,036.532
Automobile Parts & Accessories	12	1,528.053	11	1,694.772
Cable & Electrical Goods	9	1,847.360	9	1,917.266
Transport	5	23,953.318	5	24,483.257
Technology & Communication	9	68,788.823	10	70,311.932
Fertilizer	4	17,398.398	4	20,199.629
Pharmaceuticals	8	3,600.601	8	3,629.535
Chemical	24	20,904.394	26	27,174.935
Paper & Board	10	2,164.229	10	2,269.858
Vanaspati & Allied Industries	11	349.127	10	269.337
Leather & Tanneries	5	309.888	5	309.888
Food & Personal Care Products	22	2,593.668	23	3,030.011
Glass & Ceramics	10	2,864.455	11	3,238.786
Miscellaneous	28	6,398.459	26	6,467.944
TOTAL	652	706,419.981	651	781,793.811

SECTOR WISE PERFORMANCE OF COMPANIES LISTED ON THE EXCHANGE - 2008

2008						
Name of Sector	Number Of Companies	Companies that Announced Annual Results	Dividend Paying Companies	Profit Making Companies that Omitted Dividend	Profit Making Companies	Loss Making Companies
Close-end Mutual Funds	24	21	16	-	10	11
Modarabas	34	27	18	4	22	5
Leasing Companies	18	15	3	6	9	6
Inv. Banks / Inv. Cos. / Securities Cos.	30	28	12	8	20	8
Commercial Banks	25	25	14	1	15	10
Insurance	38	29	15	-	14	15
Textile Spinning	107	92	13	22	35	57
Textile Weaving	18	10	1	-	1	9
Textile Composite	60	48	18	6	24	24
Woolen	5	2	-	1	1	1
Synthetic & Rayon	19	13	5	3	8	5
Jute	5	4	1	3	4	-
Sugar & Allied Industries	37	34	11	10	21	13
Cement	21	21	2	4	6	15
Tobacco	3	3	3	-	3	-
Refinery	4	4	3	1	4	-
Power Generation & Distribution	13	12	5	-	5	7
Oil & Gas Marketing Cos.	6	6	5	-	5	1
Oil & Gas Exploration Cos.	4	4	4	-	4	-
Engineering	13	10	6	2	8	2
Automobile Assembler	13	12	6	5	11	1
Automobile Parts & Accessories	12	10	5	2	7	3
Cables & Electrical Goods	9	7	4	2	6	1
Transport	5	3	2	-	2	1
Technology & Comm.	9	8	2	1	3	5
Fertilizer	4	4	4	-	4	-
Pharmaceuticals	8	8	8	-	8	-
Chemical	26	24	12	6	18	6
Paper & Board	10	9	4	2	6	3
Vanaspati & Allied	10	4	1	1	2	2
Leather & Tanneries	5	5	2	2	4	1
Food & Personal Care	22	19	14	3	17	2
Glass & Ceramics	10	7	3	-	3	4
Miscellaneous	26	23	9	4	13	10
TOTAL	653	551	231	99	323	228
PERCENTAGE		84.38%	35.38%	15.16%	49.46%	34.92%

2007

TOTAL	655	562	267	99	366	196
PERCENTAGE		85.80%	40.76%	15.11%	55.88%	29.92%

Notes:

(i) Based on the financial results of the companies up to December 31, 2008.

(ii) Companies omitted dividends are those companies, which have shown profit during the year but not declared dividend.

(iii) Dividend includes Cash / Stock Dividend.

It is the constant and
determined efforts that
break down all
resistance and sweep
away all obstacles



Fatima Suraiya Baijiya

A renowned Urdu novelist, playwright and drama writer of Pakistan. She has been awarded various awards at home and abroad like Pride of Performance Award and Japan's highest civil award in recognition of her works. She also remained Advisor to the Chief Minister of Sindh province of Pakistan. She is a well-known personality in Pakistan with relation to the radio, television and stage and an ardent feminist.



TOP 25 COMPANIES AWARDS CEREMONY



Mr. Asad Umar receives award for Engro Chemicals for year 2006-2007



Mr. A. Samad Dawood, Director of Dawood Hercules receiving the award



Ms. Romana Aziz on behalf of Pakistan Tobacco receives award at the ceremony



Mr. Kamal Chinoy representing Pakistan Cables at the Top 25 Award ceremony



Mr. Adnan Afridi, Managing Director- KSE presenting the memento to Mr. Shaukat Tarin, then Advisor to Prime Minister on Finance, Revenue, Economic Affairs & Statistics



A group photo of all Top 25 companies award recipients

VISITORS TO THE EXCHANGE



Visit of Dr. Zulfiqar Mirza Minister for Home and Forest Sindh to the Karachi Stock Exchange



Chairman KSE presents memento to Governor State Bank



A delegation from Pakistan-British Trade & Investment forum



Board meets with Mr. Sohail Dayala, Commissioner, Securities Market Division



Visit of the US Consul General



MD KSE receives memento from Major General Tariq Nadeem Khan from National Defense University, Islamabad.

Rapid thought
and noble impulse
are inspired by
determination



Ismail Gulgee

A renowned Pakistani artist recognised globally for his contribution to art. His work reflected influence of traditional Islamic calligraphy. He was awarded Pride of Performance, Sitara-e-Imtiaz (twice) and Hilal-e-Imtiaz.





NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 62nd Annual General Meeting of the Karachi Stock Exchange (Guarantee) Limited will be held on Tuesday, October 20, 2009 at 5:00 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 June 11, 2009 (Copy attached).
2. To receive and approve the Annual Audited Accounts of the Exchange for the year ended June 30, 2009, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors of the Exchange for the year ending June 30, 2010. 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:

September 29, 2009

The quality of life is in
direct proportion to,
the commitment to
excellence, and
endeavor

Hakeem Saeed

Humanitarian, educationist, philanthropist, Dr. Hakeem Saeed established a pharmaceutical manufacturing company and later on pioneered the Hamdard University, a centre of excellence. He founded a full-fledged pharmaceutical organisation got the Hamdard Foundation Incorporated in 1953. A prolific writer, he wrote many books in Urdu and English.





DIRECTORS' REPORT

PAKISTAN ECONOMY 2008-09

The year 2008-09 was a difficult year for Pakistan's economy as GDP growth slowed to 2.0% compared with 4.1% in 2007-08. In the first half of 2008-09, rapidly rising international oil prices and law and order instability led to a sharp decline in foreign inflows causing Pakistan's foreign exchange reserves to fall to US\$ 6.7 billion in October 2008 from over US\$ 10 billion in July 2008; leading to a sharp devaluation of the Rupee (over 25% in two months). In addition to high oil prices, the impact of a depreciating rupee and excessive government borrowing caused inflation to rise to 25.3% in August 2008. As a result, the central bank announced a tightening of monetary policy and raised the discount rate to 15%. With only 10 weeks of foreign exchange reserves remaining as import cover, Standard and Poor's (S&P) downgraded Pakistan's outlook from B to CCC+ in November 2008. As a consequence, Pakistan was forced to turn to the International Monetary Fund (IMF) to avoid defaulting on its Euro denominated debt payments falling due in February 2009. Subsequently, in November 2008, the IMF announced a US\$ 7.6 billion facility to stabilize Pakistan's economy. In addition, Pakistan was also able to secure commitments from other donor agencies.

In the second half of 2008-09, Pakistan successfully met its international debt payment commitments in February 2009. A sharp fall in international oil prices, and an increase in remittances also provided relief to Pakistan's external balances. Key economic indicators began to improve and the IMF program was on target as key performance indicators were met. In April 2009, emerging signs of macro-economic stability allowed the central bank to reduce the discount rate by 100 bps to 14%. By June 2009, inflation had reduced to 13.1%, the Rupee had stabilized and Foreign Exchange reserves had risen to over US\$ 11 billion.

CAPITAL MARKET OVERVIEW

The international and domestic volatility in the macro-economy led to a series of unprecedented events at KSE during the year. The KSE 100 Index declined 60% from 12,289 points on July 1, 2008 to 4,815 points on January 26, 2009. In order to prevent widespread and large scale systemic risk to the entire financial system, restrictions were imposed on trading from August 28, 2008 to December 12, 2008. These restrictions coupled with low investor confidence, and a lack of liquidity in the market resulted in a low average daily turnover of 115.64 million shares in 2008-09 compared to 256.34 million shares during 2007-08 depicting a 55% decline. These measures were taken to achieve a 'soft landing', however, length of time that market floor remained in place was prolonged beyond that envisaged by KSE, due to external developments including the country's declining Foreign Exchange Reserves, net foreign portfolio outflow of US\$ 510.40 million for the year and dialogue with the IMF.

The introduction of the market stabilization fund in the second half of 2008-09 and improvements in macro economic indicators improved investor confidence and helped improve liquidity in the market. As a result, the KSE 100 Index re-bounded 49% from the year's low of 4,815 points

to close at 7,162 points on June 30, 2009.

It is encouraging to note that while the market was faced with severe shortage of liquidity, eight companies and one TFC with a total paid up capital of Rs.10,705.26 million and an issue size of Rs.4,257 million respectively, were listed on the Stock Exchange.

FINANCIAL REVIEW

The year 2008-09 was a challenging year for the Karachi Stock Exchange. Revenues declined 47% from Rs.1,716 million in 2007-08 to Rs.914 million in 2008-09. Poor domestic and international market conditions, sharp increase in discount rate, lack of liquidity and placement of 'floor' on the prices of securities for more than three and a half months led to significant reduction in trading volumes to 27,142 million as against 63,316 million last year. This resulted in depressing revenues generated from trading. During the year, the Exchange relied heavily on non-operations based revenue. Profit on bank deposits contributed Rs.341 million or 37% of total revenue compared to 35% in the previous year. Furthermore, a new revenue stream to charge funds managed by the Exchange yielded Rs.56 million. Share of profits from associated and other companies, received during the year, also fell by almost 58%. However, income from other sources, registered an increase of approximately 98% over the previous year.

The diversification of revenue streams is vital for preparing the Exchange for demutualization. With the introduction of new product and business development department and professional treasury operations, revenues from other sources are expected to increase in coming years.

Keeping in mind the decline in revenues, management took a number of significant cost cutting initiatives. These included a freeze on new hiring, restrictions on traveling, general administration costs, advertisements and other non-essential non trading related expenditure. In addition to these there was decrease in legal and professional charges, depreciation as well as in financial charges. Due to these measures, total expenses of the Exchange were reduced by 25% to Rs.535 million from previous year.

Profit before Tax was Rs 379 million as compared to profit before tax of Rs.1,000 million last year, this represents a fall of 62%. Profit after Tax stood at Rs.314 million for the year 2008-09 compared to Rs.772 million in 2007-08, showing a reduction of 59%.

With the gradual stabilization in financial market, Exchange is confident that revenue will start growing again in the near future.

CONTINGENCIES

The Karachi Stock Exchange faces a number of challenges and due to the peculiar nature of business and uniqueness of operations; there are a number of contingencies. These contingencies also contain some that are from prior years and collectively, although these are significant in amounts, but these are not assumed to be realized and as such no provisions have been made which is also in accordance with the legal counsel's advice.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Capital Markets have been amongst the largest contributors to the national exchequer in preceding years. During the year 2008-09, the Exchange collected an aggregate amount of Rs.637.8 million (2008: Rs.4.67 billion) from its members on securities market transactions and also paid a sum of Rs.98 million (2008: 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 %	622.71
National Clearing Company of Pakistan Limited [NCCPL]	30.00	47.06 %	190.07
Others			
JCR-VIS Credit Rating Company Limited [JCR-VIS]	2.50	12.50 %	2.50
National Commodity Exchange Limited [NCEL]*	42.09	36.36 %	22.09

* KSE holds 3,636,356 (2008: 3,636,356) Ordinary shares of Rs.10 each, representing 36.36% equity in NCEL. Break-up value of each Ordinary share of Rs.10 is Nil (2008: Nil) based on the unaudited accounts available for the year ended June 30, 2009. The original cost of investment in NCEL is Rs.42.091 million.

Out of the above, a stock dividend @65% (2008: 50% stock dividend and 30% cash dividend) was declared by the CDC, cash dividend @ 65% (2008: 50%) by NCCPL for the financial year ended June 30, 2008 were received during the year.

KEY DEVELOPMENTS

HR Performance Management

KSE undertook a major initiative in augmenting a performance driven organizational culture by implementing a new performance management system through Balance Score Card Methodology. Individual objectives were aligned with the organizational goals and each employee was assigned SMART objectives at the start of the period. Subsequent evaluation of achievements resulted in a tangible outcome in the form of improved targeted compensation.

Risk Management Measures

During the year, all parameters of Risk Management were strictly monitored by the Exchange. Despite a sharp decline in the market, all margins were collected on time. The following new risk management measures were introduced:

Introduction of Concentration Margins

Special Margins were replaced with Concentration Margins to further strengthen the Risk Management system of the Exchange and mitigate risk effectively. The introduction of concentration margins prevents over-speculation as well as acts as a disincentive for prospective market manipulators.

Introduction of Pre-Settlement Delivery in Ready Market

Pre-settlement delivery mechanism releases the exposure of those members who submit shares against net sell position before the settlement date. It provides market participants an efficient market access and offers increased liquidity reducing default risk on the settlement date. This mechanism not only caters to default risk but also provides room to market participants in shape of release in exposure, margin requirements and in Capital Adequacy and trading limits.

Introduction of Exposure Drop out facility during the market

Successful implementation of the Exposure Drop out facility increases online trading capacity for those members who have been given clearance by the NCCPL for their pending settlement. Through this mechanism, members get more online trading capacity in terms of Capital Adequacy, Exposure limits and release in pledged margins.

Revision of Margin Eligible Securities

Number of Margin eligible securities dropped from 84 to 46 based on the criteria approved by SECP.

Revision of Eligible Securities for trading in Cash Settled Futures Contract

The list of eligible securities for trading in Cash settled futures contract market has been revised from 35 to 25 securities based on the criteria approved by the SECP.

Change in penalty mechanism with regard to Net Capital Balance Certificate

The penalty mechanism for late submission of Net Capital Balance Certificate has been changed to enhance the risk mitigation measures and to allow for timely submission of Net Capital Balance Certificates.

Discontinuation of CFS MK-II and re-launch of Deliverable Futures markets

During the year, the SECP constituted a CFS MK-II Review Committee. The committee was asked to review the CFS MK-II product with particular reference to risk management, its role as a leverage product, and propose measures for further strengthening risk management of CFS MK-II as well as recommend other leverage products in line with the best international practices. Subsequently, on the recommendation of the CFS MK-II Review Committee, the SECP decided to discontinue CFS MKII.

The Deliverable Futures Market was also discontinued with effect from April 20, 2009. However, in view of discontinuation of both of these products, the capital market felt the need for the introduction of a leverage product to help boost trading activity and hence, efficient price discovery. On the recommendation of the KSE Board, the SECP allowed re-launching the Deliverable Futures Contract effective from August, 2009. A total of eighteen securities met SECP's criteria for trading and were declared as eligible.

New products and services

Launch of first Islamic Index - 'KSE-Meezan Index (KMI-30)'

On the 1st of Ramadan falling in the year 2008, the KSE and Al Meezan Investment Management Limited launched an Islamic Index - 'KSE-Meezan Index or KMI-30.

While Al Meezan Investment Management Limited provides its Shariah expertise, guidelines, skills and stock screening services towards activities connected to the management of the index, KSE provides maintenance and dissemination support for the Index.

KMI-30 is a Shariah compliant index and provides investors with a suitable benchmark to compare their Shariah compliant equity investments. The KMI-30 Index comprises of 30 companies that meet 'KMI Shariah Screening Criteria' and are weighted by float adjusted market capitalization with an individual securities weightage capped at 12%.

Screening of stocks included in the Index is done in accordance with the principles prescribed by the Shariah Supervisory Board of Meezan Bank which is chaired by eminent Shariah scholar Justice (Retd.) Mufti Muhammad Taqi Usmani.

Data Vending and Launch of mKATS

Apart from establishing new data vending contracts with international data providers and financial institutions, KSE entered into an agreement with VectraCom, an ISO 9001:200 certified company to facilitate equity trading through hand-held devices via SMS, IVR and J2ME WAP portal interface. Investors now have access to live market data on any hand held phone through all operators across Pakistan by dialing '573'. In addition of SMS, the service also provides live data in Urdu, English, Gujarati, Sindhi, Punjabi and Pushtu languages.

Marketing of KSE Indices

Structured Solutions AG is a leading German consulting company providing structured financial products to institutional investors in Western Europe and the world over. Under an agreement with the KSE, Structured Solutions will market KSE indices to potential international licencees, who are willing to launch structured products, Exchange Traded Funds (ETFs) and other financial instruments based on Pakistani indices.

International Relations

Memorandum of Understanding

KSE signed two separate Memorandums of Understanding (MoUs) with Bursa Malaysia in September 2008 and with Singapore Exchange Limited (SGX) in October 2008. Both MoUs will allow KSE to develop deeper relationships with the two leading regional exchanges in the Asia Pacific region.

Establishment of regional relationships is a key step in helping develop Pakistan's capital markets and in preparing KSE for demutualization.

South Asian Federation of Exchanges elects KSE's Managing Director as its Chairman

On March 11, 2009, the 8th General Assembly Meeting of SAFE was held in Abu Dhabi, UAE, where, Mr. Adnan Afridi, Managing Director of KSE was elected as member and Chairman of SAFE for a 2 year term. Mr. Afridi had previously been appointed Vice-Chairman of SAFE's Executive Committee.

The consecutive election of Managing Director of KSE as a member of SAFE's Executive Committee reflects KSE's commitment to regional capital market development as well as its importance and significance amongst regional exchanges.

Karachi Stock Exchange included in Dow Jones Indexes and the Federation of Euro-Asian Stock Exchange Regional Indexes

Dow Jones Indexes, a leading global index provider, and the Federation of Euro-Asian Stock Exchanges (FEAS) launched the Dow Jones FEAS Indexes on June 5, 2009. This is the first time indexes have been created to measure the performance of companies across the Euro-Asian region.

The Dow Jones FEAS Composite Index, of which KSE is part of, contains component stocks of 10 of the 32 member states of the Federation of Euro-Asian Stock Exchanges.

Dow Jones SAFE 100 Index Launched

In order to promote the South Asian region as a combined investment destination for the global fund managers and investors, South Asian Federation of Exchanges (SAFE) in collaboration with Dow Jones Indexes Inc, New York, has launched first ever Dow Jones SAFE 100 Index comprising prominent companies listed on the major exchanges of the region. The index was launched on March 11, 2009.

The launch of the initial composite index of the region would also enable Dow Jones to launch different sub indexes representing various major and performing sectors of the economies of the countries of the region such as banking, insurance, telecommunication, oil and gas sectors etc. With this index, global asset management companies will be able to initiate Exchange Traded Funds (ETFs) based on the SAFE-DJ Index.

The Dow Jones SAFE 100 Index measures the performance of the 50 largest Indian stocks and the 50 largest stocks trading in Bangladesh, Mauritius, Pakistan and Sri Lanka. Thus, the index includes 3 Bangladeshi, 5 Mauritian, 39 Pakistani and 3 Sri Lankan stocks.

Pakistan included in MSCI Frontier Market

At the end of December 2008, MSCI, a leading provider of benchmark indices excluded the MSCI Pakistan Index from its MSCI Emerging Market Index following the deterioration in the investability conditions prevailing in the Pakistani market.

Following extensive consultations and negotiations with MSCI, in May 2009, MSCI, included twelve Pakistani companies in its MSCI Frontier Index. Pakistan's inclusion in the MSCI Frontier Index bodes well for the local equity market as this decision will reassure foreign investors that Pakistan continues to meet the high criteria set by international index makers and remains an attractive destination for portfolio investment.

KEY EVENTS

Investor Education Program

As part of KSE's investor education and capital market awareness program, KSE was host to students from the Institute of Business Administration (IBA), Beaconhouse School, National Institute of Management, Quetta and also to the officials taking courses at the Foreign Services Academy.

In addition, in January 2009, KSE partnered with the Securities & Investment Institute UK (SII) to hold an investor education course at the KSE.

The new KSE website has a dedicated Investors' section with a detailed Investors' Guide in Urdu and English.

KSE holds 'Top 25 Companies Awards'

The 'Top 25 Companies Awards' recognizes those listed companies that set a high standard for corporate excellence, encompassing good corporate governance practices and creation of shareholders' value.

The Top 25 Companies Award Ceremony for the years 2006 and 2007 was held on March 14, 2009. Mr. Shaukat Tarin, the then Advisor to the Prime Minister on Finance, Revenue, Economic Affairs & Statistics, was invited as the Chief Guest.

CURRENTLY IN PROCESS

Bond Trading Platform

The Exchange has been actively consulting with stakeholders in developing a bond market trading platform. The introduction of this platform is expected to strengthen and deepen the money market in line with international best practices. Once introduced, corporate and retail investors will be able to trade corporate and commercial paper - providing a much needed price discovery to the debt market.

Implementation of Oracle Financials

In light of management's efforts to continue to strengthen internal processes of the Exchange, an agreement was signed between KSE and Ora-Tech Systems (Pvt.) Limited for implementation of Oracle Financials. Successful implementation of the new financial system is expected to significantly enhance internal controls.

Corporatization and Demutualization of the Exchange

The Corporatization and Demutualization Bill is currently awaiting debate in Parliament. Once passed by both lower and upper houses of Parliament, signed by the President and notified in the Official Gazette, the Bill will be promulgated as the Stock Exchanges (Corporatization, Demutualization and Integration) Act.

The KSE has remained actively engaged with the Government to facilitate this process including presentations to National Assembly's Standing Committee on Finance.

Technology

Over the past decade the KSE has invested aggressively in technology infrastructure and currently operates one of Pakistan's most advanced technology platforms.

1+1 Redundancy

As part of its initiative for Business Continuity and Disaster Recovery, KSE decided to invest in existing server infrastructure and build server level redundancy. This project is currently in the implementation stages and once complete, redundancy would be achieved on all trading servers and their network hardware.

Server Virtualization

KSE values the significance of Server Virtualization and hosting of applications on Virtualization. After implementation, the Exchange will benefit from running multiple independent virtual operating systems on a single computer. Successful implementation of this project will result in lower hardware and maintenance costs, increase space utilization and efficiency in the data centre. This is expected to enhance existing server speeds and multiple operating systems can be deployed on a single hardware platform.

Risk Management

Introduction of Client Level Margining Regime

From October 1, 2009, reforming Client Level Margining mechanism (Phase-I) will be operational. The ultimate objective of the mechanism is to bring about a shift from the present level of margining regime i.e., at the broker level to the Client/UIN level. All related trading/exposure capacity will be available on the basis of UIN wise collateral positions in terms of respective Sub-accounts or Cash deposits with the Exchange.

Considering a paradigm shift in the existing business processes (Pre-trade & Post trade exposure regime), application capacities and capabilities at Exchange, CDC and Broker level, the whole project will be divided into two phases:

A. Phase-I

The proposed regime will be available on post trade basis and for margins in the shape of securities received from the respective CDS accounts. Cash margins will be treated at member level and will be allocated to their clients if the member has allowed access.

B. Phase-II

The new regime will be available at the Pre-trade level for UIN wise margining for both Cash and Securities:

Restructuring of Net Capital Balance requirement

Restructuring of Net Capital Balance requirement formula is under process to strengthen this important and primary level Risk mitigation tier.

Pre-settlement mechanism in Deliverable Future contract market

The mechanism will provide more room by releasing the exposure of members who submit shares against net sell positions. It will also strengthen the risk mitigation mechanism by receiving securities before the settlement date.

In House development of Value at Risk (VaR) model

A new VaR model is currently being developed by the Exchange. The introduction of this new model is expected to significantly enhance operational and risk management capabilities of the Exchange.

OTHER DEVELOPMENTS

Cases instituted by Competition Commission of Pakistan against KSE

i. Alleged abuse of dominant position by KSE

A complaint was filed with Competition Commission of Pakistan (CCP) against KSE by Islamabad Stock Exchange (ISE) which was subsequently joined by Lahore Stock Exchange (LSE) as co-complainant, alleging an abuse of dominant position by KSE. Pursuant to the complaint, after hearing the parties, CCP issued an order dated May 29, 2009 directing KSE to take such measures along with other Exchanges of Pakistan, within a period of six months from the date of issuance of Order, to enter into an agreement similar to that of Unified Trading System already existing between LSE and ISE so as to ensure availability of and access to the best price of commonly listed securities to all investors regardless of geographical location. Upon failure to comply with this direction, KSE will be liable to pay a penalty of Rs.50 million at the end of six months' period and thereafter an additional penalty of Rs.250,000/- per day, if the non-compliance continues. To facilitate implementation, the CCP further directed that if reasonable commercial terms for the agreement / facility are not agreed between the parties within two months of the date of this Order, any or all parties can make a reference to CCP, which will then proceed to appoint a firm of Chartered Accountants to make such determination.

An appeal under Section 42 of the Competition Ordinance, 2007 against the Order of CCP has been filed by the Exchange against the CCP and other two Exchanges (LSE & ISE) in the Supreme Court of Pakistan. Moreover, a Constitutional Petition earlier filed by KSE in the High Court of Sindh, challenging, among others, the constitutionality of the said Ordinance, is pending adjudication. The interim orders issued in this Petition were challenged by ISE by means of two petitions in the Supreme Court. The Supreme Court disposed off these petitions based on an undertaking by CCP that they will not enforce the Order or make recovery of fine (if levied) in the final Order passed by CCP till the appeal before the Supreme Court, if filed, is finally decided. Consequently, since the appeal has been filed by KSE in the Supreme Court, therefore, the above referred order of CCP will not be enforceable until decision of Supreme Court, in terms of CCP's undertaking.

ii. Placement of floor on prices of securities

The Competition Commission of Pakistan (CCP) having taken suo moto notice of the action taken by the three stock exchanges of placing/fixing a price floor for securities on August 27, 2008, had issued show cause notices to all the three Exchanges. A hearing in the matter was held on January 14, 2009 before a Single Member of CCP. The CCP issued its Order on March 18, 2009, whereby KSE, LSE and ISE were imposed a penalty of Rs. 6.0 million, 1.0 million and 0.2 million respectively.

In view of the provisions available in the Competition Ordinance, an appeal was filed against the order of a Single Member of CCP, before the Appellate Bench of the CCP, which is presently pending adjudication. The Stay-Order in respect of recovery of penalty has been granted by the Appellate Bench.

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 SECP.

In September 2008, Mr. Khalid Ahmed Sherwani was nominated to KSE Board, by SECP for the remaining term of 2008, on the casual vacancy created due to earlier resignation of Mr. Shaukat Tarin.

In terms of Articles of Association of the Exchange, Mr. Muhammad Yasin Lakhani, Mr. Munir M. Ladha, Mr. Zafar S. Moti, Haji Ghani Haji Usman and Mr. Asad Iqbal were elected as directors for the year 2009 at the Extraordinary General Meeting of the Exchange held on December 02, 2008.

Similarly, three nominee directors, Mr. Kamran Y. Mirza, Mr. Osman Asghar Khan and Mr. Khalid Ahmed Sherwani, who were already serving on the KSE Board, were re-nominated by SECP for the year 2009. In addition, Dr. Farid Khan was nominated by SECP to replace Mr. Muhammad Aliuddin Ansari, who completed his term. Mr. Kamran Y. Mirza, was re-elected as Chairman for the year 2009.

Subsequent to the election of Directors on December 02, 2008, for the calendar year 2009, and just before the end of the calendar year 2009, Mr. Munir M. Ladha and Mr. Dawood Jan Muhammad, the two member directors, resigned from KSE Board and accordingly, Mr. Basharatullah Khan and Mr. Abdul Aziz Tayub Patel, were appointed by the Board, in their place, for the remainder term of calendar year 2008.

Soon after the new Board for the year 2009 assumed its charge, Mr. Munir M. Ladha resigned from there as well and Mr. Amin Yusuf was co-opted by the Board to fill the vacancy.

The Board records its appreciation of the contribution made by the outgoing Directors.

The KSE Board consists of experienced and successful professionals with diverse backgrounds. 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.

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, 2009, 31 Board meetings (12 normal & 19 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 2008		
Mr. Kamran Y. Mirza	25	24
Mr. Adnan Afridi	25	24
Mr. Muhammad Aliuddin Ansari	25	18
Mr. Shehzad Chamdia	25	20
Mr. Muhammad Sohail Dayala	25	25
Mr. Muhammad Shoib Memon	25	23
Mr. Dawood Jan Muhammad	22	21
Mr. Munir M. Ladha	22	21
Mr. Osman Asghar Khan	25	14
Mr. Khalid Ahmed Sherwani	18	17
Mr. Abdul Aziz Tayub Patel	2	2
Mr. Basharat Ullah Khan	2	2
January-June 2009		
Mr. Kamran Y. Mirza	6	6
Mr. Adnan Afridi	6	6
Mr. Asad Iqbal	6	6
Mr. Osman Asghar Khan	6	6
Dr. Farid Khan	6	4
Mr. Muhammad Yasin Lakhani	6	6
Mr. Zafar S. Moti	6	6
Mr. Khalid Ahmed Sherwani	6	6
Haji Ghani Haji Usman	6	6
Mr. Amin Yusuf	6	6

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 2009 under the current chairmanship of various directors, as given below:

Committee	Chairman
i. Human Resource Committee	Mr. Kamran Y. Mirza
ii. Voluntary De-listing Committee	Mr. Adnan Afridi
iii. Advisory & Arbitration Committee	Dr. Farid Khan
iv. Companies Affairs and Corporate Governance Committee	Mr. Muhammad Yasin Lakhani
v. Development, Technology & Trading Affairs Committee	Mr. Amin Yusuf
vi. Audit Committee	Mr. Osman Asghar Khan
vii. Market Development & New Products Committee	Mr. Asad Iqbal
viii. Demutualization Committee	Mr. Zafar S. Moti
ix. Default Management Committee	Haji Ghani Haji Usman
x. I.T. Steering Committee	Mr. Osman Asghar Khan

AUDIT COMMITTEE

The Audit Committee constituted by the Board currently comprises of five members including the Chairman:

1. Mr. Osman Asghar Khan	Chairman
2. Mr. Asad Iqbal	Member
3. Dr. Farid Khan	Member
4. Mr. Muhammad Yasin Lakhani	Member
5. Mr. Khalid Ahmed Sherwani	Member

The Committee held seven meetings during the financial year 2008-09. 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 relating to 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 Board is pleased to advise that KSE has voluntarily adopted the Code of Corporate Governance and has complied, in all material respects, with the best practices contained in the said Code, as fully explained in the attached Statement of Compliance. Further, as per the Code's requirements, the following specific statements are being made:

- 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, cash flows and changes in equity.
- 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.
- Value of investment of KSE Employees' Gratuity Fund is Rs.76 million based on unaudited accounts for the year June 30, 2009.
- Key operating and financial data of last 6 years has been included in this annual report.

AUDITORS

Ford Rhodes Sidat Hyder & Co., Chartered Accountants, have completed their assignment and retired. Being eligible, they have offered themselves for reappointment. Based on the recommendation of the Audit Committee, the Board further recommends the reappointment of Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as KSE's auditors for the financial year ending on June 30, 2010.

FUTURE OUTLOOK

With key economic indicators improving towards the end of 2008-09, Pakistan's economy is expected to grow at a modest 3.3%. With the decline in inflation rates and continued indications of monetary policy easing from the State Bank in 2009-10, pressure on corporate profitability should also reduce. As a result, KSE is optimistic that Pakistan will regain its medium term growth projections.

In August 2009, in view of improving macro-economic indicators, the central bank reduced the discount rate by 100bps to 13% and S&P upgraded Pakistan's long term outlook one notch to B-. S&P cited Pakistan's improving external liquidity coupled with a reduction in external deficit due to successive disbursement from IMF and other multilateral loans. This has led to significant foreign portfolio inflows.

However, Pakistan's economic stability and growth will continue to face a number of challenges (apart from the war on terrorism); most importantly, from rising oil and commodity prices, and its continued dependence on foreign donor aid. Furthermore, going forward, the Government will have a number of difficult decisions to make including increasing power tariffs, reducing subsidies, etc., if it wants to continue to meet IMF's conditions for future inflows.

As Pakistan's economy stabilizes and recovers in 2009-10, the capital markets are expected to exhibit a gradual recovery. However, volumes are expected to remain depressed until key issues related to the introduction of a new leverage product are resolved. The Management remains focused on working with all stakeholders so that key issues are resolved and liquidity once again returns 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 and the Ministry of Finance, Revenue & Economic Affairs, Government of Pakistan, for their active support and guidance to KSE at all times.

Furthermore, the Board would like to thank all Committee members and employees of the KSE for 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 during a challenging year.

For and on behalf of the Board of Directors

Sd/-

KAMRAN Y. MIRZA

Chairman

Sd/-

ADNAN AFRIDI

Managing Director

Karachi

September 08, 2009

Impulse is the
accomplishment of
dynamic purposes



Iqbal Bano

A highly acclaimed female Ghazal singer from Pakistan, she studied under Ustad Chaand Khan of the Delhi Gharana, an expert in all kinds of pure classical and light classical forms of vocal music. Ustad Chaand Khan referred her to All India Radio, Delhi, where she sang on the radio. She won the Tamgha-e-Imtiaz (Pride of Performance) medal in the 90's for her contributions to the world of Pakistani music.



FINANCIAL HIGHLIGHTS FOR THE PAST SIX YEARS

In Rs. '000

	2009	2008	2007	2006	2005	2004
BALANCE SHEET						
Reserves	2,984,341	2,739,397	2,071,073	1,565,195	950,582	337,050
Long Term Liabilities	261,485	268,757	611,706	520,139	677,967	757,243
Current Liabilities	619,813	5,994,339	9,353,375	2,763,998	2,384,159	1,526,012
Total Liabilities	3,865,639	9,002,493	12,036,154	4,849,332	4,012,708	2,620,305
Fixed Assets	466,325	271,533	217,687	248,455	257,892	223,005
Other Long term Assets	869,815	823,023	649,272	507,969	368,062	116,621
Current Assets	2,529,499	7,907,937	11,169,195	4,092,908	3,386,754	2,280,679
Total Assets	3,865,639	9,002,493	12,036,154	4,849,332	4,012,708	2,620,305
OPERATIONAL RESULTS						
Total Income	913,571	1,715,617	1,191,533	1,181,927	977,405	546,798
Total Expenses	534,646	715,472	506,371	313,195	267,373	236,069
Profit Before Tax	378,925	1,000,145	685,162	868,732	710,032	310,729
Profit after Tax	314,085	771,728	507,721	603,022	500,574	189,563
RATIOS						
Current Ratio	4.08	1.32	1.19	1.48	1.42	1.49
Quick Ratio	3.27	1.29	1.17	1.44	1.38	1.45
Net Profit Margin	34%	45%	43%	51%	51%	35%
Expenses as a percentage of revenue	59%	42%	42%	26%	27%	43%
Profit before tax as a percentage of revenue	41%	58%	58%	74%	73%	57%

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, for the year ended 30 June 2009.

Sd/-

Karachi
September 08, 2009

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Audit Engagement Partner: Shabbir Younis

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

This statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No.37 (xlv) of Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. Karachi Stock Exchange [“the Company”], although not a listed company, has voluntarily adopted the best practices of corporate governance.

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

1. The Company encourages representation of non-executive directors on its Board of Directors. At present the Board includes nine (9) non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, besides this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the directors, who are members of a stock exchange, has been declared as a defaulter by that stock exchange.
4. All casual vacancies that occurred in the Board were immediately filled up by the Board in accordance with the Articles of Association of the Company.
5. The Company has adopted a 'Statement of Ethics and Business Practices', which has been signed by all the directors and staff of the Company.
6. The Board has developed a vision and a mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter with the total number of meetings held during the year ended June 30, 2009 being 31. Written notices of the Board meetings, along with agenda and working papers, were circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated within the prescribed time limit, as per the Code, with a few exceptions. The meetings where Finance related matters were discussed, were attended by the CFO.
9. The Board conducted an orientation course on March 31, 2009 for its directors during the year to apprise them of their duties and responsibilities.
10. The Board approves the appointment of Chief Financial Officer [CFO], Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer [CEO]. However, there was no new appointment against these posts during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Company has complied with all the corporate and financial reporting requirements.
14. The Board has formed an Audit Committee. It comprises of five (5) members, all of whom are non-executive directors including the Chairman of the Committee.

15. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and annual financial results of the Company and as required by the Code. The total number of meetings held during the year ended June 30, 2009 was 7. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
16. The Board has set-up an effective internal audit function through a combination of internal and outsourced expertise. Members of the internal audit function are conversant with the policies and procedures of the Company and are considered suitably qualified and experienced for the purpose. They are involved in the function on a full time basis.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

Sd/-

KAMRAN Y. MIRZA
Chairman

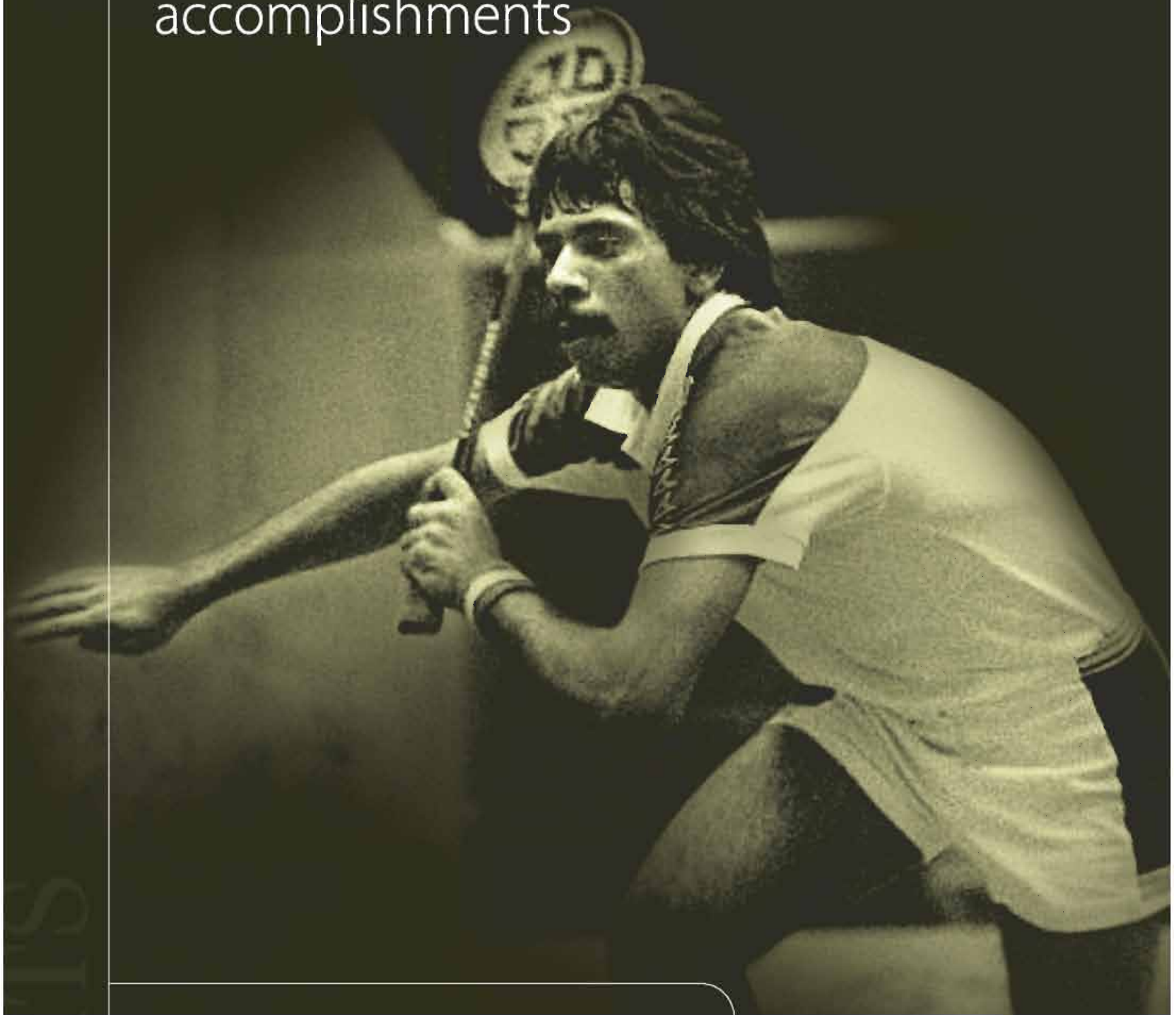
Sd/-

ADNAN AFRIDI
Managing Director

Karachi

September 08, 2009

Passion is what drives
accomplishments



Jahangir Khan

Former World No. 1 professional squash player from Pakistan. He is considered by many to be the greatest player in the history of the game. During his career he won the World Open six times and the British Open a record ten times. Between 1981 and 1986, he was unbeaten in competitive play for five years. During that time he won 555 matches consecutively.



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **The Karachi Stock Exchange (Guarantee) Limited** (the Company) as at 30 June 2009 and the related income and expenditure account and cash flow statement together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2009 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 23 to the accompanying financial statements in respect of Contingencies. The ultimate outcome of the matters stated therein cannot presently be determined and, hence, pending the resolution thereof, no provision for any liability that may arise from such matters has been made in the financial statements.

Karachi
September 08, 2009

Sd/-
Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Audit Engagement Partner: Shabbir Younis

BALANCE SHEET

AS AT JUNE 30, 2009

		June 30, 2009	June 30, 2008
	Note	(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	366,297	228,182
Intangible assets	5	92,616	35,549
Investment property	6	7,412	7,802
Investment in associates	7	812,779	746,376
Long term investments	8	25,591	24,591
Long term deposits	9	3,303	3,297
Long term loans	10	28,142	34,488
Deferred tax asset	11	-	14,271
		1,336,140	1,094,556
CURRENT ASSETS			
Accounts receivable	12	29,459	15,450
Loans and advances	13	261,346	13,674
Deposits, prepayments and other receivables	14	91,495	156,480
Short term investments	15	1,278,465	1,500,700
Taxation - net	16	121,933	47,719
Cash and bank balances	17	746,801	6,173,914
		2,529,499	7,907,937
TOTAL ASSETS		3,865,639	9,002,493
FUNDS, RESERVES AND LIABILITIES			
FUNDS			
General Entrance Fee Fund		140,295	140,295
Dara F. Dastoor Scholarship Fund	18	2,238	2,202
		142,533	142,497
RESERVES		2,984,341	2,739,397
	19	3,126,874	2,881,894
NON-CURRENT LIABILITIES			
Deferred liability - Agent Welfare Fund		908	721
Deferred tax liability		27,056	-
Long term deposits	20	90,988	125,539
		118,952	126,260
CURRENT LIABILITIES			
Provision for wealth tax	21	1,684	1,684
Deposits, accrued and other liabilities	22	618,129	5,992,655
		619,813	5,994,339
CONTINGENCIES AND COMMITMENTS			
	23		
TOTAL FUNDS, RESERVES AND LIABILITIES		3,865,639	9,002,493

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

Sd/-

Chairman

Sd/-

Managing Director

INCOME AND EXPENDITURE ACCOUNT		FOR THE YEAR ENDED JUNE 30, 2009	
--------------------------------	--	----------------------------------	--

	Note	June 30, 2009 (Rupees in '000)	June 30, 2008
INCOME			
Income from listing	24	111,649	109,560
Income from operations	25	192,550	690,270
Mark-up / interest income	26	341,034	596,718
Management fee	27	55,622	-
		<u>700,855</u>	<u>1,396,548</u>
EXPENDITURE			
Administrative expenses	28	502,759	528,382
Financial and other charges	29	31,887	187,090
		<u>534,646</u>	<u>715,472</u>
		<u>166,209</u>	<u>681,076</u>
OTHER INCOME	30	59,892	30,183
GAIN ON DERECOGNITION OF FIXED ASSETS - NET	31	59,616	68,345
SHARE OF PROFIT OF ASSOCIATES	32	93,208	220,541
INCOME BEFORE TAXATION		<u>378,925</u>	<u>1,000,145</u>
 Taxation	33	64,840	228,417
NET INCOME FOR THE YEAR		<u><u>314,085</u></u>	<u><u>771,728</u></u>

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

Sd/-

Chairman

Sd/-

Managing Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

	June 30, 2009	June 30, 2008
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxation	378,925	1,000,145
Adjustments for non-cash charges and other items		
Depreciation		
- Fixed assets	56,419	76,117
- Investment property	390	411
Amortisation of intangible assets	22,376	8,010
Provision for gratuity	15,659	39,799
Dividend on long term investments	-	(125)
Tangible assets written off	-	3,356
Mark-up / interest earned	(341,034)	(508,204)
Adjustment on account of physical verification of assets	(38,191)	-
Reversal of provision against receivables on recovery	(380)	(700)
Reversal of accrual against professional charges	(25,800)	-
Gain on derecognition of assets to members	(59,616)	(68,345)
Share of profit of associates	(93,208)	(220,541)
Loss / (gain) on disposal of fixed assets	3	(274)
	(463,382)	(670,496)
Operating (loss) / income before working capital changes	(84,457)	329,649
MOVEMENT IN WORKING CAPITAL		
Increase in current assets		
Accounts receivable	(13,629)	(511)
Loans and advances	(247,672)	(3,132)
Deposits, prepayments and other receivables	(7,971)	(5,933)
	(269,272)	(9,576)
(Decrease) in current liabilities		
Deposits, accrued and other liabilities	(5,315,125)	(3,233,507)
Cash used in operations	(5,668,854)	(2,913,434)
Income tax paid	(97,727)	(230,236)
Gratuity paid	(49,260)	(2,682)
Increase in deferred liability	187	271
(Decrease) / increase in long term deposits	(34,551)	14,158
Mark-up / interest received	413,990	527,555
	232,639	309,066
Net cash flows from operating activities	(5,436,215)	(2,604,368)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(240,769)	(122,853)
Capital work-in-progress	(26,196)	(42,035)
Proceeds from sale of fixed assets	28,956	5,923
Investment made during the year	(1,179,055)	-
Dividend received	19,500	39,189
Decrease / (increase) in long term loans	6,346	(774)
Increase in long term deposits	(6)	(3)
Net cash outflow from investing activities	(1,391,224)	(120,553)
Balance c/f.	(6,827,439)	(2,724,921)

	Note	June 30, 2009 (Rupees in '000)	June 30, 2008
Balance b/f.		(6,827,439)	(2,724,921)
CASH FLOWS FROM FINANCING ACTIVITIES			
Clearing House Protection Fund			(357,387)
Investors Protection Fund			(162,646)
Increase in Dara F. Dastoor Scholarship Fund		36	9
Net cash flows from financing activities		36	(520,024)
Net (decrease) / increase in cash and cash equivalents		(6,827,403)	(3,244,945)
Cash and cash equivalents at the beginning of the year		7,674,614	10,919,559
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34	<u>847,211</u>	<u>7,674,614</u>

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

Sd/-

Chairman

Sd/-

Managing Director

THE COMPANY AND ITS OPERATIONS

1.1 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, scripts, participation term certificates, modaraba certificates, stocks, bonds, debentures stock, government papers, loans, and any other instruments and securities of like nature including, but not limited to, special national fund bonds, bearer national fund bonds, foreign exchange bearer certificates and documents of similar nature, issued by the Government of Pakistan or any other agency authorised by the Government of Pakistan.

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

1.2 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) Bill, 2009 which is currently in the process of being approved by the relevant authorities. In this regard, a meeting of the National Assembly Standing Committee on Finance and Revenue was held on January 26, 2009 at Islamabad. The Committee amongst other items, held discussion on the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2009 and approved the same for submission to the Parliament. The representatives of all the three Stock Exchanges and SECP attended the meeting.

The said Act will ensure that the Company is demutualized and converted into a limited liability company according to the requirements of the law.

1.3 The Board of Directors of the Company, after holding extensive consultations with stakeholders (including its members, fund managers, other exchanges etc.) held an emergent meeting on August 27, 2008 wherein the Board observed that the continuous sharp decline in share prices can have implications for the wider financial system.

In view of the above, the Board in terms of the powers described in the Regulations of the Exchange, decided to place a floor based on the closing prices of securities of August 27, 2008, both in the Ready and Futures Market, whereby the individual security prices would remain free to trade within the normal circuit breaker limits, but not below the floor-price level of August 27, 2008. It was decided to introduce the above mechanism effective from August 28, 2008.

Subsequently, the Securities and Exchange Commission of Pakistan, vide its letter number SMD/SE/2(20) 2008 dated December 11, 2008, directed all three Stock Exchanges to remove the floor placed on closing prices of securities effective December 15, 2008. Accordingly, the Company notified to all members that floor on the closing prices was to be removed effective December 15, 2008 vide its Notice No. KSE/N-7933 dated December 12, 2008.

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:

- (a) determining the residual values and useful lives of property and equipment (note 3.5);
- (b) classification of investments (note 3.9);
- (c) provisions (note 3.13);
- (d) recognition of taxation and deferred tax (note 3.15);
- (e) accounting for post employment benefits (note 3.16 and 3.17); and
- (f) impairment (note 3.19)

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)	July 01, 2009
IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	January 01, 2009
IAS 39 - Financial Instruments: Recognition and measurement - Amendments regarding Eligible Hedge items	July 01, 2009
IFRS 2 - Share-based payment - Amendments regarding Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 - Business Combinations (Revised)	January 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 - Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009
IFAS 2 - Ijarah	January 01, 2009

The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes and / or enhancements in the presentation and disclosures in the financial statements resulting from the application of IAS 1. The revised IAS 1 was issued in September 2007 and becomes effective for financial years beginning on or after January 01, 2009. The standard separates owner and non-owner changes in equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after January 01, 2009. The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application.

3.4 Accounting standards adopted during the year

During the year, the Company has adopted IFRS 7 "Financial Instruments – Disclosures", which resulted in certain additional disclosures relating to financial instruments in these financial statements. Further, interpretations of accounting standards, namely IFRIC 12 "Service Concession Arrangements", IFRIC 13 "Customer Loyalty Programs" and IFRIC 14 "IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions" also became effective during the year. However, these interpretations do not affect the Company's financial statements.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

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

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, 2009 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.

10 Accounts and other receivables

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

11 Loans, advances and deposits

These are stated at cost.

12 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.

13 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.

14 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, non-operating facilities income and membership fees are recognised on accrual basis while other fees are recognised when received.

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

Management fee is recognised on accrual basis @ 2% of the Fund's size.

3.15 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.

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.

16 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.

3.17 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.

3.18 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.

3.19 Impairment

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

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 transaction date i.e. the date the Company receives the financial asset. All regular way sales of financial assets are recognized on the settlement date i.e. the date the asset is delivered to the counter party. Regular way purchases or sales of financial assets that require delivery of assets within the time generally established by regulation or convention in 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, 2009	June 30, 2008
		(Rupees in '000)	
PROPERTY, PLANT AND EQUIPMENT	Note		
Operating fixed assets	4.1	289,315	177,396
Capital work-in-progress	4.2	76,982	50,786
		<u>366,297</u>	<u>228,182</u>

OPERATING FIXED ASSETS - Tangible

COST			ACCUMULATED DEPRECIATION / AMORTIZATION					WRITTEN DOWN VALUE			
June 30, 2009	Note	As at July 01, 2008	Additions / transfers during the year *	(Disposals)	As at June 30, 2009	Rate / Period	As at July 01, 2008	For the year / (adjustments note 4.1.2) *	(On Disposals) / (On transfers) *	As at June 30, 2009	As at June 30, 2009
----- Rs. in '000 ----- % ----- Rs. in '000 -----											
Leasehold land	4.1.1	108		(18)	90	99 yrs	65	3	(11)	57	33
Building on leasehold land	4.1.1 & 4.1.2	69,870	84	(6,173)	63,781	5	24,549	2,439 (3,459) *	(3,960)	19,569	44,212
Lift, generators and electric installation	4.1.2	68,527	4,325	-	72,852	25	56,874	3,389 (3) *	-	60,260	12,592
Furniture and fixtures	4.1.2	39,603	293 (23,144) *	-	16,752	20	26,434	801 (482) *	(13,366) *	13,387	3,365
Office equipment	4.1.2	21,955	15,574 23,144 *	(1,366)	59,307	20	14,484	5,849	(1,348) 13,366 *	32,351	26,956
Computers and related accessories	4.1.2, 4.1.3 & 4.1.4	382,578	142,396 (14,405) *		510,569	20 & 33.33	318,307	42,299 (34,208) *	(10,830) *	315,568	195,001
Vehicles	4.1.2	54,063	2,229	(41,248)	15,044	20	18,595	1,639 (39) *	(12,307)	7,888	7,156
		636,704	164,901 (14,405) *	(48,805)	738,395		459,308	56,419 (38,191) *	(17,626) (10,830) *	449,080	289,315

June 30, 2009 June 30, 2008
(Rupees in '000)

4.1.5 Included in additions during the year are the following

amounts transferred from capital work-in-progress:

Building on leasehold land	1,962	25
Lift, generators and electric installation	-	150
Computers and related accessories	97,105	3,496
Vehicles	1,465	-
	<u>100,532</u>	<u>3,671</u>

June 30, 2009 Additions /
(transfers) June 30, 2008
Rs. in '000

4.2 Capital work-in-progress

Tangible

Civil works	22,285	14,446 (1,962)	9,801
Lift, generators and electric installation	16,199	16,199	-
Advances to suppliers in respect of:			
- computers and related accessories	11,607	71,187 (97,105)	37,525
- vehicles	-	795 (1,465)	670

Intangible

Internally developed software	11,911	9,121	2,790
Internally developed market products	5,466	5,466	-
Computer software	19,664	9,514	10,150

	<u>87,132</u>	<u>126,728</u> (100,532)	<u>60,936</u>
Provision for impairment	(10,150)	-	(10,150)
	<u>76,982</u>	<u>126,728</u> (100,532)	<u>50,786</u>

5. INTANGIBLE ASSETS

	C O S T			ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE	
	As at July 01, 2008	Additions/transfer*	As at June 30, 2009	As at July 01, 2008	For the year/transfer*	As at June 30, 2009	As at June 30, 2009	
	Rs. in '000			Rs. in '000				
<u>June 30, 2009</u>								
Computer software	55,315	57,978	127,698	26,074	18,184	55,088	72,610	
		14,405 *			10,830 *			
Internally developed software	12,085	17,890	29,975	5,777	4,192	9,969	20,006	
	67,400	75,868	157,673	31,851	22,376	65,057	92,616	
		14,405 *			10,830 *			
<u>June 30, 2008</u>								
Computer software	25,264	30,051	55,315	21,079	4,995	26,074	29,241	
Internally developed software	6,937	5,148	12,085	2,762	3,015	5,777	6,308	
	32,201	35,199	67,400	23,841	8,010	31,851	35,549	

* This represents transfer from property, plant and equipment arising as a result of physical verification of assets started during the previous year, as stated in note 4.1.2 above

June 30, 2009June 30, 2008

6.2 The rental income for the year from the investment property amounted to Rs.33.715 (2008: Rs.29.084) million (note 30).

INVESTMENT IN ASSOCIATES

Unlisted companies

June 30, 2009
Note (Rupees in '000)

7.1 812,779 746,376

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

Name of associate	Country of incorporation	Total Assets	Total Liabilities	Net Assets	Share of net assets	Revenues	Interest held %
----- Rupees in '000 -----							
June 30, 2009							
Central Depository Company of Pakistan Limited	Pakistan	1,813,926	249,721	1,564,205	622,710	730,068	39.81
Break-up value of each Ordinary share of Rs.10 is Rs.31.28 based on the latest audited accounts available for the year ended June 30, 2009							
National Clearing Company of Pakistan Limited	Pakistan	921,428	517,541	403,887	190,069	124,712	47.06
Break-up value of each Ordinary share of Rs.10 is Rs.63.45 based on the latest audited accounts available for the year ended June 30, 2009							
		<u>2,735,354</u>	<u>767,262</u>	<u>1,968,092</u>	<u>812,779</u>	<u>854,780</u>	
June 30, 2008							
Central Depository Company of Pakistan Limited	Pakistan	1,691,994	283,032	1,408,962	560,908	1,008,156	39.81
Break-up value of each Ordinary share of Rs.10 is Rs.46.62 based on the latest audited accounts available for the year ended June 30, 2008							
National Clearing Company of Pakistan Limited	Pakistan	1,957,164	1,563,054	394,110	185,468	254,230	47.06
Break-up value of each Ordinary share of Rs.10 is Rs.61.82 based on the latest audited accounts available for the year ended June 30, 2008							
		<u>3,649,158</u>	<u>1,846,086</u>	<u>1,803,072</u>	<u>746,376</u>	<u>1,262,386</u>	

	June 30, 2009	June 30, 2008
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 (2008: 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.24 (2008: Rs.18.97) based on the unaudited accounts available for the year ended June 30, 2009.

National Commodity Exchange Limited (NCEL), a related party	8.1	22,091	22,091
---	-----	--------	--------

3,636,356 (2008: 3,636,356) Ordinary shares of Rs.10 each, representing 36.36% equity therein. Break-up value of each Ordinary share of Rs.10 is Nil (2008: Nil) based on the unaudited accounts available for the year ended June 30, 2009. The original cost of investment in NCEL is Rs. 42.091 million.

Institute of Capital Markets

Advance against equity	8.2	1,000	-
		<u>25,591</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. Further, NCEL is still in the process of broad basing of shareholding structure by reducing the shareholding of three stock exchanges as agreed with them by hiring an independent consultant. Moreover, some proposals in this respect are under consideration of the Governing Board of Directors of the NCEL. 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 as the Company has decided to exercise voting power only to the extent of 17.5%. Further, the Company intends to dispose of 18.86% shares of the NCEL in the future.

8.2 This represents advance paid to the Institute of Capital Markets against subscription in its share capital.

	Note	June 30, 2009 (Rupees in '000)	June 30, 2008
9. LONG TERM DEPOSITS			
Utilities		1,915	1,918
Others		1,388	1,379
		<u>3,303</u>	<u>3,297</u>
10. LONG TERM LOANS			
Considered good			
Loans			
Employees			
Secured	10.1	39,212	43,826
Unsecured	10.2	1,171	1,383
		40,383	45,209
Recoverable within one year shown under current assets	13	(12,241)	(10,721)
		<u>28,142</u>	<u>34,488</u>
Loans outstanding for periods exceeding three years		11,901	17,395
Others		16,241	17,093
		<u>28,142</u>	<u>34,488</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 instalments over a period, ranging between 2 and 6 (2008: 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 instalments over a period of 4 (2008: 4) years and are interest free.

11. DEFERRED TAXATION

Deferred tax debits arising from

Provision for debts considered doubtful	11,226	11,358
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	(38,282)	-
	<u>(27,056)</u>	<u>14,271</u>

12. ACCOUNTS RECEIVABLE

Unsecured

Considered good

Due from members	12.1	8,632	2,405
Due from companies		20,827	13,045
		29,459	15,450

Considered doubtful

Due from companies		32,072	32,452
		<u>61,531</u>	<u>47,902</u>
Provision for receivable considered doubtful		(32,072)	(32,452)
		<u>29,459</u>	<u>15,450</u>

12.1 Included herein is a sum of Rs.0.013 (2008: Rs.0.095) million due from related parties.

12.2 During the year, a sum of Rs.0.380 (2008: Rs.0.700) million was recovered against amount due from companies considered doubtful (note 30).

	Note	June 30, 2009	June 30, 2008
(Rupees in '000)			
3. LOANS AND ADVANCES			
Considered good			
Loans - secured			
Current portion of long term loans to employees	10	12,241	10,721
Financial assistance to members	13.1, 13.2 & 13.3	244,409	-
Advances			
Employees		1,732	342
Suppliers		2,964	2,611
		4,696	2,953
		<u>261,346</u>	<u>13,674</u>

13 During the current year, a decision was made in the meeting of Board of Directors held on December 29, 2008 to allow temporary financing to the Member-Financees which will be repayable within 6 months with mark-up @ 6 months' KIBOR+2% per annum. The said financing was made available to Member-Financees who opted to join voluntary CFS MK II Square-up Plan of NCCPL, for payment of final losses to NCCPL on their behalf, upto the extent of Rs.50 million or the amount of actual losses, whichever was lower, on the terms and conditions contained in the agreement executed between the exchange and the individual Member-Finantee. The said financing is secured against the first right on the membership card and other assets including but not limited to office(s) within the premises of the Exchange, securities with the Exchange and margin against exposure.

13.2 This represents principal amount of Rs.240.4 million plus interest accrued thereon of Rs.4.0 million.

13.3 Included herein is a sum of Rs.101.748 million pertaining to four Member-Financees who were expelled from the membership of the Company on account of failure to pay their clients / investors legitimate claims, failure to honour arbitration awards and non-fulfilment of their financial obligation towards the Company.

	Note	June 30, 2009 (Rupees in '000)	June 30 2008
14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits			
Earnest money	14.1	33,819	33,819
Prepayments			
Insurance		1,175	790
Others		10,687	21,564
		11,862	22,354
Other receivables			
Due from members	14.2	3,732	4,800
Due from non-members	14.2	6,372	3,780
Interest / profit accrued on PLS savings accounts		8,876	81,832
Management fee receivable	27	13,906	-
Due from an ex-member	14.3	6,574	6,574
Insurance claim receivable		571	1,035
Miscellaneous		5,783	2,286
		<u>91,495</u>	<u>156,480</u>

14.1 This includes 10% of the bid amount, amounting to Rs.32.999 (2008: 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 (2008: Rs.296.995) million.

14.2 This represents amount due on account of license fee, reimbursement of electricity charges, etc. 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 23.5, 23.6 and 23.7]. The market value of these shares aggregate to Rs.7.643 (2008: Rs.22.590) million.

	Note	June 30, 2009 (Rupees in '000)	June 30, 2008
15. SHORT TERM INVESTMENTS			
Held to maturity			
Term Deposit Certificates	15.1	<u>1,278,465</u>	<u>1,500,700</u>
16. TAXATION - net			
Advance tax paid		145,446	284,493
Provision for taxation		<u>(23,513)</u>	<u>(236,774)</u>
		<u>121,933</u>	<u>47,719</u>
17. CASH AND BANK BALANCES			
In hand		18	7
With banks on:			
Current accounts	17.1 & 17.3	3,116	4,328
PLS savings accounts in:			
foreign currency		4,492	72
local currency	17.1, 17.2 & 17.3	<u>739,175</u>	<u>6,169,507</u>
		<u>746,801</u>	<u>6,173,914</u>

17.1 Included in 'Current Accounts' and 'PLS Savings Accounts' are Rs.2.497 (2008: Rs.1.773) million and Rs.397.427 (2008: Rs.5,657.415) million, respectively, aggregating to Rs.399.924 (2008: Rs.5,659.188) million, representing deposits from members against exposures and losses (note 22.1). 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.2.238 (2008: Rs.2.202) million (refer note 18).

17.3 Included herein are balances, aggregating to Rs.7.546 (2008: Rs.41.443) million, deposited with the Company by members and an ex-member with respect to certain arbitration cases pending settlement. (refer note 22.2).

18. DARA F. DASTOOR SCHOLARSHIP FUND

Opening balance		2,202	2,193
Contribution during the year		-	-
Profit on bank deposits during the current year	18.1	<u>160</u>	<u>176</u>
		<u>2,362</u>	<u>2,369</u>
Scholarships awarded during the year		<u>(124)</u>	<u>(167)</u>
		<u>2,238</u>	<u>2,202</u>

18 This represents profit on bank deposits @ 8.00% (2008: 8.00%) per annum earmarked by the Company and allocated by the Board of Directors of the Company for the purposes of utilizing the same for the scholarship of the children of employees.

		June 30, 2009	June 30, 2008
	Note	(Rupees in '000)	
19. RESERVES			
Capital reserve			
Capital receipts	19.1		61,836
Revenue reserves			
General reserve		62,781	62,781
Building reserve	40	15,000	15,000
Computerisation and Modernisation reserve	40	43,250	43,250
Unappropriated income carried forward	19.2	2,863,200	2,549,115
		2,984,231	2,670,146
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
		(1,113)	7,073
National Clearing Company of Pakistan Limited			
Surplus on revaluation of available for sale investments		1,223	342
		2,984,341	2,739,397

19 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).

19.2 Unappropriated income

Unappropriated income brought forward	2,549,115	1,777,387
Net income for the year	314,085	771,728
Unappropriated income carried forward	<u>2,863,200</u>	<u>2,549,115</u>

20. LONG TERM DEPOSITS

Clearing house deposits from members	86,641	121,191
Other security deposits	4,347	4,348
	<u>90,988</u>	<u>125,539</u>

21. PROVISION FOR WEALTH TAX

	<u>1,684</u>	<u>1,684</u>
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Included herein are (a) a sum of Rs.0.500 (2008: 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 (2008: 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 year ended June 30, 2007, the Income Tax Department filed an appeal with the Honourable High Court of Sindh against the order issued by the ITAT. Pending the resolution of these matters, no provision has been made in the financial statements of the current year for a sum of Rs.19.184 (2008: Rs.19.184) million (note 23.12).

	Note	June 30, 2009 (Rupees in '000)	June 30, 2008
22 DEPOSITS, ACCRUED AND OTHER LIABILITIES			
Deposits			
From members against			
Exposures and losses	22.1	399,924	5,659,188
Trading in provisionally listed securities		4	21,104
Arbitration	22.2	7,546	41,443
		407,474	5,721,735
Accrued liabilities			
Accrued expenses		75,016	119,245
		482,490	5,840,980
Other liabilities			
Retention money		1,133	1,203
Fees received in advance		37,894	31,028
Amount held against defaulted members	22.3	61,194	-
Amount received in respect of employees' car and motorcycle instalments		1,209	5,465
Employees' Gratuity Fund	22.4	15,659	49,260
Tax deducted at source		19	3
SECP transaction fee		147	9,058
Payable to members against return on cash margins on future contracts	29.1	26	43,098
Workers welfare fund payable		7,733	-
Others		10,625	12,560
		135,639	151,675
		618,129	5,992,655

22.1 In addition to the amount deposited by members against their exposures and losses, the members have also (a) pledged their shares, amounting to Rs.6,061.067 (2008: Rs.18,563.383) million, in the CDC account of the Company and (b) provided bank guarantees amounting to Rs.682.500 (2008: Rs.Nil) million.

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

22 National Clearing Company of Pakistan Limited (NCCPL) vide its letter No. NCCPL/CS/337/08 and letter No. NCCPL/CS/338/08 both dated November 06, 2008 has declared M/s. Bagasrawala Securities (Private) Limited (BSPL), Corporate Member and M/s. Ismail Abdul Shakoor Securities (Private) Limited (IASSPL), Corporate Member as defaulters under their regulations on failure to pay final loss amount within the time specified in the NCCPL's final loss notice. Consequently, the Board of Directors of the Company in its meeting held on November 10, 2008 considered this matter and after due deliberations also decided to declare BSPL and IASSPL as defaulters as required under clause 5.1 of Member's Default Management Regulations of the Company. Accordingly, BSPL and IASSPL have ceased to be members of the Company with immediate effect in accordance with the above-referred regulations.

Further, the Company vide its notice No. KSE/N-7573 dated November 11, 2008 has notified that the above mentioned memberships (i.e. two seats) of the Company are available for disposal. Consequently, two bidders i.e. M/s. M. M. M. Commodities (Private) Limited and M/s. Pak Libya Holding Company (Private) Limited were declared successful by the defaulters committee of the Company to dispose off the said membership at a price of Rs.55 million each i.e. Rs.110 million in total.

The Company received the said amount and deposited the same in a separate bank account to be utilised for the settlement of dues of the above mentioned defaulting members. A profit of Rs. 2.972 million has also been accrued and credited into the said account.

Accordingly, an amount of Rs.48.614 million has been paid to NCCPL with regard to final outstanding amount of BSPL. The remaining balance of BSPL will be utilised against the investors claim, if any, and subject to defaulters committee's decision.

IASSPL had allegedly also pledged securities of some of its clients (lying in their respective sub accounts) with a bank. The said bank allegedly sought to liquidate such securities. Upon IASSPL's declaration as a defaulter and sale of its membership card by the Company, these clients of IASSPL filed a suit in the Sindh High Court (wherein the Company was also a defendant) to restrain the said bank from disposing off these securities. The Court vide its order has directed the defendant that the securities, which are subject matter of this suit, shall neither be sold nor any further charge be created on the same. The Court further ordered that the Company shall not dispose of the proceeds of the sale of the membership card or any other properties of IASSPL and Central Depository Company of Pakistan Limited (CDC) has been directed to block the transfer of said shares. Accordingly, the proceeds from sale of membership rights of IASSPL have been withheld by the Company.

	Note	June 30, 2009	June 30, 2008
		(Rupees in '000)	
224 Employees' Gratuity Fund		15,659	49,260
22.4.1 Principal actuarial assumptions			
Significant actuarial assumptions used in the valuation are as follows		2009	2008
		Per annum	
Discount rate		12%	12%
Increase in salaries		12%	12%
Expected return on plan assets		12%	12%

	Note	June 30, 2009	June 30, 2008
(Rupees in '000)			
22.4.2 Liability recognised in the balance sheet:			
Present value of obligation		115,411	100,052
Fair value of plan assets		(85,297)	(35,933)
		<u>30,114</u>	<u>64,119</u>
Unrecognised actuarial loss		(14,455)	(14,859)
		<u>15,659</u>	<u>49,260</u>
22.4.3 Expense recognised in Income and Expenditure Account:			
Current Service Cost		7,560	6,701
Interest Cost		12,006	8,868
Actuarial loss recognised during the year		404	628
Expected return on plan assets		(4,311)	(3,510)
Past service cost - vested		-	27,112
		<u>15,659</u>	<u>39,799</u>
22.4.4 Movement in the liability recognised in the balance sheet:			
Opening balance		49,260	12,143
Charge for the year	28.1	15,659	39,799
Amount paid		(49,260)	(2,682)
Closing balance		<u>15,659</u>	<u>49,260</u>
22.4.5 Actual return on plan assets:			
		<u>3,858</u>	<u>3,644</u>

22.4.6 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.

	2009	2008	2007	2006	2005
(Rupees in '000)					
22.4.7 Historical information					
Present value of defined benefit obligation	115,411	100,052	61,659	56,171	43,948
Fair value of plan assets	(85,297)	(35,933)	(35,099)	(34,683)	(32,213)
	<u>30,114</u>	<u>64,119</u>	<u>26,560</u>	<u>21,488</u>	<u>11,735</u>
Experience adjustment on plan liabilities		(443)	-	12,742	-
Experience adjustment on plan assets		1,604	-	429	-

23. CONTINGENCIES AND COMMITMENTS

Contingencies

23.1 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.

23.2 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 (2008: 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 Honourable High Court of Sindh. As per the management, 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.

23.3 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 (2008: Rs.70.00) million together with interest thereon @ 22% (2008: 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.

23.4 The Company has been named as a defendant in a lawsuit filed by an investor in the Honourable High Court of Sindh against an ex-member and others, alleging that the shares delivered to him were forged. As such the investor claimed that a sum of Rs.41.524 (2008: 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 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.

23.5 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 Honourable High Court of Sindh, for cancelling his membership and declaring him as a defaulter. He further claimed damages of Rs.300 (2008: 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 (2008: Rs.351.392) million. A sum of Rs.302.882 (2008: Rs.302.882) million including receivables amounting to Rs.6.574 (2008: 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 (2008: 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).

23.6 A fund management and investment Company filed a lawsuit in the Honourable High Court of Sindh against an ex-member, as referred to in note 23.5 above, 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 (2008: Rs.500.00) million. According to the legal advisor, the Company has a very good defence in the said lawsuit. 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).

23 In addition to the lawsuits, as disclosed above, five (2008: five) law suits in prior years, involving an ex-members' default, as referred to in note 23.5 above, 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 Honourable High Court of Sindh for the recovery of damages of Rs.5,606.612 (2008: Rs.5,606.612) million, Rs.428.440 (2008: Rs.428.440) million, Rs.49.777 (2008: Rs.49.777) million, Rs.743.026 (2008: Rs.743.026) million and Rs.23.419 (2008: 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).

23.8 During the year ended June 30, 2008, the Islamabad Stock Exchange (Guarantee) Limited filed a complaint with the Competition Commission of Pakistan (the Commission) 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 Honourable 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 Honourable High Court of Sindh in the Honourable Supreme Court of Pakistan.

During the current period, the Honourable Supreme Court of Pakistan in its Order dated November 13, 2008 vacated the above stay order and disposed off the stay application and fixed the petition for regular hearing.

Further, on May 29, 2009 the Commission passed a final order and directed the Company to take corrective measures along with the other exchanges of Pakistan and to enter into an arrangement similar to that existing between LSE and ISE. In case of failure to comply with the direction of the Commission, the Company will be liable to pay a penalty of Rs.50 million at the end of the six month period and thereafter an additional penalty of Rs.250,000 per day, if the non-compliance continues. The Company has filed an appeal before the Supreme Court against the Commission's Order. As the Company has a reasonable case

in respect of the above, no provision for any liability which may arise in this regard has been made in the financial statements of the Company.

23.9 The single bench of the Competition Commission of Pakistan passed an order on March 18, 2009, thereby penalizing the Company for a sum of Rs.6 million for placement of floor (as disclosed in note 1.3). The Company filed an appeal before the Appellate Bench of the Competition Commission of Pakistan. A stay application has already been granted in the appeal against recovery of penalty. As per the legal advisor of the Company, in case any adverse order is passed by the Appellate Bench of the Competition Commission, the Company has a right of appeal before the Supreme Court of Pakistan. The Company is confident that the said appeal would ultimately be decided in favour of the Company and, hence, no provision has been made in these financial statements.

23.10 A member filed a suit against the Company, Securities and Exchange Commission of Pakistan (SECP) and others claiming that they are a corporate brokerage house and have around 200 clients trading in shares of scripts of companies listed at the Exchange.

One such company, M/s. Noorie Textile Mills Limited (Noorie), is also listed with Exchange. CDC found some irregularity in the shares of Noorie, such that the paid up capital of Noorie was wrongly entered into CDS as Rs.589,600,000 instead of Rs.59,860,000. On September 02, 2008, after due enquiry, the CDC revoked Noorie's CDS eligibility.

Accordingly, the SECP vide its notification dated September 02, 2008 suspended CDC participant status of the member (plaintiff) and froze the subaccounts of two of its clients who were dealing in Noorie's shares. The effect of notification was that plaintiff's access to the Exchange was denied.

The plaintiff being aggrieved claimed Rs.206.00 million in respect of loss and damage sustained. The Court on application of the plaintiff ordered suspension of the SECP notification. Subsequently, a counter affidavit was filed by the Company to modify the stay order and plaintiff was restrained from disposing off its assets. As per the management, 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.

23.11 In addition to the law suits disclosed above, certain other law suits have been filed against the Company. These comprise (a) three (2008: four) law suits, involving an aggregate sum of Rs.18.914 (2008: Rs.40.028) million, and (b) twenty three (2008: eight) 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.

23.12 Contingency relating to wealth tax amounts to Rs.19.184 (2008: Rs.19.184) million, as discussed in detail in note 21. 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 23.1 to 23.12 above, aggregated to Rs.9,284.755 (2008: Rs.8,335.510) million at the end of the current year.

Commitments

23.13 Capital expenditure

Aggregate commitments for capital expenditure at the end of the year were Rs.30.580 (2008: Rs.27.225) million.

23.14 Others

Commitment for professional charges in respect of various services at the end of the year amounted to Rs.38.406 (2008: Rs.7.379) million.

	June 30, 2009	June 30, 2008
	(Rupees in '000)	
24. INCOME FROM LISTING		
Annual fees	26,275	25,060
Initial fees	85,374	84,500
	<u>111,649</u>	<u>109,560</u>
25. INCOME FROM OPERATIONS		
Trading fees	99,591	610,122
Facilities and equipment fees	70,949	58,959
Income from non-trading facilities	9,922	7,070
Membership fees	2,140	2,120
Other fees	9,948	11,999
	<u>192,550</u>	<u>690,270</u>
26. MARK-UP / INTEREST INCOME		
Return on:		
short term investments	178,209	88,514
PLS savings accounts	139,341	508,204
Mark-up on financial assistance to members	23,484	-
	<u>341,034</u>	<u>596,718</u>

27. MANAGEMENT FEE

The Board of Directors of the Company in its meeting held on November 24, 2008, approved charging 2% of the fund size as management fee from KSE Investors Protection Fund Trust and KSE Clearing House Protection Fund Trust with effect from July 01, 2008. The Trustees of these Trusts have also accorded their approval for charging the management fee.

		June 30, 2009	June 30, 2008
	Note	(Rupees in '000)	
28. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	28.1	307,038	269,803
Property rent and tax		3,087	1,294
Fuel and power		22,773	22,382
Repairs and maintenance		12,978	12,497
Computer maintenance and related expenses		53,708	34,965
Insurance		6,646	6,458
Telephone, courier and postage		4,362	3,787
Printing and stationery		5,254	8,718
Donations	28.2	2,366	3,650
Audit fee		650	400
Legal and professional charges	28.3	13,130	51,004
Depreciation			
- operating fixed assets	4	56,419	76,117
- investment property	6	390	411
Amortisation of intangible assets	5	22,376	8,010
Adjustment on account of physical verification of assets	4.1.2	(38,191)	-
Fixed assets written off	4	-	3,356
Travelling and conveyance		5,102	6,564
Entertainment expenses		3,277	2,798
Reception meetings and functions		2,474	1,600
Advertisements, marketing and development		3,352	4,674
Security expenses		11,741	5,096
Subscription fee		3,434	4,314
Miscellaneous		393	484
		<u>502,759</u>	<u>528,382</u>

28.1 Included herein is a sum of Rs.15.659 (2008: Rs.39.799) million and Rs.17.178 (2008: Rs.13.561) million in respect of retirement benefits and compensated absences, respectively.

28.2 Donations are paid to the various organisations, as per the policy approved by Board of Directors, in which none of the directors of the Company is interested in any capacity.

28.3 Included herein is a sum of Rs.1.000 (2008: Rs.22.500) million representing professional charges incurred as a result of ongoing process of demutualization of the Company.

29. FINANCIAL AND OTHER CHARGES

Bank charges		187	127
Exchange loss		(70)	5,976
Return on cash margin against future contracts	29.1	24,037	180,987
Workers welfare fund	29.2	7,733	-
		<u>31,887</u>	<u>187,090</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 3.81% and 13.03% (2008: 3.58% and 8.13%) per annum, after deducting 1% service charges, as per the Directive issued by the Securities and Exchange Commission of Pakistan.

29.2 The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which the Company is now liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher.

30. OTHER INCOME

(Loss) / gain on sale of fixed assets	(3)	274
Dividend on long term investment	-	125
Reversal of provision against receivables on recovery	380	700
Reversal of accrual against professional charges	25,800	-
Rental income from investment property	33,715	29,084
	<u>59,892</u>	<u>30,183</u>

31. GAIN ON DERECOGNITION OF ASSETS TO MEMBERS

	<u>59,616</u>	<u>68,345</u>
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The Company in its Extraordinary General Meeting of members held on December 06, 2007 adopted the resolution passed by its Board of Directors in their meeting held on November 22, 2005 in which it was decided to grant subleases of office premises in new building to the registered Member and Non-member licensees. The said arrangement was also intimated to Securities and Exchange Commission of Pakistan by the Company vide its letter dated December 07, 2007. As a consequence of aforesaid decision, the ownership of 260 rooms out of total 303 rooms has been transferred to the licensees through execution of subleases in their respective names upto June 30, 2009 and majority of the members holding remaining rooms have shown their intent to execute sub-lease agreement.

Previously, receipts from members with respect to their Leave and License agreements were shown as part of capital receipts under 'Capital Reserve' 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 as under:

Capital receipts relating to 75 (2008: 228)

rooms adjusted during the year	19.1	61,836	86,549
Less: Written down value of the related office space	4.1.1	2,220	18,204
		<u>59,616</u>	<u>68,345</u>

32. SHARE OF PROFIT OF ASSOCIATES

		2009	
Associate	Percentage of shareholding %	Associates' profit after tax (Rupees in '000)	Share of associates' profit after tax
<u>Un-listed</u>			
Central Depository Company of Pakistan Limited	39.81	175,808	69,988
National Clearing Company of Pakistan Limited	47.06	49,344	23,220
		<u>225,125</u>	<u>93,208</u>

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

33. TAXATION	Note	June 30, 2009	June 30, 2008
		(Rupees in '000)	
Current		23,513	236,774
Deferred		41,327	(8,357)
		<u>64,840</u>	<u>228,417</u>

33.1 Relationship between income tax expense and accounting profit

Income before taxation	<u>378,925</u>	<u>1,000,145</u>
Tax at the applicable rate of 35% (2008: 35%)	<u>132,624</u>	350,051
Tax effect of expenses that are admissible / inadmissible in determining taxable profit	<u>(90,988)</u>	(101,115)
Tax effect of receipts from members not being real income based on doctrine of mutuality	<u>(20,073)</u>	(16,081)
Tax effect of receipts taxed as separate block of income	<u>1,950</u>	3,919
	<u>23,513</u>	236,774
Tax effect of temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for taxation purposes	<u>41,327</u>	(8,357)
Tax charge for the year	<u>64,840</u>	<u>228,417</u>

34. CASH AND CASH EQUIVALENTS

Short term investments	15	<u>100,410</u>	1,500,700
Cash and bank balances	17	<u>746,801</u>	6,173,914
		<u>847,211</u>	<u>7,674,614</u>

35. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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

	Chief Executive	June 30, 2009 Directors	Total
	(Rupees in '000)		
Managerial remuneration	15,120	480	15,600
Bonus	14,400	-	14,400
Reimbursement of expenses	2,444	263	2,707
Fees	-	1,010	1,010
	<u>31,964</u>	<u>1,753</u>	<u>33,717</u>

No. of persons (See note 35.1)

1

	Chief Executive	June 30, 2008 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 (See note 35.1)

1

35 The managerial remuneration and reimbursement of expenses are for two (2008: two) Directors whereas the fees for attending the meetings are for eight (2008: two) Directors.

35 The managerial remuneration of Chief Executive is for the period of twelve months as compared to eight months in 2008.

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. 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
- Abbott Laboratories (Pakistan) Limited
- State Bank of Pakistan
- Pakistan Business Council
- National Vocational & Technical Education Commission
- Pakistan Textile City Limited
- IGI Investment Bank Limited
- MAC Securities (Private) Limited
- Ghani Osman Securities (Private) Limited
- Ismail Iqbal Securities (Private) Limited
- Lakhani Securities (Private) Limited
- Zafar Moti Capital Securities (Private) Limited
- AKY Securities (Private) Limited
- Dawood Equities Limited
- Hum Securities (Private) Limited
- NBP Capital Limited
- OA Enterprises (Private) Limited

Dividend income

	June 30, 2009	June 30, 2008
Central Depository Company of Pakistan		24,064
JCR VIS Credit Rating Company Limited		125
National Clearing Company of Pakistan Limited	19,500	15,000
	<u>19,500</u>	<u>39,189</u>

Management fee

Clearing House Protection Fund	39,625	-
Investors Protection Fund	15,997	-
	<u>55,622</u>	<u>-</u>

Trading fees

DJM Securities (Private) Limited	966	25,396
Shehzad Chamdia Securities (Private) Limited	304	11,748
Alfalah Securities (Private) Limited	1,044	14,629
Ghani Osman Securities (private) Limited	845	-
Invest & Finance Securities Limited	268	3,821
Eastern Capital Limited	247	2,197
Ismail Iqbal Securities (Private) Limited	327	-
Dawood Equities Limited	20	-
Lakhani Securities (Private) Limited	145	-
Zafar Moti Capital Securities (Private) Limited	234	-
Hum Securities (Private) Limited	328	-
AKY Securities (Private) Limited	10	-
	<u>4,738</u>	<u>57,791</u>

	June 30, 2009	June 30, 2008
	(Rupees in '000)	
IT related services		
DJM Securities (Private) Limited	175	794
Bagasrawala Securities (Private) Limited	-	124
Shehzad Chamdia Securities (Private) Limited	40	64
Alfalsh Securities (Private) Limited	223	481
Ghani Osman Securities (Private) Limited	358	-
Invest & Finance Securities Limited	73	80
Eastern Capital Limited	235	269
Ismail Iqbal Securities (Private) Limited	141	-
Lakhani Securities (Private) Limited	16	-
Zafar Moti Capital Securities (Private) Limited	63	-
Hum Securities (Private) Limited	171	-
MAC Securities (Private) Limited	16	-
AKY Securities (Private) Limited	2	-
	<u>1,513</u>	<u>1,812</u>

Listing fees

Pakistan State Oil Company Limited	-	60
Oil & Gas Development Company Limited	-	60
Abbott Laboratories (Pakistan) Limited	60	60
IGI Investment Bank Limited	60	-
	<u>120</u>	<u>180</u>

38. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise long term and short term deposits, accrued and other liabilities. The financial assets comprise of long term investments, loans to employees, account receivables, short term investments and bank balances in saving accounts.

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

38.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of interest rate risk, equity price risk and currency risk.

38.2 Interest rate risk

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

June 30, 2009

	Interest / Mark-up bearing			
Effective Yield / mark-up rate	Up to one year	Over one year to five years	Over five years	Total June 30, 2009
%	Rs. in '000			

FINANCIAL ASSETS

Investments

Loans

Cash and bank balances

12.50-17	1,278,465			1,278,465
	244,409			244,409
4.81-14.03	743,667			743,667
	2,266,541			2,266,541

FINANCIAL LIABILITIES

Accrued and other liabilities

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June 30, 2008

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

FINANCIAL ASSETS

Investments

Cash and bank balances

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
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38.3 Fair value sensitivity analysis for fixed rate instrument

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

The Company does not have any floating rate financial assets and liabilities as at June 30, 2009.

38.4 Equity price risk

Equity price risk is the risk that the fair value of the equities changes as the result of changes in the levels of equity indices and the value of individual stocks. The Company does not have exposure in listed equities as at June 30, 2009.

38.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Company is exposed to foreign currency risk on its bank balance in saving account. The Company's functional currency is Pak Rupee. The Company's exposure to foreign currency risk is as follows:

	June 30, 2009	June 30, 2008
	(Rupees in '000)	
Cash and bank balances	4,492	72
Net exposure	4,492	72

The following significant exchange rates were applicable during the year.

	Balance Sheet date rate 2009	2008
US Dollar	81.1	68

Sensitivity analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June would have increased / (decreased) equity and income and expenditure account by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Equity (Rupees in '000)	Income and Expenditure (Rupees in '000)
As at June 2009		
Effect in US Dollars - loss	-	(449)
As at June 2008		
Effect in US Dollars - loss	-	(7)

10 percent weakening of the Rupee against the above shown currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

38.6 Credit risk

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

The Company is exposed to credit risk on its investments, deposits, account receivables and loans to employees and members. The table below shows the maximum exposure to credit risk for the components of the balance sheet.

	June 30, 2009	June 30, 2008
	(Rupees in '000)	
Financial assets		
Investments	1,304,056	1,525,291
Deposits	37,122	37,116
Loans	284,792	45,209
Accounts receivable	29,459	15,450
Other receivables	45,814	100,307
Cash at bank	746,783	6,173,907
	<u>2,448,026</u>	<u>7,897,280</u>

38.7 Liquidity risk

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

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

	June 30, 2009			
	Carrying amount	Contractual cash flows	Six months or less	More than one year
	(Rupees in '000)			
Deposits, accrued and other liabilities	<u>407,474</u>	<u>407,474</u>	<u>407,474</u>	

	June 30, 2008			
	Carrying amount	Contractual cash flows	Six months or less	More than one year
	(Rupees in '000)			
Deposits, accrued and other liabilities	<u>5,721,735</u>	<u>5,721,735</u>	<u>5,721,735</u>	<u>-</u>

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on September 08, 2009
by the Board of Directors of the Company.

40. SUBSEQUENT EVENT

The Board of Directors in its meeting held on September 08, 2009 approved the transfer of (i) Rs.15.000 million from building reserve and (ii) Rs.43.250 million from computerisation and modernisation reserve to unappropriated income.

41. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Sd/-

Chairman

Sd/-

Managing Director



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