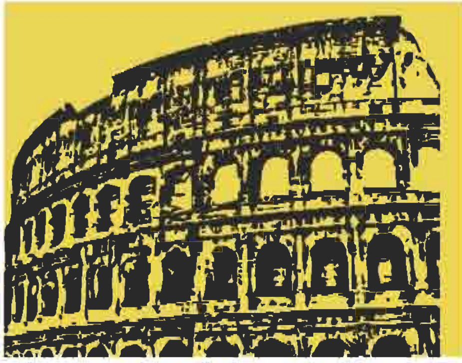
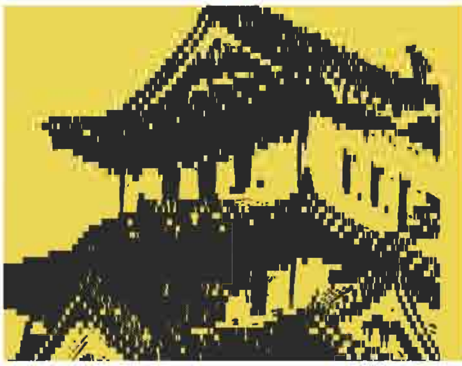
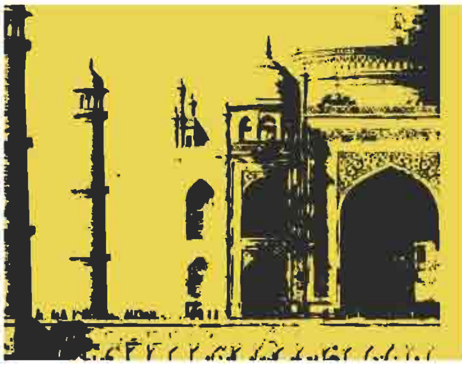
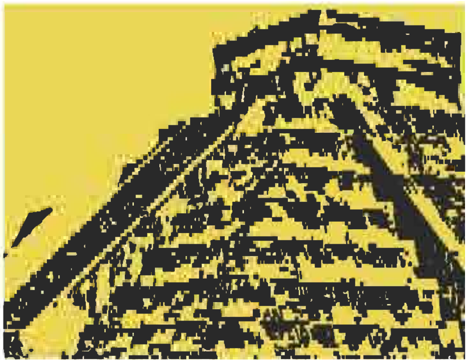






ANNUAL REPORT 2010

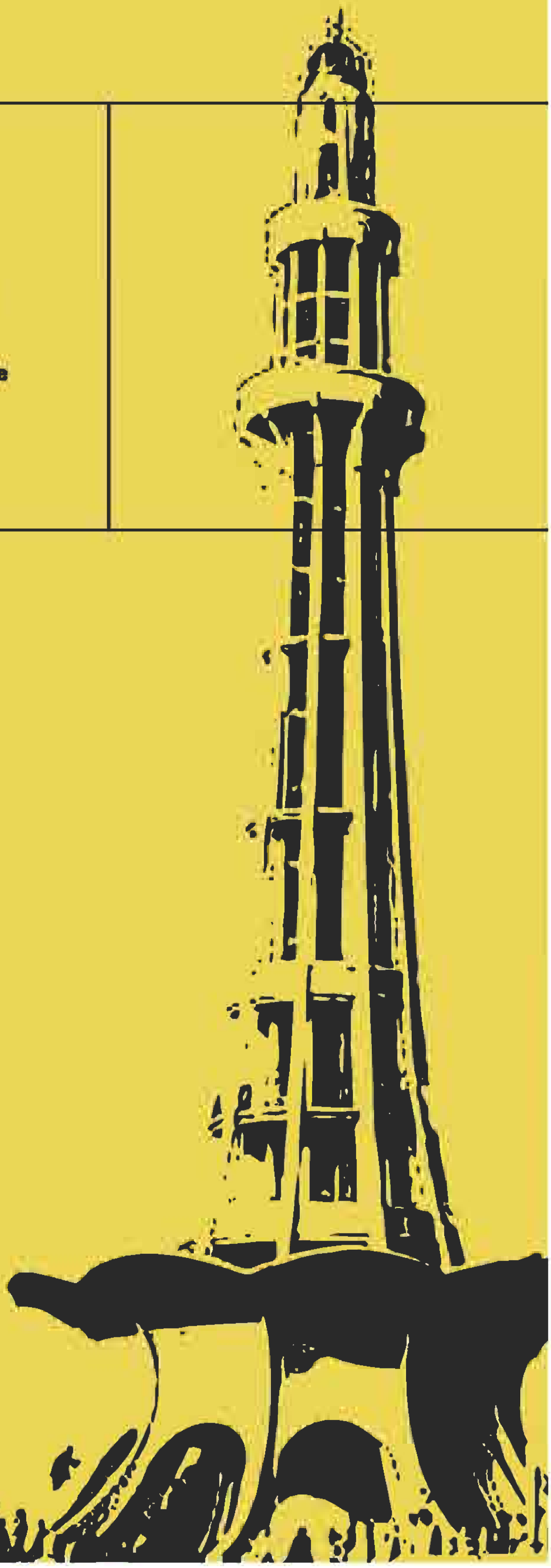
KSE

The Karachi Stock Exchang
(Guarantee) Limited

CONTENTS

"THERE IS NOTHING IMPOSSIBLE TO HIM WHO WILL TRY."

— George Savile



MINAR E PAKISTAN (PAKISTAN)

Minar-e-Pakistan is located in Iqbal Park Lahore, built in commemoration of the Pakistan Resolution. The minaret reflects a blend of Mughal and modern architecture, and is constructed on the site where on March 23, 1940, seven years before the formation of Pakistan, the Muslim League passed the Pakistan Resolution (Qarardad-e-Pakistan), demanding the creation of Pakistan. This was the first official declaration to establish a separate homeland for the Muslims living in the South Asia. Pakistan now celebrates this day as a national holiday each year. The monument attracts visitors from all over Pakistan, as well as the inhabitants of the Walled City of Lahore. The large public space around the monument is commonly used for political and public meetings, whereas Iqbal Park area is popular among kite-flyers.

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.

"GREAT THINGS ARE NOT ACHIEVED BY IMPULSE BUT BY A SERIES OF SMALL THINGS BROUGHT TOGETHER."

— David Feherty

THE LEANING TOWER OF PISA (ITALY)

The Leaning Tower of Pisa is a freestanding bell tower, of the cathedral of the Italian city of Pisa. It is situated behind the Cathedral and is the third oldest structure in Pisa's Cathedral Square after the Cathedral and the Baptistry. The Tower of Pisa was a work of art, performed in three stages over a period of about 177 years. Although intended to stand vertically, the tower began leaning to the southeast soon after the onset of construction in 1173 due to a poorly laid foundation and loose substrate that has allowed the foundation to shift direction. Till date the Leaning Tower of PISA is the biggest tourist attraction in Italy. The tower currently leans to the southwest.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Zubyr Soomro (Chairman)
Mr. Adnan Afridi (Managing Director)
Mr. Abdul Majeed Adam
Mr. Farrukh S. Ansari
Mr. Abid Ali Habib
Mr. Farrukh Viqaruddin Junaidy
Mr. Muhammad Munir Khanani
Mr. Muhammad Yasin Lakhani
Mr. Muhammed Farhan Malik
Mr. Dawood Jan Muhammad

COMPANY SECRETARY

Mr. Muhammad Rafique Umer

AUDIT COMMITTEE

Mr. Farrukh Viqaruddin Junaidy (Chairman)
Mr. Abdul Majeed Adam
Mr. Farrukh S. Ansari
Mr. Muhammad Yasin Lakhani
Mr. Muhammed Farhan Malik

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. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants

BANKERS

Allied Bank of Pakistan 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
Summit Bank Limited
United Bank Limited

REGISTERED ADDRESS

Stock Exchange Building
Stock Exchange Road
Karachi-74000
Phone: (+92 21) 35205528-29
UAN: (+92 21) 111-001-122
Fax: (+92 21) 32410825

E-MAIL: info@kse.com.pk

WEBSITE: www.kse.com.pk

> **"GIVE PEOPLE ENOUGH GUIDANCE TO MAKE THE DECISIONS YOU WANT THEM TO MAKE. DON'T TELL THEM WHAT TO DO, BUT ENCOURAGE THEM TO DO WHAT IS BEST."**
>
> **— Jimmy Johnson**

THE COLOSEUM (ITALY)

The Colosseum is considered one of the greatest works of Roman architecture and engineering. Construction of the Colosseum began under the rule of the Emperor Vespasian in around 70–72AD and lasted 500 years. It is elliptical in plan and is 189 meters (615 ft / 640 Roman feet) long and 156 meters (510 ft / 528 Roman feet) wide, with a base area of 6 acres. It was designed in 4 levels, the top 3 formed 80 arches each, with windows at the higher level. The indoor arena is a pit with high walls to protect the public; this is where the battles took place between gladiators and other animals. It is assumed that the Colosseum tribunes had a capacity of hosting 50, 000 people. Unfortunately with the passage of time, it has been damaged due to neglect and earthquakes. Although in the 21st century it stays partially ruined because of damage caused by devastating earthquakes and stone-robbers, the Colosseum is an iconic symbol of Imperial Rome.

BOARD OF DIRECTORS

Sitting (from left to right): Mr. Dawood Jan Mohammad, Mr. Abid Ali Habib, Mr. Adnan Afridi (Managing Director), Mr. Zubyr Soomro (Chairman) and Mr. Muhammd Yasin Lakhani
Standing (from left to right): Mr. Muhammad Rafique Umer (Company Secretary), Mr. Farrukh S. Ansari, Mr. Farrukh Viqaruddin Junaidy, Mr. Abdul Majeed Adam,
Mr. Mohammad Munir Khanani and Mr. Muhammed Farhan Malik

INDIVIDUAL PROFILES

MR. ZUBYR SOOMRO (Chairman)

Mr. Zubyr Soomro is a career banker of international repute, bringing with him 36 years of valuable experience spread across multiple boundaries, roles and business segments. He has a proven track record in turning around unprofitable organizations. Due to this attribute among many, he simultaneously has extensive experience in working and dealing with regulators and governments and he is often approached by top financial managers representing the government for his expert advice.

Mr. Soomro received his Masters' Degree from School of African & Oriental Studies, University of London in 1971 after completing his B.Sc (Hons) programme from London School of Economics in 1970.

The major part of Mr. Soomro's career was working for Citibank at various locations in Pakistan, Middle East, Africa and part of Europe. His association with Citibank dates back to 1972 when he started his career as Relationship Manager for Citibank Pakistan. In between, he was moved to Saudi American Bank (SAMBA) - an affiliate of Citibank. For SAMBA, he worked for 2 years as Contracting Division Head in Saudi Arabia (1987 - 1989) and 3 years as General Manager in Turkey (1989 - 1992). Then, he was positioned at Citibank UK, London as Private Banking Head for UK/Channel Islands covering Middle East and Africa and as Global Market Manager for Turkey, Egypt, Jordan, Lebanon and Syria until 1997.

From 1997 to 2000, Mr. Soomro served as President and Chairman of United Bank Limited (UBL) on special appointment by the Prime Minister, with a view to restructure and revive the Bank and to position it for privatization. Under his leadership, UBL transformed into a vibrant and competitive entity. In February 2000, he resumed working for Citibank and was appointed as Managing Director and Country Head of Citibank Pakistan from where he retired in March 2008. During his career in banking, Mr. Soomro has also been associated with relevant industry forums and professional bodies such as Pakistan Banks Association, American Business Council and Overseas Investors Chamber of Commerce & Industry where he has served as Chairman/President during various terms.

In July 2009, Mr. Soomro set up a firm of financial services consultancy, along with other colleagues, namely, Hikmah Consulting.Mr. Soomro actively supports and participates in several social enterprises engaged in education, microfinance, health, energy and water. In 2008, he also chaired the Task Force on microfinance, established by the Governor of State Bank of Pakistan.

Besides being the Chairman of the Board, Mr. Zubyr Soomro is serving as Chairman of KSE's Human Resources Committee.

MR. 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 Board of National Clearing Company of Pakistan Limited as its Chairman and as Director on the Boards of Central Depository Company of Pakistan Limited and Institute of Capital Markets. After serving as Chairman of South Asian Federation of Exchanges (SAFE), he has now been elected as Chairman of "The Investment Promotion & Donors Relations Committee" by Executive Committee of SAFE. Mr. Afridi was also selected in 2008 issue of 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 Honororary Treasurer) of The Kidney Centre.

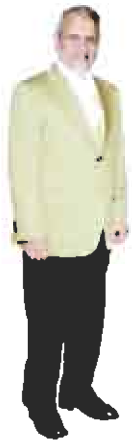
ABDUL MAJEED ADAM (Director)

Mr. Abdul Majeed Adam is the Chief Executive and Nominee Director of Adam Securities (Private) Limited, which is the corporate member of Karachi and Lahore Stock exchanges. He is also the Chairman of Standard Securities (Private) Limited - corporate member of Islamabad Stock Exchange.

Mr. Adam is a graduate from University of Karachi and has an extensive experience of 20 years in capital as well as forex markets. Previously, he has served as the Director of Karachi Stock Exchange in the year 2002 where he also acted as the Chairman of Trading Affairs Committee. At present, he is acting as member of Arbitration Committee of the Exchange.

Mr. Adam is the founder member of National Commodity Exchange Limited [NCEL] and is active in commodities trading at NCEL through Adam Securities (Private) Limited. He also acted as voluntary advisor to activate gold trading at NCEL. Because of his in-depth experience in Pakistan's only commodity market, he has been nominated on the Board of NCEL to represent KSE.

Mr. Adam is the Chairman of Development & Trading Affairs Committee and a member of Audit Committee, IT Committee and the Board's Committee for hearing appeals of KSE members.



FARRUKH S. ANSARI (Director)

Mr. Farrukh S. Ansari brings with him a rich experience of 26 years in investment and commercial banking at senior management positions. Currently, he is serving as the Chief Executive Officer of Saudi Pak Leasing Company Limited by virtue of which he has also been nominated on the Board of other related companies and associations. Before the present nomination, he was nominated by SECP on the Board of KSE in 2005 as well.

Mr. Ansari holds Master's Degree in Business Administration from Institute of Business Administration, done in 1983. He has also received a Certificate in Management Information System from United States Department of Agriculture. With this qualification, he has worked, in turn, for Bankers' Equity Limited (from 1985 to February 1989), Banque Indosuez (from March 1989 to February 1992), Habib Overseas Bank, South Africa (from March 1992 to September 1994) and Dewan Mushtaq Group (from September 1994 to September 2003), before joining Saudi Pak Leasing Company Limited.

Mr. Ansari's notable achievements, during his career, are setting up of investment banking arm of a foreign bank in Pakistan and establishment of a new bank in South Africa. He also holds the credit for turnaround of Saudi Pak Leasing Company Limited, which was at the brink of huge loss, into a profitable organization by substantially improving the financing portfolio and bringing about new dimensions to management.

In the past, Mr. Farrukh S. Ansari has also been nominated by the Government of Pakistan on various advisory committees for addressing policy issues.

As a Director of KSE, Mr. Ansari has also been appointed by the Board as member of Audit Committee and Board Committee for hearing appeals of KSE members.

ABID ALI HABIB (Director)

Mr. Abid Ali Habib is the Chairman and Chief Executive of Abid Ali Habib Securities (Private) Limited and the Director of Aba Ali Habib Securities (Private) Limited; both being the corporate members of Karachi Stock Exchange and National Commodity Exchange.

Mr. Abid Ali Habib holds a Master's degree in Business Administration with majors in Finance completed from Greenwich University in 2001. He also attended 7th Annual Pacific Capital Market Research Centre's Finance Conference held in Manila, Philippines in 1995, where noted academicians, analysts, regulators and practitioner of capital markets participated.

Mr. Habib has been an active member of the Exchange. He has been elected as Director of KSE for the years 1995, 1998, 1999, 2002, 2005 and 2006. During these terms, he has chaired various Committees constituted by the Board such as Modernization Committee (1995), New Product Committee (1997), KSE 100 Index Committee (1997), Modernization & Building Committee (1998), Information Technology Committee (2002) and Development & Information Technology Committee (2005-06). He was responsible for conceptualization, planning and design of Internet based order routing system and has also supervised, implemented and tested Karachi Automated Trading System (KATS).

Presently, Mr. Abid Ali Habib is the Chairman of Companies Affairs and Corporate Governance Committee and a member of Board Committee for hearing appeals of KSE members.

Moreover, he has also been nominated to represent KSE on the Board of Central Depository Company of Pakistan Limited.

FARRUKH VIQARUDDIN JUNAIDY (Director)

Mr. Farrukh Viqaruddin Junaidy is a Fellow Chartered Accountant and a senior partner in Muniff Ziauddin Junaidy & Co., Chartered Accountants. Earlier, he was associated with KPMG Pakistan for a period of 15 years including 6 years as a partner.

Mr. Junaidy has diversified experience of 28 years with strong background in financial and business management, strategic planning, budget administration, staff training & development, contract negotiation, audit coordination, policy & procedural development, risk management, tax planning & compliance, report preparation and public relations.

At KPMG, Mr. Junaidy has worked on a variety of assignments in the areas of financial & business advisory, share valuation, mergers & acquisitions, financial and tax due diligence, financial and corporate restructuring, IPOs, privatization, tax planning, etc. He has also played a role in re-organization of Central Board of Revenue (now Federal Board of Revenue) and has also worked as an Associate to the Task Force on Sales Tax constituted by the Government of Pakistan in 1999. He has been instrumental in business development initiatives and provided advisory services relating to indirect taxes; including sales tax, VAT, Federal Excise Duty and Customs Duty.

Mr. Junaidy has also served as Group Chief Financial Officer of Dewan Mushtaq Group where he was involved in successful acquisition of a cement company of which he became the Chief Executive. He also led the implementation of ERP (SAP) solution in 13 group companies. In addition, as Vice President and Company Secretary of Gandhara Leasing Company Limited, he has the distinction of being one of the few qualified mediators in Pakistan. Currently, Mr. Junaidy is also serving as Council Member of the Institute of Chartered Accountants of Pakistan [ICAP] and as member of its various Committees. He is also affiliated with a number of professional bodies, such as Income Tax Bar Association, Management Association of Pakistan and Marketing Association of Pakistan.

In addition to serving on KSE's Board, Mr. Junaidy is acting as Chairman of Audit Committee and member of HR Committee of the Exchange.

Mr. Junaidy has also been appointed as KSE's Nominee Director on the Board of National Clearing Company of Pakistan Limited.

MOHAMMAD MUNIR KHANANI (Director)

Mr. Mohammad Munir Khanani is the Director of Mohammad Munir Mohammad Ahmed Khanani Securities (Private) Limited - a corporate member of Karachi Stock Exchange. Before that, he has been an individual member of the Exchange since 1998. But initially, his career at KSE dates back to 1982 when he started as an investor.

Mr. Khanani is considered to be one of the most active members of the Exchange in equity trading and provides financial services to local as well as foreign clients. He aims at expanding the net of retail investors and providing them with maximum access to Pakistan's capital markets.

Mr. Khanani also serves as Chairman of Advisory & Arbitration Committee of the Exchange.

MUHAMMAD YASIN LAKHANI (Director)

Mr. Muhammad Yasin Lakhani holds the degrees of B.A. (Hons.) and Masters in International Relations and is currently the Chief Executive of Lakhani Securities (Private) Limited. His previous experience reflects his involvement with the capital markets of Pakistan as he has held the position of Chairman of Karachi Stock Exchange during the years 1994, 1998-9, 2001 and 2005. In addition to above, he has been elected as director of KSE during the years 1969, 1986, 1987, 1989, 1990 and 2009. He has also served as Chairman of Advisory and Arbitration Committee, Administration Committee, Rules & Regulations Committee, Taxation Committee, Companies Affairs Committee and Defaulters' Committee of the Exchange for various terms.

Mr. Lakhani was the member of Pakistan's delegation in the Investment Conferences held in Seoul, Hong Kong, Singapore and London. Also, he represented Pakistan at the Asia Pacific Forum on Securities Market Regulations & Supervision, General Assembly of the Euro Asia Stock Markets and Capital Market Forum of Islamic Countries. He is the member of Committee on Code of Corporate Governance formed by Institute of Chartered Accountants of Pakistan.

At present, he has been appointed as Chairman of Demutualization Committee and as member of Audit and HR Committees of the Exchange.

Mr. Lakhani has been representing KSE on the Board of National Clearing Company of Pakistan Limited since January 2009.

MUHAMMED FARHAN MALIK (Director)

Mr. Muhammed Farhan Malik is a business entrepreneur having 15 years of experience in financial sector with thorough understanding and working knowledge of capital markets and expertise in asset/portfolio management, equity trading and research analysis. He has demonstrated during his career, to be highly skilled at financial advisory services, investment banking, equity divestitures and IPOs.

Mr. Malik has an Honors' Degree in Business Administration with specialization in Finance, received from Florida Institute of Technology, Melbourne, Florida, USA in 1993. He also holds US Securities License and has attended Training Courses, on matters relevant to Securities Markets and Global Governance, conducted by institutes in USA, Canada and Germany.

Initially, Mr. Malik joined C.A.S.E. Management Inc., USA as Research Analyst, from August 1993 to July 1994. Then, he moved to Pakistan and joined Asian Capital Management (Private) Limited in Islamabad as Financial Analyst and Head of Equity Trading Operations. He worked for Asian Capital from August 1994 to May 1998; during which, he was promoted as the Chief Executive Officer. Subsequently, he was associated with Taurus Securities (Private) Limited as Resident Representative, Islamabad (from June 1998 to June 1999), with Privatization Commission, Government of Pakistan, as consultant on financial institutions and capital markets (from July 1999 to November 2002) and finally with Pak Kuwait Investment Company Limited, as Head of Capital Markets Department (from December 2002 to January 2009).

Thereafter, Mr. Malik set-up his own general-purpose company in February 2009 by the name of MZNE (Private) Limited which presently owns and manages the franchise and operations of a world class cafe and restaurant. On the sideline, he continues rendering services as independent financial consultant.

In addition to being a Director, KSE Board has also appointed him as Chairman of IT Committee and as a member of Audit Committee.

Mr. Malik has also been appointed as Nominee Director of KSE on the Board of JCR-VIS Credit Rating Company Limited.

DAWOOD JAN MOHAMMAD (Director)

Mr. Dawood Jan Mohammad has more than 20 years' experience in the field of capital markets and construction business. He is the founding member and Nominee Director of DJM Securities (Private) Limited. He brings to the organization over 12 years of hands on experience of the equity markets and business.

Apart from serving on the Board of Karachi Stock Exchange, he is also serving as Chairman of Defaulters' Committee and Market Development & New Products Committee and as a member of HR Committee of the Exchange.

Mr. Dawood Jan Mohammad is also serving on the Board of Central Depository Company of Pakistan Limited as nominee Director of KSE.

> **"TEAMWORK IS THE ABILITY TO WORK TOGETHER TOWARDS A COMMON VISION. THE ABILITY TO DIRECT INDIVIDUAL ACCOMPLISHMENTS TOWARD ORGANIZATIONAL OBJECTIVES. IT IS THE FUEL THAT ALLOWS COMMON PEOPLE TO ATTAIN UNCOMMON RESULTS."**
>
> **— Andrew Carnegie**

THE GIZA COMPLEX (EGYPT)

The Giza Necropolis stands on the Giza Plateau, on the outskirts of Cairo, Egypt. This complex of ancient monuments includes the three pyramids known as the Great Pyramids, along with the massive sculpture known as the Great Sphinx. It is located some 9 km (5 mi) inland into the desert from the old town of Giza on the Nile, some 25 km southwest of Cairo city centre. One of the iconic monuments, the Great Pyramid of Giza, is the only remaining monument of the Seven Wonders of the Ancient World.

Researchers estimate that 2.3 million blocks were used to build the Great Pyramid, with an average weight of about 2.5 metric tons per block. The largest block weighs as much as 15 metric tons. It is not known how they were made but there have been varying theories regarding the construction techniques. Most construction theories are based on the idea that the pyramids were built by moving huge stones from a quarry and dragging and lifting them into place.The Pyramids of Giza and other were constructed to house the remains of the deceased Pharaohs who ruled over ancient Egypt. A portion of the Pharaoh's spirit called his ka was believed to remain with his corpse. Proper care of the remains was necessary in order for the "former Pharaoh to perform his new duties as king of the dead." The pyramid not only served as a tomb for the Pharaoh but also as storage for the various items he would need in the afterlife.

MANAGEMENT

Sitting (from left to right):

- Mr. Fiyaz Ahmed Longi
  GM - Internal Audit & Compliance
- Mr. Adnan Afridi
  Managing Director
- Ms. Anita Mirza
  DGM - Marketing

Standing (from left to right):

- Mr. Abdullah Jan Farooqui
  GM - Information Technology
- Mr. Sani-e-Mehmood
  GM - Research & Product Development
- Mr. Haroon Askari
  GM - Operations
- Mr. Junaid Mirza
  GM - Market Control & Surveillance
- Mr. Jawad Bin Shabbir
  GM - HR & Administration
- Mr. Ahmed Ali Mitha
  Chief Financial Officer
- Mr. Shafqat Ali
  GM - Risk Management
- Mr. Muhammad Rafique Umer
  Company Secretary and
  GM - Law & Corporate Affairs

"NO GREAT THING IS CREATED SUDDENLY."

— Alexander the Great

GREAT WALL OF CHINA (CHINA)

While the Great Wall of China is not one of the Seven Wonders of the Ancient World, it is typically included in the Seven Wonders of the Medieval World. In 1987, the United Nations Educational, Scientific and Cultural Organization (UNESCO) placed the Great Wall on its list of the world's great national and historical sites. That the Great Wall is a single, continuous wall built all at once is a myth. In reality, the wall is a discontinuous network of wall segments built by various dynasties to protect China's northern boundary. The length of all Chinese defense walls built over the last 2,000 years is approximately 31,070 miles (50,000 km). In 2004, there were over 41.8 million foreign visitors to the Great Wall of China.

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

- 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

KSE Today

- Exchange owned by 200 members
- 652 companies listed
- 4 Indices
  - KSE 100
  - KSE 30
  - KSE All Share Index
  - KMI 30
- Modern Risk Management System
  - VaR based margin collection
  - Pre-trade margin verification
  - Client level margining system
- KSE is FIX Compliant
- Electronic Trading through KATS
- Market capitalization*: US $ 32.00 billion

*As of June 30th 2010

KSE Tomorrow

- Publicly Listed Company with Strategic Investor
- Products to Include:
  - Options
  - Exchange Traded Fund (ETFs)
  - Tradable Sector Indices
- Broad based investor participation
- Cross border listings of companies
- Opening up of branches in other cities and in the region

KSE offers a range of products to its investors 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
- Stock Index Futures Contracts
- Bond Trading

KSE plans on introducing the following new products in the year 2010-2011

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

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

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

Markets Currently Offered to Investors By KSE

KSE's Investor Services

KSE is FIX compliant	Fully automated trading, clearing and settlement system	Internet routed trading facility
Brokers connectivity KSE through VPN (to ensure security of data).	Customized services and state of the art technology infrastructure give KSE an edge over other exchanges in the region	Gateway trading (Order Management System)
Order-driven system	Internet trading facilities available	Investors and fund managers can also access information through Display Only Terminal

"WHETHER YOU'RE WINNING OR LOSING, IT IS IMPORTANT TO ALWAYS BE YOURSELF. YOU CAN'T CHANGE BECAUSE OF THE CIRCUMSTANCES AROUND YOU."

— Cotton Fitzsimmons

HIMEJI CASTLE JAPAN (JAPAN)

Located in the town of Himeji in Hyogo prefecture, Himeji-jo is praised as Japan's most beautiful medieval castle. Completed in 1609, Honda family, who inherited the castle, added some building in 1618. The castle subsequently passed to the Matsudaira, Sakakibara and eventually Sakai families, until its nationalization when the end of the feudal system came in 1868. Often compared to a white egret, Himeji castle captures perfectly the spirit of the samurai-age architecture. Its massive stones, white plastered walls and wooden interior make it the best possible representative of all Japanese castles. The main tower is 46m high and covers an area of 2400m. The inner grounds of the castle stretch on 23 hectares, while the outer grounds are 10 times as large. Himeji castle was added the the UNESCO World Heritage list in 1992.

MARKET HIGHLIGHTS

DESCRIPTION	2007	2008	2009	2010
Total Listed Companies	658	652	651	652
Total Listed Capital (Rs. in million)	631,125.55	706,419.98	781,793.81	909,893.67
Total Market Capitalization (Rs. in million)	4,019,418.17	3,777,704.89	2,120,650.87	2,732,373.61
New Companies Listed	16	7	8	8
Listed Capital of New Companies (millions)	56,081.61	14,274.24	10,705.26	40,652.80
New Debt Instruments Listed	3	7	1	5
Listed Capital of New Debt Instruments (Rs. in million)	6,000.00	23,500.00	4,256.97	8,650.18
Total Shares Volume (million)	54,042.36	63,316.12	28,332.78	42,959.12
Average Daily Share Volume (million)	222.40	256.34	115.64	172.53
KSE Indices				
KSE - 100 Index				
Year End	13,772.46	12,289.03	7,162.18	9721.91
High	13,772.46	15,676.34	12,221.43	10677.47
Low	9,504.47	11,162.17	4,815.34	7270.72
KSE - All Share Index				
Year End	9,758.81	8,834.24	5,121.73	6809.60
High	9,758.81	11,148.68	8,791.08	7522.88
Low	6,399.29	8,038.39	3,647.10	5194.43
KSE - 30 Index				
Year End	16,993.51	14,326.27	7,571.08	9556.58
High	17,002.75	18,996.33	14,230.42	10876.61
Low	12,248.93	12,750.28	4,428.10	7711.91
KMI - 30 Index				
Year End			10,647.69	14573.54
High			11,421.34	16079.33
Low			6,322.23	10871.59

NOTES:

(i) The figures are from July to June.

(ii) The total number of listed companies have been stated after 8 companies De-listed in 2007, 5 companies in 2008, 6 companies in 2009 and 3 companies in 2010 and 8 companies Merged in 2007, 8 companies in 2008, 3 companies in 2009 and 4 companies in 2010.

(iii) The total listed capital has been stated after adjustment of capital of companies by way of merger, bifurcation and de-listing, etc.

(iv) The KSE 100 Index was started in November 1991 with a base of 1000 points and it is recomposed semi-annually and was last re-composed on February 26, 2010 closing statistics.

(v) The KSE All Share Index based on the prices of August 29, 1995 = 1000, commenced w.e.f. September 18, 1995.

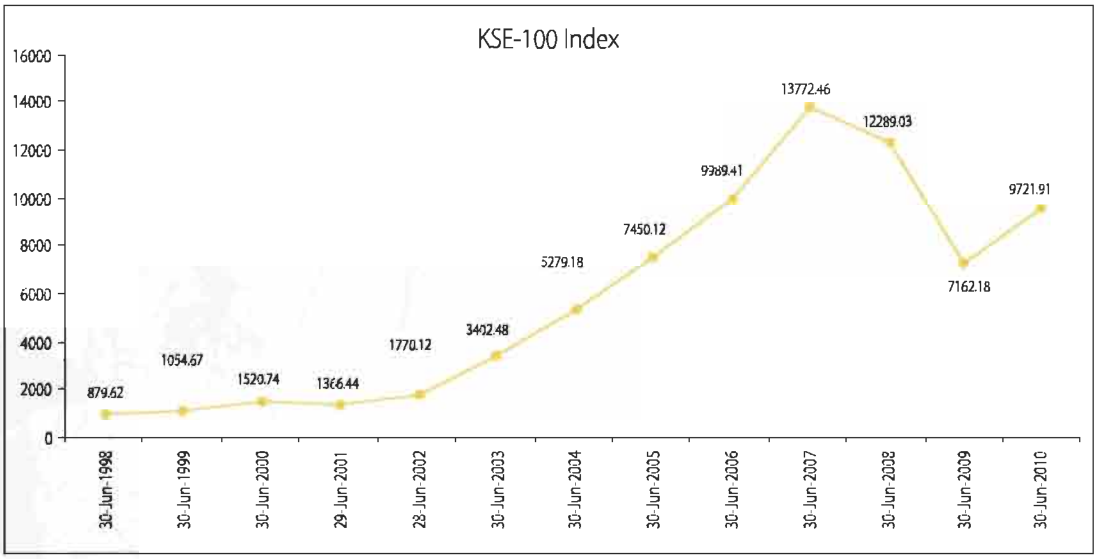
(vi) The KSE - 30 Index based on the prices of June 30, 2005 = 10000, introduced w.e.f. September 01, 2006.

(vii) The KMI - 30 Index introduced w.e.f. September 01, 2008.

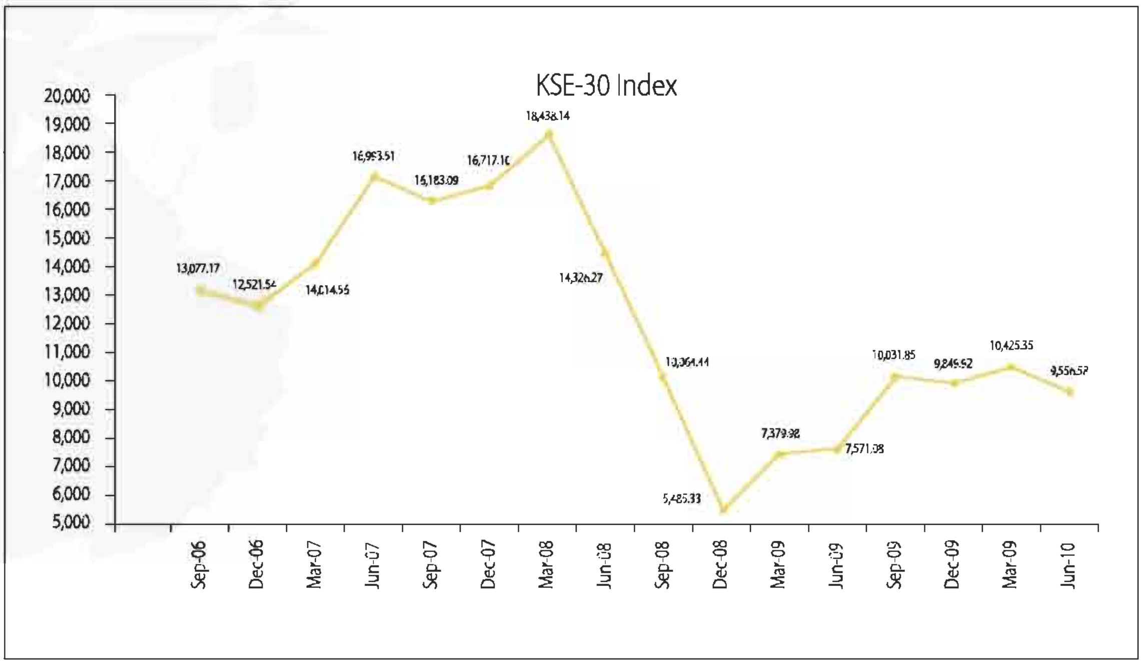
KSE HISTORIC RECORDS

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

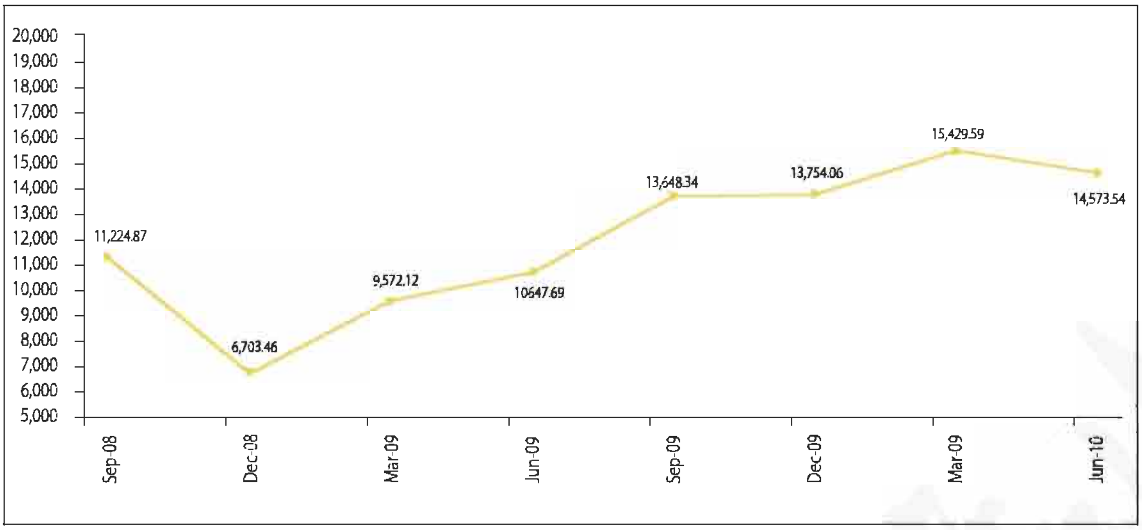
KSE-100 INDEX 1998 TO 2010



KSE-30 INDEX 2006 TO 2010



KMI 30 INDEX 2008 TO 2010



STATISTICS (Since July 2009 to June 2010)

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
Nishat Power Company Limited (Offer for Sale)	07-10-2009	3,540.885	225.000	-	274.288	-
Nishat Chunian Power Limited	22-10-2009	3,673.469	950.000	-	707.030	-
Ghani Gases Limited (i) (Offer for Sale @ Rs. 4 premium per share)	05-01-2010	724.500	40.000	16.000	53.615	21.446
Fatima Fertilizer Company Ltd. (ii) (Offer for sale @ Rs. 3.50 premium per share)	08-03-2010	20,000.000	500.000	175.000	583.572	204.250
Safe Mix Concrete Products Ltd. (Offer for sale @ Rs. 2.50 premium per share)	18-03-2010	200.000	100.000	25.000	101.945	25.486
Agritech Limited (iii) (Offer for Sale @ Rs. 20 premium per share)	12-04-2010	3,924.300	166.667	333.333	38.394	76.789
Amtex Limited (iv) ((@ Rs.3 premium per share)	13-04-2010	2,414.901	183.000	54.900	183.770	55.131
Wateen Telecom Limited (v)	27-05-2010	6,174.746	1,100.000	-	2,006.890	-
TOTAL		40,652.801	3,264.667	604.233	3,949.504	383.102

(i) Rs. 60 million was subscribed through Book Building Mechanism.

(ii) Rs. 1,500 million was subscribed through Book Building Mechanism.

(iii) Due to under subscription the Company did not exercise the Green Shoe Option of Rs. 166.667 million.

(iv) Rs. 427 million was subscribed through Book Building Mechanism.

(v) The issue was over subscribed in terms of amount and the Company also exercised the Green Shoe Option of Rs. 900 million.

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	
Allied Bank Limited (2nd Issue)	09-10-2009	750.000	2,250.000	3,000.000	2.015	2,250.000	2,252.015	3,000.000
Engro Fertilizer Limited (3rd Issue)	08-02-2010	500.000	1,500.000	2,000.000	48.155	1,500.000	1,548.155	2,000.000
National Saving Bonds (3 Years)	02-03-2010	-	-	-	-	-	-	3,450.580
National Saving Bonds (5 Years)	02-03-2010	-	-	-	-	-	-	62.600
National Saving Bonds (10 Years)	02-03-2010	-	-	-	-	-	-	137.000
TOTAL		1,250.000	3,750.000	5,000.000	50.170	3,750.000	3,800.170	8,650.180

LISTING OF OPEN-END MUTUAL FUNDS

Rs. in million

Sr. #	Name of Company	Date of Listing	Seed Capital
1	ABL Stock Fund	03-07-2009	100.000
2	KASB Cash Fund	25-09-2009	50.000
3	Alfalah GHP Principal Protected Fund - II	22-10-2009	100.000
4	BMA Empress Cash Fund	25-11-2009	50.000
5	NIT Income Fund	16-03-2010	100.000
6	NIT Government Bond Fund	16-03-2010	100.000
7	KASB Capital Protected Gold Fund	20-04-2010	50.000
8	Alfalah GHP Cash Fund	13-05-2010	100.000

APPLIED FOR LISTING

Sr. #	Name of Company
1	Faysal Islamic Savings Growth Fund (Open-end)

PROSPECTUS CLEARED BY THE EXCHANGE

Sr. #	Name of Company
1	Sadaqat Limited

DELISTING OF COMPANIES / SECURITIES

Rs. in million

Sr. #	Name of Company	Date of De-listing	Paid up Capital
1	BMA Principal Guaranteed Fund - I	July 14, 2009	111.300
2	Baig Spinning Mills Limited	January 18, 2010	91.000
3	Callmate Telips Telecom Limited	June 28, 2010	653.663

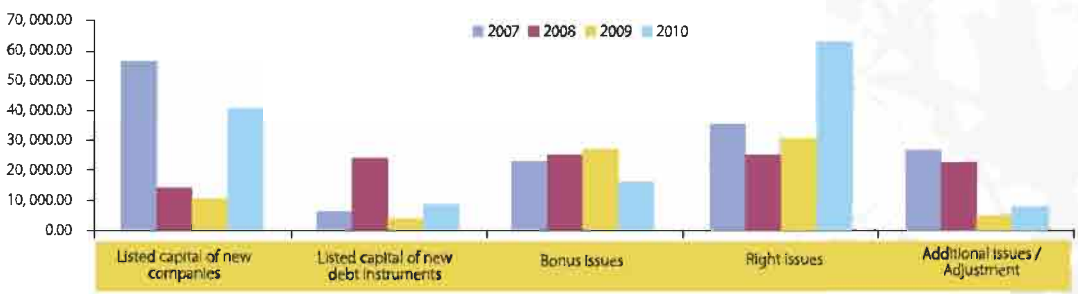
DELISTING OF COMPANIES DUE TO MERGER/AMALGAMATION

Sr. #	Name of Company	Merged With	Date of Merger
1	Orix Investment Bank Limited	Orix Leasing Pakistan Limited	October 28, 2009
2	Al-Zamin Leasing Corporation Ltd.	Invest Capital Investment Bank Ltd.	January 11, 2010
3	Al-Zamin Leasing Modaraba	Invest Capital Investment Bank Ltd.	January 11, 2010
4	Askari Leasing Limited	Askari Bank Limited	March 10, 2010

BREAK-UP OF LISTED CAPITAL

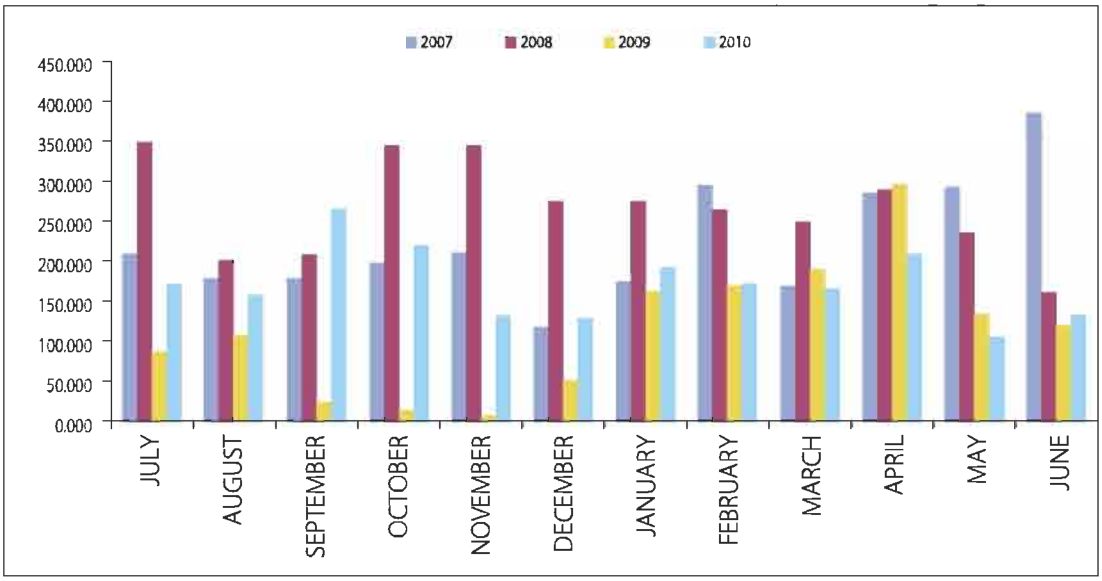
Rs. in million

	2007	2008	2009	2010
Listed capital of new companies	56,081.61	14,274.24	10,705.26	40,652.80
Listed capital of new debt instruments	6,000.00	23,500.00	4,256.97	8,650.18
Bonus issues	23,349.22	24,808.05	26,744.19	16,457.42
Right issues	35,110.52	25,110.16	29,987.26	62,528.49
Additional issues/Adjustments	26,274.51	22,371.53	4,435.26	6,788.94
	146,815.86	110,063.98	76,128.94	135,077.83



Rs. in million

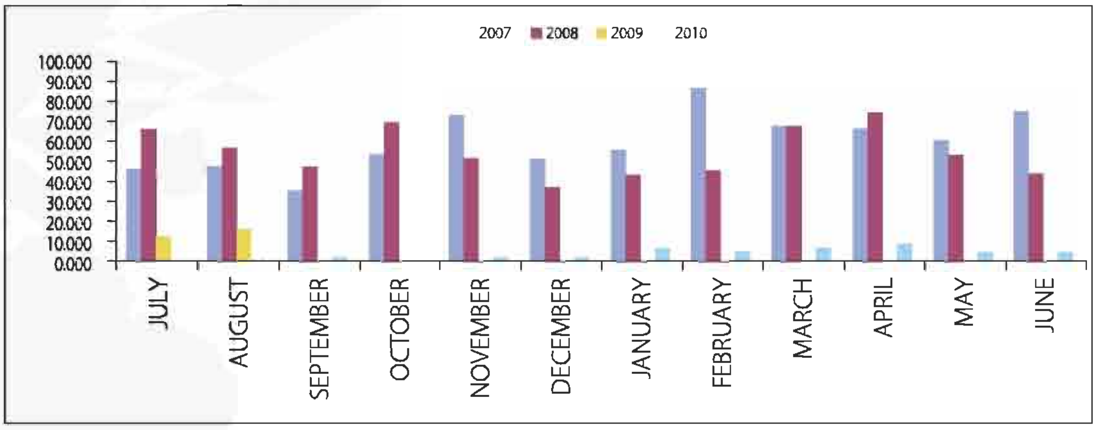
	2007	2008	2009	2010
July	209.077	351.591	88.232	171.226
August	179.993	203.914	108.137	159.935
September	141.276	209.870	25.734	267.781
October	198.742	346.443	16.130	222.152
November	213.310	248.457	6.858	133.069
December	119.552	274.286	50.055	128.571
January	174.926	244.610	165.146	195.017
February	296.396	266.741	169.375	173.178
March	169.291	252.357	190.264	168.299
April	284.551	290.334	295.033	209.794
May	293.444	234.924	136.469	107.993
June	387.330	160.607	122.414	135.235
Total	2,667.888	3,084.133	1,373,847	2,072.251



AVERAGE DAILY TURNOVER OF SHARES (Futures Counter)

Rs. in million

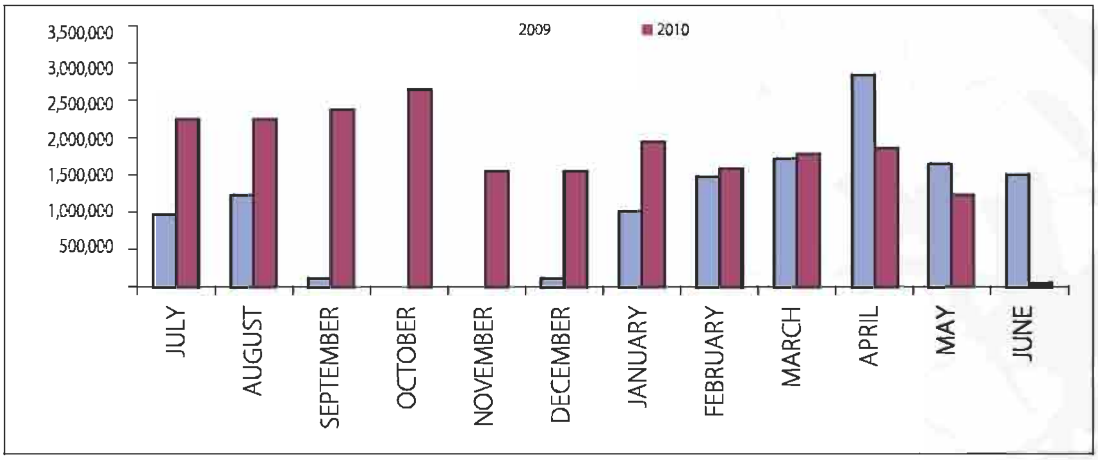
	2007	2008	2009	2010
July	46.602	67.464	12.752	0.262
August	48.227	57.376	17.029	1.728
September	35.587	47.526	1.682	2.417
October	53.924	70.932	-	2.559
November	74.418	52.622	-	3.012
December	51.855	37.618	0.001	2.530
January	56.437	43.434	-	6.883
February	87.342	45.939	0.017	4.854
March	67.698	68.155	0.054	7.223
April	67.300	74.848	0.032	9.039
May	61.387	53.841	0.001	4.634
June	75.495	44.637	-	5.815
Total	726.272	664.392	31.569	50.955



TRADES ON KARACHI AUTOMATED TRADING SYSTEM (KATS)

Rs. in million

Month	2009		2010	
	No. of Trades	Daily Average	No. of Trades	Daily Average
July	983,974	42,781	2,237,258	97,272
August	1,234,965	61,748	1,978,453	98,923
September	136,672	6,508	2,386,091	125,584
October	4,995	250	2,678,017	121,728
November	1,795	90	1,572,975	87,388
December	136,510	7,584	1,581,432	75,306
January	1,032,706	51,635	1,952,121	97,606
February	1,500,773	78,988	1,589,155	83,640
March	1,730,316	86,516	1,793,777	81,535
April	2,858,284	129,922	1,857,400	84,427
May	1,667,099	83,355	1,263,801	60,181
June	1,515,618	68,892	58,547	2,661
Total	12,803,707		20,949,027	



SECTOR-WISE CAPITAL LISTED ON THE EXCHANGE

Rs. in million

Sector Name	2010 No. of Cos.	2010 Paid up Capital
Oil & Gas	12	65,194.148
Chemicals	35	78,696.641
Forestry and Paper	4	1,186.834
Industrial Metals and Mining	7	3,905.888
Construction and Materials	37	60,302.262
General Industries	13	3,299.082
Electronic and Electrical Equipment	3	302.244
Industrial Engineering	11	1,550.617
Industrial Transportation	4	3,242.166
Support Services	1	3,853.907
Automobile and Parts	19	6,850.115
Beverages	4	509.414
Food Producers	62	12,748.150
Household Goods	15	3,901.467
Leisure Goods	1	73.493
Personal Goods	215	53,228.764
Tobacco	3	3,182.759
Health Care Equipment and Services	2	581.076
Pharma and Bio Tech	9	3,904.204
Media	3	2,341.157
Travel and Leisure	4	24,105.598
Fixed Line Telecommunication	5	68,858.869
Electricity	15	105,683.424
Gas Water and Multiutilities	2	12,202.797
Banks	27	301,341.108
Non Life Insurance	34	12,388.402
Life Insurance	4	2,432.080
Real Estate Investment and Services	2	2,813.839
Financial Services	42	33,241.694
Equity Investment Instruments	55	36,867.371
Software and Computer Services	1	779.102
Technology Hardware and Equipment	1	210.000
TOTAL	652	909,778.672

SECTOR WISE PERFORMANCE OF COMPANIES LISTED ON THE EXCHANGE - 2009

	2009					
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	22	19	2	-	1	18
Modaraba	34	24	8	7	15	9
Leasing Companies	16	10	-	2	2	8
Inv. Banks / Inv. Cos. / Securities Cos.	29	24	4	1	5	19
Commercial Banks	25	24	11	3	14	10
Insurance	38	29	15	-	18	11
Textile Spinning	106	85	10	15	25	60
Textile Weaving	18	10	2	2	4	6
Textile Composite	60	47	15	10	25	22
Woollen	5	2	1	-	-	2
Synthetic & Rayon	19	11	6	1	7	4
Jute	5	4	1	2	3	1
Sugar & Allied Industries	37	35	15	10	25	10
Cement	21	21	3	9	12	9
Tobacco	3	3	2	1	3	-
Refinery	4	4	1	1	2	2
Power Generation & Distribution	15	12	5	1	6	6
Oil & Gas Marketing Cos.	6	6	3	2	5	1
Oil & Gas Exploration Cos.	4	4	4	-	4	-
Engineering	13	9	6	1	7	2
Automobile Assembler	13	12	7	-	7	5
Automobile Parts & Accessories	11	9	5	1	6	3
Cables & Electrical Goods	9	7	4	-	4	3
Transport	5	3	2	-	2	1
Technology & Comm.	10	9	4	2	6	3
Fertilizer	4	5	4	-	3	2
Pharmaceuticals	8	8	7	-	7	1
Chemical	26	24	12	3	15	9
Paper & Board	10	9	3	2	5	4
Vanaspati & Allied	10	4	1	-	1	3
Leather & Tanneries	5	5	2	1	3	2
Food & Personal Care	23	19	13	2	15	4
Glass & Ceramics	11	8	2	3	5	3
Miscellaneous	26	21	6	3	9	12
TOTAL	651	526	186	83	271	255
PERCENTAGE		80.80%	28.57%	12.75%	41.63%	39.17%
2008						
TOTAL	653	551	231	99	323	228
PERCENTAGE		84.38%	35.38%	15.16%	49.46%	34.92%

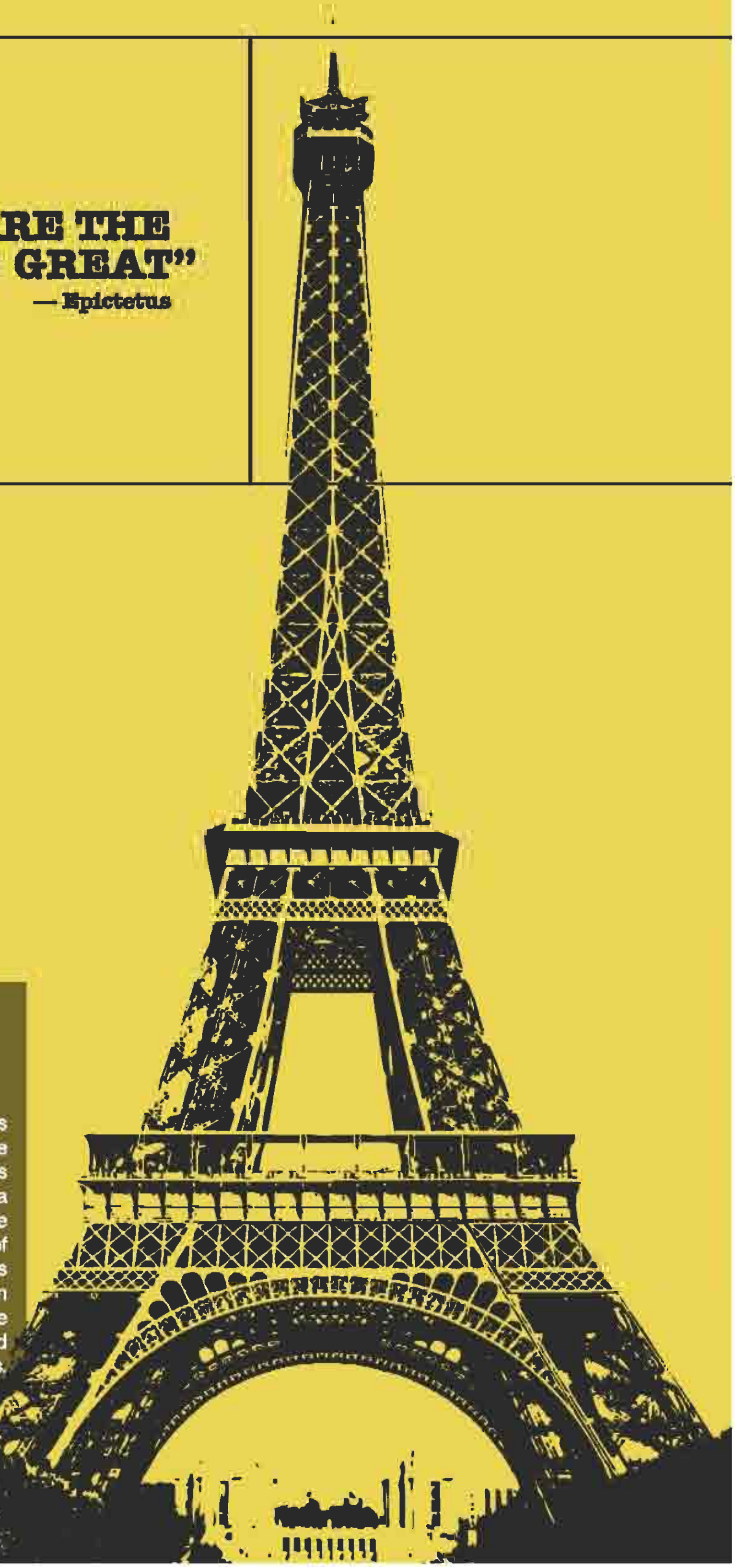
Notes:
(i) Based on the financial results of the companies up to December 31, 2009.
(ii) Companies omitted dividends are those companies, which have shown profit during the year but not declared dividend.
(iii) Dividend includes Cash / Stock Dividend.

KSE V/S OTHER STOCK EXCHANGES - JULY 01, 2009 TO JUNE 30, 2010

Exchange	Index	Date		Change	
		30-June-2009	30-June-2010	Points	%
Istanbul	ISE National 100	36949.20	54839.46	17890.26	48.40
Jakarta	Composite	2026.78	2913.68	886.90	43.80
Argentina	Mer Val	1587.97	2185.01	597.04	37.60
KSE	100 Index	7162.18	9721.91	2559.73	35.70
Bangkok	Set	597.48	797.31	199.83	33.40
Amsterdam	AEX General	254.71	316.81	62.10	24.40
Frankfurt	DaX	4808.64	5965.52	1156.88	24.10
Kuala Lumpur	KLSE Composite	1075.24	1314.02	238.78	22.20
Seoul	Composite	1390.07	1698.29	308.22	22.20
Bombay	Sensex	14493.84	17700.90	3207.06	22.10
Singapore	Strait Times	2333.14	2835.51	502.37	21.50
Brazil	BVSP	51465.00	60935.90	9470.90	18.40
UK	FTSE 100	4249.20	4916.90	667.70	15.70
US	Nasdaq Comp.	1844.06	2109.24	265.18	14.40
Taiwan	T. Weighted	6432.16	7329.37	897.21	13.90
Paris	CAC 40	3140.44	3442.89	302.45	9.60
Australia	AORD	3947.80	4324.80	377.00	9.50
Hong Kong	Hang Seng	18378.73	20128.99	1750.26	9.50
New Zealand	NZX 50	2796.11	2972.09	175.98	6.30
Tokyo	Nikkei 225	9958.44	9382.64	(575.80)	(5.80)
China	Shanghai Comp.	2959.36	2398.37	(560.99)	(19.00)

"DEEDS, NOT STONES ARE THE MONUMENTS OF THE GREAT"

— Epictetus



EIFFEL TOWER (PARIS)

The Eiffel Tower, an immense structure of exposed latticework supports made of puddle iron, was erected for the Paris Exposition of 1889. The Prince of Wales officiated at the ceremonial opening of the 700 proposals submitted in a design competition, one was unanimously chosen, a radical creation from the French structural engineer Alexandre Gustave Eiffel. Built to celebrate the science and engineering achievements of its age, soaring 300m and weighing 7000 tons, the structure consists of two visibly distinct parts: a base composed of a platform resting on four separate supports and, above this, a slender tower created as the bents taper upward, rising above a second platform to merge in a unified column. Eiffel towers is internationally recognized as the symbol of Paris.

KEY DEVELOPMENTS & EVENTS

As part of the global learning from the 2008 financial crisis, KSE initiated key reforms with a view of improving risk management, increasing transparency and ensuring enhanced investors' protection.

In addition to introducing several new products, KSE also focused on human resource development and brand enhancement.

Following is a brief account of key developments at KSE:

HR PERFORMANCE MANAGEMENT

KSE Organization Development activities in 2009-10 were aimed at augmenting overall skill level of its employees. Staff was provided opportunities to broaden their knowledge-base through departmental rotations, attachments, special project assignments, in-house training sessions and external professional development programs. These efforts are in line with KSE strategy to strengthen its succession planning initiatives and impart necessary skills to its second line managers and workforce.

Special attention was given to improve technical knowledge and enhance existing skill set through carefully designed in-house technical training initiatives. Select staff was also sent on overseas training programs to gain valuable international exposure. KSE benchmarks itself to regional and international markets and aims to follow best practices and modern trends. IT staff, which comprises of almost 35 percent of workforce, were given the maximum opportunity to benefit from these initiatives.

Other areas where training interventions were made are risk management, financial derivatives and securities market operations. In addition to technical side, soft skills remained an important item on KSE annual training calendar. Change management, leadership, negotiation skills, and communication skills were some of the main highlights for soft skill improvement initiatives.

RISK MANAGEMENT

To provide for a robust risk management framework, the Exchange reviewed all parameters of Risk Management and made the following changes to its risk regime:

Introduction of Client Level Margining Regime
All margin requirements of each client are now fulfilled from UIN-wise collateral pledged through sub-accounts of respective clients. The objective of the mechanism is to safeguard the investors and avoid co-mingling of assets. This has also introduced more financial discipline amongst investors as appropriate UIN specific margins are required prior to trade.

Introduction of Liquidity Margins
The Exchange introduced Liquidity Margins to mitigate transaction risk by charging extra margins to only those members/clients/securities which are involved in exceptional market activities.

Introduction of Pre-Settlement Delivery in Deliverable Futures Contract Market
Following the introduction of this mechanism in the Ready Market in 2008, this mechanism was extended to the Deliverable Futures Market. The mechanism has expanded trading capacity by releasing the exposure of those members who submit shares against net sell positions. It provides an efficient market access to the market participants by offering more liquidity and reducing and controlling the default risk on settlement date.

UIN-Wise Cash Allocation
Introduced in November 2009, whereby a Member of the Exchange is able to allocate cash deposited by his clients as collateral against their respective UINs' Exposures and Mark-to-Market Losses.

Margins from Inter-Exchange Clients
The functionality is provided for Inter-Exchange Clients through which members of other Exchanges (i.e., LSE and ISE) can pledge their clients' securities in favor of KSE member, directly from their respective Sub-Accounts for their 'Inter Exchange Trades' executed at KATS through KSE member.

Implementation of Automated Trade Modification
An automated module/session is provided after market hours to the members, whereby corrections/rectifications and split of quantities may be executed in the shape of reversal trades, keeping it in line with Client Level Margining system and recording evidence for the audit purpose.

Cross Settlement Exposure/Calendar Spread
The mechanism for determination of Exposure was changed, whereby the Exposure is calculated at the higher of the values determined either by summing-up of all settlement-day-wise net outstanding buy positions or all net outstanding sale positions for the same client. The core objective is to provide liquidity ease at broker level, enhanced trading capacity and cost effectiveness of doing across settlement squared up trading approach.

Availability of IDS facility during the day
In addition to Ready market, the said facility was also provided in Deliverable Futures and Provisional Markets and was made available on as-and-when-required basis, which was previously given at the day end only. This facility provides market participants liquidity on real time basis and effective fund management.

INFORMATION TECHNOLOGY

High Availability of KSE Systems
KSE is continuously investing on enhancement and scalability of its infrastructure to provide better services to traders and investors. In order to meet high availability of Trading System by enhancing recovery point objective and recovery time objectives, KSE had planned 1+1 redundancy and failover strategy. This 1+1 strategy required a number of enhancements in the existing hardware besides induction of new hardware; details of which are as under:

- Server Induction
  To implement 1+1 strategy, the same number of servers is required as of the production environment so that in case of any failure of production server, the secondary server can be transparently activated without manual configuration and synchronization, and simultaneously operates with the production server. KSE has recently inducted enterprise servers in its server farm to mitigate the risk of outage during trading hours.

- Storage Consolidation
  Enterprise-critical applications which drive the core of any organization require the highest availability infrastructure to support the most stringent service levels. Though KSE possesses a number of mid-range storage subsystems, however to meet high availability of the Trading system and other services it has inducted a high-end next generation high performing, high capacity enterprise class Symmetrix Direct Matrix (DMX) networked storage system. Salient features of the storage systems are:

  - Information Availability
  - Tiered Storage Consolidation
  - Simplified Management and Operations
  - Advanced Security and integrated RSA Technology

- Network Infrastructure
  Network infrastructure is the life blood of overall automation. KSE campus network is built on state of art technology with the induction of world leading brands of network equipment. KSE network is also connected to Central Depository Company and National Clearing Company. Beside the connectivity of these institutions, KSE has a remote connectivity segment which provides connectivity to the members of exchange from all over Pakistan and over 40% business volume is being traded through remote segment. KSE is also connected to the world through Internet and has its web presence on URL www.kse.com.pk.

In order to ensure high availability, recently redundancy project has also been initiated and completed in different critical segments.

NEW PRODUCTS AND SERVICES

Bonds Automated Trading System (BATS)
KSE introduced a new pool of liquidity by launching BATS, as it helped corporate and retail investors to trade corporate and commercial papers through an online and efficient price discovery mechanism. The issuers now have an instant access to yet another new class of intermediaries to help raise capital efficiently and cost effectively.

KSE launched BATS in November 2009 and it has allowed KSE to diversify its revenue stream and provide more investment choices for investors. Initially, the platform is being used to trade debt securities listed on KSE; however, the plan is to include all public debt instruments and privately placed debt securities as well.

Moreover, National Saving Bond - country's first bond tradable at stock exchanges, was launched by Central Directorate of National Savings. The Bond was issued for periods of 3, 5 and 10 years, with the main objective to attract small savers of the country.

ICB Launch - Industrial Classification Benchmarking
KSE is now ICB compliant, as it recomposed its sectors on the basis of methodology which is jointly developed by FTSE and Dow Jones. This system classifies sectors into a comprehensive hierarchy having four levels of granularity - industry (10), super-sectors (19), sectors (41) and subsectors (114) and facilitates cross-border company comparison for foreign investors.

KSE has now joined over 70 exchanges worldwide which integrate ICB into their research, trading and investment workflows. These include NASDAQ, NYSE/Euronext, the London Stock Exchange, the Swiss Exchange, Aegon, the International Monetary Fund and the World Economic Forum, as well as media outlets including The Wall Street Journal, the Financial Times, CNBC and Dow Jones Newswires. ICB based sectors were initially launched parallel to the old KSE sectors and from 1st January 2010 they have completely replaced the old sectors. Another objective of introducing ICB was to launch stock index future trading based on ICB sectors.

7-Day CSF

Taking into consideration the market representation that participants were reluctant to quote 90-days prices in Cash Settled Futures (CSF), KSE launched 7 days cash settled futures. The contracts start on every first trading day of the next week following the close of the contract and close last Friday of the calendar month/week, if last Friday is not a trading day, then immediate preceding trading day. They follow all the rules of CSF for the longer duration except dividend/corporate action adjustment.

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 was achieved to significantly enhance internal financial controls.

RESTORING INVESTOR CONFIDENCE

Karachi Stock Exchange, being a frontline Regulator, promotes and ensures investor protection and directs its efforts to provide transparent and efficient market to the market participants. The Exchange has made efforts with respect to educating investors and its members in various functional areas of trading and arranged a number of presentations for this purpose.

The Market Control and Surveillance Department of the Exchange monitors the market for unusual price movements and trading behaviors and on observing any unusual and unexplained price movements and trading patterns, proper investigations are carried out.

The Exchange has initiated regulatory enforcement actions against any non-compliance of its regulations; specifically pertaining to trading. All suspected insider trading cases and cases of market manipulation falling outside KSE regulatory jurisdiction are referred to SECP for further investigation and action. Following statistics show the actions taken in this regard during the last three years:

Sr. #	*Cases Identified / Investigated	2008	2009	2010
1	Cases Closed at Inquiry Level	66	135	115
2	Advisory / Warning letters issued	2	47	35
3	Penalty Imposed	1	27	9
4	Cases Referred to SECP	3	17	18
	Total	72	226	177

* Enforcement actions taken to ensure compliance of various Regulations of the Exchange; 2010 statistics are for the period from January to June.

Moreover, in order to provide support to the investors having claims against the defaulted/ expelled members of the Exchange, the Investors' Protection Fund created by KSE, which was earlier available only in default situation and to the extent of Rs.10 million per case, has now also been made available in case where members are expelled and with an enhanced upper ceiling of Rs.25 million per case of default/expulsion. The Exchange has a transparent mechanism to verify the claims of investors with respect to their genuineness through independent audit firms.

Because of this approach, KSE was able to handle and resolve a significant number of claims or complaints of investors. Below is the summary status of investors' complaints received by KSE directly or through SECP, as processed by Customer Services & Investors Relations Department of KSE, during the period from July 01, 2009 to June 30, 2010:

Total number of complaints handled during the period	6,734
Settled against expelled/ defaulter members	3,407
Settlement through KSE mediation/arbitration	634
Claims under verification process	2,591
Complaints under process against existing members	102

INTERNATIONAL RELATIONS

SAFE organized Country Roundtable Conference at Karachi in collaboration with KSE
South Asian Federation of Exchanges (SAFE) is an association of 21 regulated capital market institutions of South Asian region and UAE. Under the leadership of Mr. Adnan Afridi, Managing Director-KSE and Chairman of SAFE, a day-long Country Roundtable Conference was organized by SAFE in collaboration with KSE on December 17, 2009 at Karachi. The theme of the conference was "Developing the Next Generation Capital and Commodity Markets Ecosystem in Pakistan; Creating Value & Inclusive Growth in Society".

Pakistan Day Capital Markets Conference
Mr. Adnan Afridi, Managing Director-KSE represented the Exchange at "'Pakistan Day Capital Markets Conference "'held in New York on March 22 and 23, 2010, to project Pakistan's equity market internationally. The conference was organized by First Capital Equities Limited – a corporate member of the KSE, in collaboration with the Central Depository Company of Pakistan, Auerbach Grayson & Co. of USA and by the Bank of New York Mellon. Ten key listed Pakistani companies also attended the road show.

The event attracted key institutional investors, leading Fund Managers and Financial Institutions of USA. The Managing Director, KSE gave an overview of the Pakistan economy and capital markets to leading Fund Managers in New York. His presentation was very well received and efforts of KSE to promote new products and attract global portfolio investment were appreciated. Investors also urged KSE to accelerate the process of demutualization and increase the free float of the market.

SAFE held South Asian Capital Markets Conference at Mauritius
South Asian Federation of Exchanges (SAFE) organized South Asian Capital Markets Conference in Mauritius from April 22 to April 24, 2010 jointly hosted by MCS Stock Exchange Limited from India, Global Board of Trade from Mauritius and The Stock Exchange of Mauritius.

The event drew large interest from the dignitaries, who attended the conference from the entire region, where various panel discussions and special presentations covering a wide range of topics were conducted. Because of the immense success of the conference, it was decided to make it a regular feature with the title of "'South Asian Investment Conference "'wherein exchanges can have an opportunity to showcase and promote domestic business that have the potential for attracting regional and international investment.

Regional Conference on Derivatives held in Colombo, Sri Lanka
The Heads of Risk Management and Product Development of KSE attended the above conference, which was organized by Securities and Exchange Commission of Sri Lanka. At the end of conference, the Sri Lankan Securities regulator and head of Financial Services Academy indicated to form a committee of professionals from different countries for improvement of regional securities markets, including Pakistan.

MoUs and agreements executed internationally by the Exchange
KSE signed an MoU with a vendor for providing subscription-based market information to mobile phone users. The new vendor shall bring in its knowledge and expertise which shall allow investors to get valuable real-time data through their mobile phones. The subscription based cost-effective services will be launched in the third quarter of 2010.

CURRENTLY IN PROCESS

Corporatization and Demutualization of the Exchange
After approval by National Assembly's Standing Committee on Finance and Revenue on January 26, 2009, the Stock Exchanges (Corporatization, Demutualization and Integration) Bill was passed by the National Assembly on October 08, 2009. This had been pending with the Senate for its approval and thereafter, was supposed to be notified in the Official Gazette of Pakistan for its promulgation as an Act.

However, KSE has been informed by SECP that the Bill has now been referred to the Mediation Committee of the Parliament.

KSE has remained actively engaged with the Government and SECP to facilitate this process and looks forward to early promulgation of the Act so that the entire process can be completed in an efficient and judicious manner.

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.

In-house development of Value at Risk (VaR) model
A 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.

VISITORS TO THE EXCHANGE

KSE was the host to a number of distinguished visitors during the year under review.

- Mr. Shaukat Tarin, then Advisor to the Prime Minister on Finance, Revenue, Economic Affairs and Statistics visited the Karachi Stock Exchange on July 6, 2009. He was accompanied by Mr. Sohail Dayala, then Commissioner (SMD), SECP. Mr. Tarin briefed the KSE members on the current state of the economy, and highlighted that a significant amount of stabilization had been achieved.

- On July 28, 2009, Mr. H. E. Akinori Wada, Consul General and Mr. Tsuyoshi Hikita, Vice Counsul, Consulate General of Japan, visited the Exchange. The dignitaries held discussions with the Managing Director of KSE, who briefed them on Pakistan's economy and functioning of the Exchange.

- Mr. Robert Marks, Deputy Economic Counselor of US Embassy, Islamabad and Ms. Mary Elizabeth Madden, Economic Consul visited KSE on August 3, 2009 and discussed the economic conditions of Pakistan.

- A Chinese firm was in the process of launching an Investment Bank and an asset management company in Pakistan in collaboration with a brokerage house. In this respect, a delegation of the firm paid a visit to KSE on September 28, 2009 and met with Mr. Adnan Afridi, Managing Director, KSE. The visiting delegates expressed a lot of interest in the listing procedure at KSE and other investment opportunities in Pakistan.

- Mr. Christopher New and Mr. Richard Butler of Dow Jones, along with Mr. Babar Mufti, CEO and Mr. S. Wajih Hassan, Head of Risk Management Services of ICIL Pakistan, visited the Exchange on October 6, 2009 and held a meeting with Mr. Adnan Afridi, Managing Director, KSE.

- Mr. William Larry McDonald, U.S Treasury Deputy Assistant Secretary for Technical Assistance and Ms. Erin English, U.S Treasury Officer (US Consulate, Washington D.C.) paid a visit to KSE on November 12, 2009.

- Director General, Central Directorate of National Savings (CDNS) visited KSE on January 28, 2010 to brief about the matters related to trading of the newly issued and listed National Saving Bonds. Mr. Sheikh candidly answered the questions raised by the members of the Exchange and other attendees including the senior officials of corporate brokerage houses and Heads of Money Market desks.

- A delegation from UK Trade & Investment (UKTI), Pakistan, met the Managing Director and members of the Board of Directors of Karachi Stock Exchange. The delegation was led by Sir Andrew Cahn, CEO - UKTI, accompanied by Mr. Robert Gibson, Deputy High Commissioner, UK at Karachi; Mr. Duncan Archibald, Private Secretary to CEO - UKTI and Mr. Ahmer Arif, Deputy Director, UKTI.

- One of the highlights of the year at KSE was the visit paid by Mr. William Hague, UK Foreign Secretary, on June 24, 2010. Accompanying the Foreign Secretary were Mr. Adam Thompson, British High Commissioner, Mr. Robert Gibson, British Deputy High Commissioner, and other members of UK Trade and Investment Office.

  Mr. Zubyr Soomro, Chairman KSE and Mr. Adnan Afridi, MD KSE hosted the delegation and organized a financial services round-table that included Mr. Yaseen Anwar, Acting Governor, State Bank of Pakistan; Dr. Ishrat Husain, Dean IBA; Dr. Mushtaq Ali Khan, Chief Economic Advisor, State Bank of Pakistan; Mr. Naved A. Khan, President Faysal Bank; Mr. Anjum Iqbal, CEO, Habib Metropolitan Bank; Mr. Moazzam M. Malik, CEO, BMA Capital; Mr. Shazad G. Dada, Chief Country Officer, Deutsche Bank; Mr. Gulrez Yazdani, CEO, Institute of Capital Markets; Mr. Yaseen Lakhani, Director, KSE and Mr. Abid Ali Habib, Director, KSE.

  The Round-Table included opening remarks by Mr. Zubyr Soomro and Mr. Yaseen Anwar as well as a presentation on capital markets and the Karachi Stock Exchange by Mr. Adnan Afridi. Participants stressed the resilience of the Pakistan economy and the maturity as well as sophistication of the private sector in Pakistan.

  At the conclusion of the discussion, the UK Foreign Secretary rang the 'KSE Bell' on the trading floor. He also met informally with KSE members and the media.

- Towards the end of the financial year, Dr. Abdul Hafeez Sheikh, Federal Minister on Finance, Revenue & Economic Affairs, visited KSE on June 28, 2010 along with Mr. Israr Rauf, Member (Direct Taxes), Federal Board of Revenue.

  While talking to media after holding a meeting with the members of the Karachi Stock Exchange (KSE) and ringing the bell at the Trading Hall, the Honourable Minister said that he will make all the efforts to expedite the passing of demutualization bill in the Senate.

Photo Gallery

Mr. Adnan Afridi MD KSE and Mr. Najam Ali then CEO JSIL signing MoU to rename UTP-A30 Fund to UTP-KSE-30 Index Fund

Mr. Adnan Afridi handing over the cheque for IDPs to Mr. Kanwar Wasim Provincial Secretary of Pakistan Red Crescent Society

Signing Ceremony of KSE-ISMAR MoU for investor training

Mr. William Hague, British Foreign Secretary visiting KSE

Mr. Hafeez Sheikh Minister for Finance addressing the media upon his visit to KSE

Mr. Shaukat Tarin, then Advisor to PM on Finance addressing members KSE

Voting in progress to elect new Directors

Mr. Zaffar Sheikh ringing the Opening Bell at National Saving bonds listing on KSE

Mr. Shahzad Saleem, CEO Nishat Chunnian Power formally commencing share trading of his company on the listing of Nishat Chunnian Power also seen are MD KSE Mr. Adnan Afridi, Mr. Zaffar Moti then Director KSE, Haji Ghani Haji Usman then Director KSE, and Ms. Sonia Ahmed CFO Nishat Chunnian Power

A view of teleconferencing with India at SAFE Country Roundatable in Karachi

The Wateen listing, seen in the picture are Mr. Javed Bashir Sheikh, Advisor to CEO Wateen, Mr. Furqan Qureshi, GM Corporate Sales and Enterprise Wateen along with MD KSE and other members of senior management from both sides

Mr. Adnan Afridi Chairman SAFE and MD KSE addressing the opening session in Mauritius SAFE Conference

"COURAGE IS WHAT IT TAKES TO STAND UP AND SPEAK; COURAGE IS ALSO WHAT IT TAKES TO SIT DOWN AND LISTEN."

— Winston Churchill

PARTHENON (GREECE)

The Parthenon is a temple in the Athenian Acropolis, Greece, and is dedicated to the Greek goddess Athena, whom the people of Athens considered their protector. Its construction began in 447 BC and was completed in 438 BC. It is the most important surviving building of Classical Greece, generally considered to be the culmination of the development of the Doric order. Its decorative sculptures are considered some of the high points of Greek art. The Parthenon is regarded as an enduring symbol of Ancient Greece and of Athenian democracy and one of the world's greatest cultural monuments.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 63rd Annual General Meeting of the Karachi Stock Exchange (Guarantee) Limited will be held on Thursday, October 28, 2010 at 04:00 pm, at the Registered Office of the Exchange, at KSE Auditorium, 3rd Floor, Stock Exchange Building, Stock Exchange Road, Karachi, to transact the following business:

1. To confirm the minutes of Extraordinary General Meeting of the Exchange held on March 09, 2010.

2. To receive and approve financial statements of the Exchange for the year ended June 30, 2010, together with the Directors' and Auditors' Reports thereon.

3. To appoint auditors of the Exchange for the year ending June 30, 2011 and fix their remuneration. The present auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, shall stand retired on the conclusion of the Annual General Meeting. The Board, based on the suggestion of Audit Committee, recommends the name of M/s. KPMG Taseer Hadi & Co., Chartered Accountants for appointment as auditors of the Exchange for the year ending June 30, 2011.

4. Any other matter with the permission of the Chair.

BY ORDER OF THE

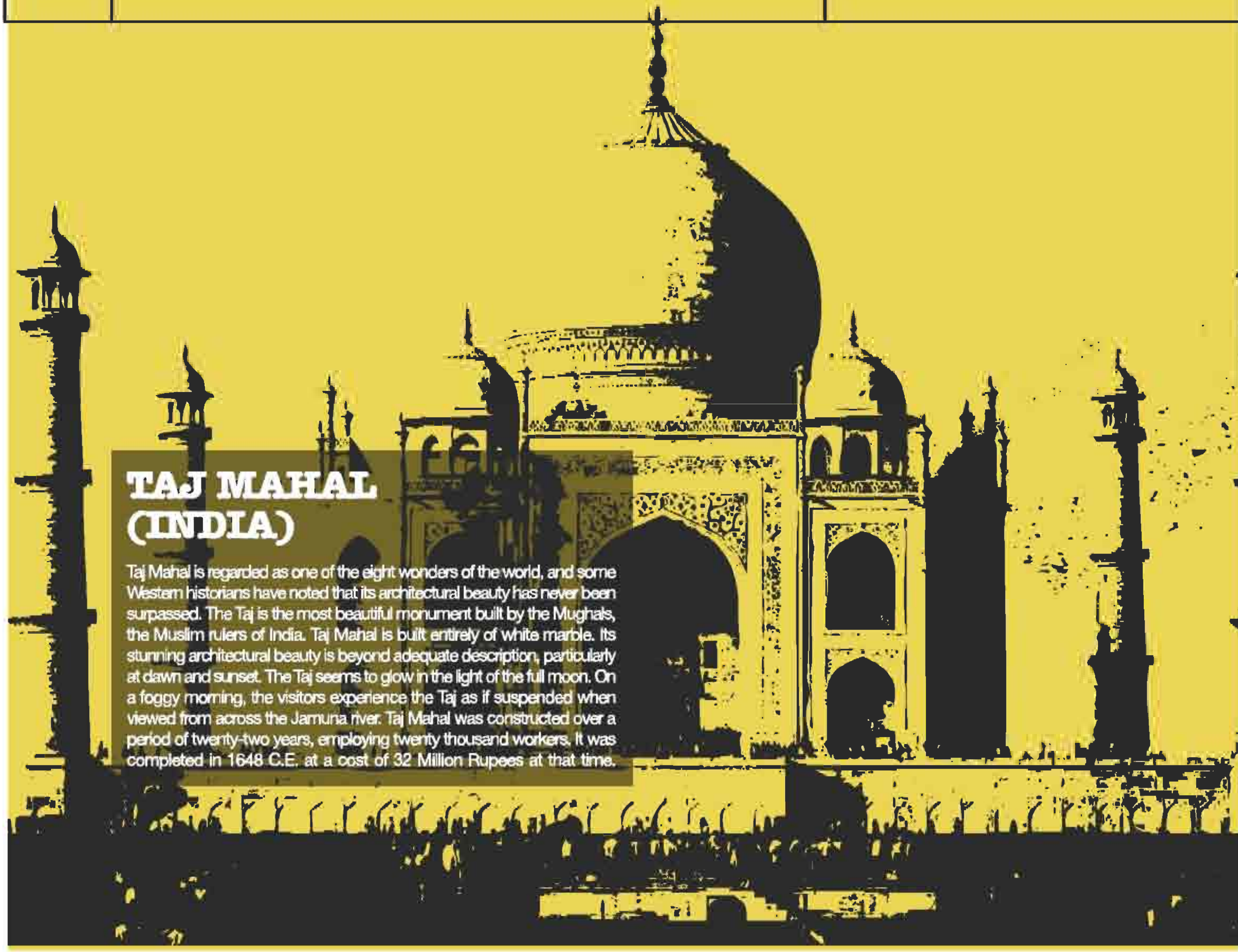
GOVERNING BOARD OF DIRECTORS

Sd/-
MUHAMMAD RAFIQUE UMER
Company Secretary

Karachi:

07 October 2010

> "MY ATTITUDE IS THAT IF YOU PUSH ME TOWARDS SOMETHING THAT YOU THINK IS A WEAKNESS, THEN I WILL TURN THAT PERCEIVED WEAKNESS INTO A STRENGTH."
>
> — Michael Jordan



TAJ MAHAL (INDIA)

Taj Mahal is regarded as one of the eight wonders of the world, and some Western historians have noted that its architectural beauty has never been surpassed. The Taj is the most beautiful monument built by the Mughals, the Muslim rulers of India. Taj Mahal is built entirely of white marble. Its stunning architectural beauty is beyond adequate description, particularly at dawn and sunset. The Taj seems to glow in the light of the full moon. On a foggy morning, the visitors experience the Taj as if suspended when viewed from across the Jamuna river. Taj Mahal was constructed over a period of twenty-two years, employing twenty thousand workers. It was completed in 1648 C.E. at a cost of 32 Million Rupees at that time.

DIRECTORS' REPORT

ECONOMIC OVERVIEW 2009-10

During the financial year 2009-10, the Government of Pakistan achieved two major milestones - successful agreement on 7th NFC Award; and passage of 18th Constitutional Amendment, both positive developments for the political and economic future of the country.

The country however, has witnessed slippages in meeting key IMF performance indicators. The average CPI inflation of 11.7 percent during FY10 has been 2.7 percentage points higher than the target. Although the rise in inflation was anticipated due to announced increases in electricity tariffs, there was a risk that this increase could spread to other prices. Upward adjustments in domestic petroleum prices and volatility in food prices only added to the uncertainty. Moreover, declining real investment and worsening law and order conditions affected the economy's ability to meet prevailing aggregate demand. Taken together, these factors contributed towards adverse impact on the overall economy.

Fiscal management became increasingly challenging as the fiscal year progressed. Low tax revenues and delays in external financing made it difficult to meet rising expenditures despite cuts in development budget and efforts to rationalize subsidies. Consequently, financing of the fiscal deficit tilted more towards domestic sources; including borrowings from SBP. Such fiscal developments have contributed towards aggravating expectations of rising inflation and have kept interest rates high.

The silver lining was provided by better than expected reduction in the external current account deficit. Not only was the projected Coalition Support Fund (CSF) money realized but growth in remittances and improvement in trade account surpassed earlier projections. Thus, despite shortfalls in official external financing, SBP managed to strengthen its foreign exchange reserve position. Build-up in reserves was further supported by inflows provided by the International Monetary Fund (IMF).

CAPITAL MARKET OVERVIEW

Pakistan's equity market is now a part of the global equity market, with foreign institutional investors (FIIs) holding a significant percentage of the free float. It continues to witness foreign interest in line with other frontier markets. However, volumes at the KSE have seen a large decline due to reduced participation by local investors. Enhanced risk management measures and lack of a user friendly leverage product are key contributors to the low volume. Domestic uncertainty regarding governance and security, and high nominal interest rates have also contributed to lack of investor interest.

In line with the global recovery, the KSE-100 index, which opened at 7,162.18 at the beginning of the year 2009-10, closed at 9,721.91; registering 35.7% gain which represents one of the best returns of any capital market The market capitalization increased from Rs.2,121 billion to Rs.2,732 billion showing a rise of 28%. KSE still trades at one of the lowest P/Es in the region which helped a sizeable inflow from the foreign institutions and provided stability to volumes. Net foreign inflow of US$567 million was recorded during July 2009 -June 2010 compared to net outflow of US$445 million during last year.

After a hiatus of 12 months, eight (8) new companies, eight (8) open ended mutual funds and five (5) new debt instruments were listed during the year under review while the prospectus of one (1) company was given clearance by the Exchange for listing.

FINANCIAL REVIEW

The Karachi Stock Exchange faced several challenges during the year 2009-10 to meet its financial targets.

Total revenue for the year 2009-10 was recorded at Rs.731 million which, when compared with Rs.914 million of last year, registered a decline of 20%. Comparing the financial results of current year with those of previous year may not be meaningful, since key policy decisions led to one time unfavorable impact of Revenue and Operating Income. The major decrease resulted in the following heads:

1. **Management Fee**

   The Board of Directors, in its meeting held on September 30, 2010 resolved that Management Fee, charged by KSE to Investors' Protection Fund and Clearing House Protection Fund, in terms of the earlier decision of the Board, shall not be charged with effect from July 01, 2008 and accordingly no amount of income on account of Management Fee was charged during the current year which significantly reduced total revenue by Rs.64 million.

2. **Gain on De-recognition of Fixed Assets – Net**

   Since the process of de-recognition of all member rooms was completed during the financial year 2008-09, a favorable impact of Rs.59.6 million reflecting gain on de-recognition of assets to members had been recorded last year. Accordingly, no such gain could be recorded in the current year.

3. **Discontinuation of CFS MK-II**

   Discontinuation of CFS MK-II, on the initiative of members of the Exchange, also reduced the total revenue of the Exchange by Rs.37 million when compared to last year.

4. **Reversal of certain IT charges**

   The Board of Directors, in its meeting held on September 30, 2010 also resolved to downward revise certain IT Charges with effect from July 01, 2009, which had been enhanced earlier, hence the amount charged on account of said IT charges was reversed during the current year which adversely effected the total revenue by Rs.7 million.

Moreover, fragile state of domestic and international financial markets and lack of liquidity in the local market also had an adverse impact on revenues. Trading fee remained 30% lower compared to last year mainly due to extremely low volumes and average price in the market. Share of profits from associates during the year fell by almost 28% while profit on bank deposits reduced by 17% from Rs.341 million in 2008-09 to Rs.283 million in the period under review.

On the other hand, income from other sources such as income from facilities & equipment, data vending, marketing & business development and other fees collectively registered an increase of approximately 23% over the previous year. This reflects the efforts made by management to diversify the Exchange revenue stream.

In view of continuous pressure on revenues, the management has been following a number of stringent cost cutting measures. Therefore, total administrative expenses without one-off reversals/charges grew only 2% against benchmark inflation of 13% year-on-year. One-off charges that led to higher expenses include:

1. **Reversal of Management Fee**

   In line with the above mentioned decision of the Board of Directors, Management Fee charged during the last year was reversed in current year showing an increase in the total expenses by Rs.56 million.

2. **Reversal of depreciation in 2008-09 due to change of estimates and compilation of Fixed Assets Register**

   Last year, change in depreciation estimates and compilation of Fixed Assets Register was carried out which resulted in a reversal of depreciation charge by Rs.63 million in the year 2008-09; which was not available in the current year.

3. **Reversal of accrual against Professional Charges in the Financial Year 2008-09**

   Professional charges on account of demutualization of the Exchange were booked in the Financial Year 2007. Since, demutualization has not taken place till now, the amount booked on account of professional charges was reversed in the last year. Hence, no such benefit was available in the current year.

Moreover, computer maintenance and related expenses also registered an increase due to expiry of warranties of IT equipment coupled with depreciation of Rupee.

As a result, profit after tax for the year stood at Rs.68 million compared to Rs.314 million in 2008-09. Had there been no reversal of Management Fee and IT Facilities charges in the current year, profit after tax in 2009-10 would have stood at Rs.148 million.

Sustained low volumes are likely to maintain significant pressure on Exchange's revenues and may also hinder new listings.

CONTINGENCIES

The Karachi Stock Exchange faces a number of challenges due to the specific nature of its business and uniqueness of operations. As KSE is a pro-forma defendant in investor claims cases, the overall amount of contingencies is high (Rs.8,572 million).

CONTRIBUTION TO NATIONAL EXCHEQUER

The Capital Markets are amongst the largest contributors to the national exchequer. During the year 2009-10, the Exchange collected taxes from the members of the Exchange on securities market transactions and paid an aggregate amount of Rs.547 million to the government exchequer. In addition, the Exchange also paid a sum of Rs.92 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	630.55
National Clearing Company of Pakistan Limited [NCCPL]	30.00	47.06	173.71
Others			
JCR-VIS Credit Rating Company Limited [JCR-VIS]	2.50	12.50	2.50
National Commodity Exchange Limited [NCEL]*	42.09	19.14	22.09

* KSE holds 3,636,356 (2009: 3,636,356) Ordinary shares of Rs.10 each, representing 19.14% equity in NCEL. Break-up value of each Ordinary share of Rs.10 is Nil (2009: Nil) based on the unaudited accounts available for the year ended June 30, 2010. The original cost of investment in NCEL is Rs.42.091 million.

Out of the above, a cash dividend @30% (2009: 65% stock dividend) was declared by CDC; cash dividend @ 50% (2009: 65%) by NCCPL; and cash dividend @ 5% (2009: Nil) by JCR-VIS for the financial year ended June 30, 2009 were received during the year.

BOARD OF DIRECTORS

To promote good governance, a Fit and Proper Criteria for directors on the boards of the stock and commodity exchanges, CDC and NCCPL was introduced by SECP and implemented.

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.

As per the Articles of Association of the Exchange, Mr. Muhammad Yasin Lakhani was re-elected while Mr. Abdul Majeed Adam, Mr. Abid Ali Habib, Mr. Dawood Jan Muhammad and Mr. Muhammad Munir Khanani were elected as directors for the year 2010, to replace Mr. Zafar S. Moti, Haji Ghani Haji Usman, Mr. Asad Iqbal and Mr. Amin Yusuf, at the Extraordinary General Meeting of the Exchange held on December 15, 2009.

Similarly, Mr. Zubyr I. Soomro, Mr. Farrukh S. Ansari, Mr. Farrukh Viqaruddin Junaidy, Mr. Muhammad Farhan Malik were nominated by SECP to replace Mr. Kamran Y. Mirza, Mr. Osman Asghar Khan, Dr. Farid Khan and Mr. Khalid Ahmed Sherwani. Mr. Zubyr I. Soomro was unanimously elected as Chairman for the year 2010.

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

The KSE Board consists of experienced and successful professionals with diverse background. The non-member directors have a proven track record of running major institutions, while the member directors have a deep understanding of the working of the Exchange and the local equity market.

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, 2010, 14 Board meetings (13 normal & 01 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 2009		
Mr. Kamran Y. Mirza	7	6
Mr. Adnan Afridi	7	7
Mr. Asad Iqbal	7	7
Mr. Osman Asghar Khan	7	6
Dr. Farid Khan	7	5
Mr. Muhammad Yasin Lakhani	7	7
Mr. Zafar S. Moti	7	6
Mr. Khalid Ahmed Sherwani	7	7
Haji Ghani Haji Usman	7	7
Mr. Amin Yusuf	7	7
January-June 2010		
Mr. Zubyr I. Soomro	7	6
Mr. Adnan Afridi	7	7
Mr. Abdul Majeed Adam	7	6
Mr. Farrukh S. Ansari	7	7
Mr. Abid Ali Habib	7	7
Mr. Farrukh Viqaruddin Junaidy	7	7
Mr. Muhammad Munir Khanani	7	6
Mr. Muhammad Yasin Lakhani	7	7
Mr. Muhammad Farhan Malik	7	7
Mr. Dawood Jan Mohammad	7	7

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 2010 under the current chairmanship of various directors, as given below:

Committee	Chairman
i. Human Resource Committee	Mr. Zubyr I. Soomro
ii. Voluntary De-listing Committee	Mr. Adnan Afridi
iii. Advisory & Arbitration Committee	Mr. Muhammad Munir Khanani
iv. Companies Affairs and Corporate Governance Committee	Mr. Abid Ali Habib
v. Development, Technology & Trading Affairs Committee	Mr. Abdul Majeed Adam
vi. Audit Committee	Mr. Farrukh Viqaruddin Junaidy
vii. Market Development & New Products Committee	Mr. Dawood Jan Mohammad
viii. Demutualization Committee	Mr. Muhammad Yasin Lakhani
ix. Default Management Committee	Mr. Dawood Jan Mohammad
x. I.T. Steering Committee	Mr. Muhammad Farhan Malik

AUDIT COMMITEE

The Audit Committee is constituted by the Board under the requirements of the Code of Corporate Governance.

Currently the Committee comprises of five members including the Chairman:

1.	Mr. Farrukh Viqaruddin Junaidy	Chairman
2.	Mr. Farrukh S. Ansari	Member
3.	Mr. Muhammad Farhan Malik	Member
4.	Mr. Abdul Majeed Adam	Member
5.	Mr. Muhammad Yasin Lakhani	Member

The Committee held six (6) meetings during the financial year 2009-10. 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 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 any Special Audits of Brokerage Houses.

The Internal Audit & Compliance Department is the main resource supporting the Committee as per 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 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 is committed to complying, 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 and cash flows.
- ☐ Appropriate accounting policies have been consistently applied in preparation of financial statements which conform to the International Accounting Standards as applicable in Pakistan. The accounting estimates, wherever required, are based on reasonable and prudent judgment.

- ☐ The system of internal controls is sound in design. It has been effectively implemented by the management and is monitored by the internal and external auditors as well as the Board of Directors and the Audit Committee. The Board reviews the effectiveness of established internal controls through the Audit Committee and suggests, wherever required, further improvement in the internal control systems.
- ☐ There are no significant doubts upon the Company's ability to continue as a going concern.
- ☐ 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.102.94 million based on unaudited accounts for the year June 30, 2010.
- ☐ Key operating and financial data of last 6 years has been included in this annual report.

CORPORATE SOCIAL RESPONSIBILITY

Karachi Stock Exchange, being a national institution and a responsible corporate citizen, strongly realizes its duty towards the society. In view of this, KSE has a defined policy for Corporate Social Responsibility [CSR] activities.

During the year under review, the Exchange made a donation of Rs.500,000/- to Kharadar General Hospital in accordance with its policy.

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, have completed their assignment and shall stand retired as on the date of the Annual General Meeting. Audit Committee has proposed the name of M/s. KPMG Taseer Hadi & Co., Chartered Accountants for consideration of the Board and onward recommendation to the members. Based on the recommendation of Audit Committee, the Board further recommends appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants, as KSE's auditors for the financial year ending on June 30, 2011.

FUTURE CHALLENGES AND OUTLOOK OF THE EXCHANGE

As Pakistan's economy stabilizes and recovers, the capital markets are expected to exhibit a gradual recovery. However, the biggest challenge facing KSE is the lack of liquidity and volumes. The Management remains focused on working with all stakeholders so that these issues are resolved and liquidity once again returns to the market. The KSE-developed roadmap includes the launch of Margin Trading and Securities Lending and Borrowing Products as major initiatives to address the issue of liquidity.

Volumes at KSE are also linked to the overall economic and law-and-order situation in the country. In the federal budget 2010, Capital Gains Tax was imposed on stock trading, leading to a further reduction in investors due to the uncertainty regarding mode of collection.

The recent floods in Pakistan are now globally recognized as one of the largest natural disasters ever faced by any country. A struggling economy is likely to witness a steep drop in GDP growth, increase in inflation and rising fiscal deficit. All of these will bring further challenges to the equity markets. However, we hope and expect both domestic and international resource mobilization to counter this challenge.

In order to provide more investment opportunities, KSE has proposed, the following products:

Options

In its continuous drive for modernizing and diversifying its products and services, KSE's pioneering efforts for the year 2010-2011 include Options on individual securities. Options is a tool which facilitates risk transfer and enables market participants to expand their range of trading activity. Since the option price is typically around 5% of the underlying stock, it provides a leverage ratio of 20:1. This multiplier effect is one of the various unique features which make options so attractive. Hedgers use it to reduce or eliminate risk, speculators get extra leverage and arbitrageurs lock in profits through Options. With unlimited potential for profit and known limited loss, Options remain preferred product of investors, speculators, hedgers and arbitrageurs as they give the buyer the right, but not the obligation to buy or sell specified underlying at a set price on or before specified date.

Securities Lending and Borrowing (SLB)

SLB allows the temporary exchange of securities with an obligation to re-deliver the same securities in the same number and at an agreed rent on a future date. The potential lenders and borrowers can be the brokers, mutual funds, pension funds, banks, asset management companies, insurance companies and other companies managing large equity portfolios. The motivation for lenders is to earn income or return on their idle securities. SLB is expected to bring liquidity to the market and allow weak buyers to trade at KSE at a low cost. This product is pending regulatory approval.

SIFC trading on Tradable Sector Indices

Stock Index Futures Contracts (SIFC), launched in August 2008, keep a track of KSE-30 index. Considering a lackluster response and huge basket size of KSE-30, it has been considered to launch SIFC trading on Sector based indices. KSE Board has already approved the launch of trading in Oil & Gas and Banks sectors and trading will start in these sectors once SECP approves the same.

Market Making

Market Makers (MM) commit to maintain both sides of the order book for any given market. MM generate liquidity and are instrumental in kick-starting the existing and upcoming derivative products of KSE. The Regulations for MM have been approved by the KSE Board and are now subject to approval of SECP.

Exchange Traded Funds (ETF)

ETFs allow a portfolio of stocks to be traded as a single stock. ETFs are hugely popular by investors worldwide and it has been demanded by KSE investors also in order to facilitate cost-effective trading with in-kind redemption facility. ETFs provide the lowest tracking error and provide unparallel transparency for greater investor confidence. The Regulations for ETF have been approved by the KSE Board and are now subject to SECP's approval.

Islamic Equity Financing

Islamic financing solution for equities based on Murabaha model is being developed and is expected to be launched by second quarter of the year 2010-11, subject to regulatory approval. It is expected to bring liquidity to the market and allow small investors to participate in stock trading of only Shariah compliant stocks without compromising on their religious beliefs. The product is being developed with the Shariah expertise and assistance of Meezan Bank Limited.

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, Federal Board of Revenue 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 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 during a challenging year.

For and on behalf of the Board of Directors

Sd/-	Sd/-
MANAGING DIRECTOR	**DIRECTOR**

Karachi
September 30, 2010

Financial Highlights

"ITS HOW YOU DEAL WITH FAILURE THAT DETERMINES HOW YOU ACHIEVE SUCCESS"

— Dr. Samuel Johnson

BIG BEN (ENGLAND)

Big Ben is the nickname for the great bell of the clock at the north end of the Palace of Westminster in London. Big Ben is the largest four-faced chiming clock and the third-tallest free-standing clock tower in the world. It celebrated its 150th anniversary in May 2009. The four dials of the clock are 23 feet square, the minute hand is 14 feet long and the figures are 2 feet high. Minutely regulated with a stack of coins placed on the huge pendulum, Big Ben is an excellent timekeeper, which has rarely stopped. Big Ben is one of London's best-known landmarks, and looks most spectacular at night when the clock faces are illuminated. You even know when parliament is in session, because a light shines above the clock face. There are even cells within the clock tower where Members of Parliament can be imprisoned for a breach of parliamentary privilege, though this is rare; the last recorded case was in 1880.

FINANCIAL HIGHLIGHTS FOR THE PAST SIX YEARS

In Rs. '000

	2010	2009	2008	2007	2006	2005
BALANCE SHEET						
Reserves	3,051,670	2,984,341	2,739,397	2,071,073	1,565,195	950,582
Long Term Liabilities	247,208	261,485	268,757	611,706	520,139	677,967
Current Liabilities	1,319,723	621,011	5,994,339	9,353,375	2,763,998	2,384,159
Total Liabilities	4,618,601	3,866,837	9,002,493	12,036,154	4,849,332	4,012,708
Fixed Assets	521,825	466,325	271,533	217,687	248,455	257,892
Other Long term Assets	852,875	869,815	823,023	649,272	507,969	368,062
Current Assets	3,243,901	2,530,697	7,907,937	11,169,195	4,092,908	3,386,754
Total Assets	4,618,601	3,866,837	9,002,493	12,036,154	4,849,332	4,012,708
OPERATIONAL RESULTS						
Total Income	730,555	913,641	1,715,617	1,191,533	1,181,927	977,405
Total Expenses	692,225	534,716	715,472	506,371	313,195	267,373
Profit Before Tax	38,330	378,925	1,000,145	685,162	868,732	710,032
Profit after Tax	68,094	314,085	771,728	507,721	603,022	500,574
RATIOS						
Current Ratio	2.46	4.08	1.32	1.19	1.48	1.42
Quick Ratio	2.21	3.26	1.29	1.17	1.44	1.38
Net Profit Margin	9%	34%	45%	43%	51%	51%
Expenses as a percentage of revenue	95%	59%	42%	42%	26%	27%
Profit before tax as a percentage of revenue	5%	41%	58%	58%	74%	73%

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 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 2010.

Sd/-

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

07 October 2010
Karachi

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

This statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No.35 (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 independent non-executive directors on its Board of Directors. At present the Board comprises of ten (10) members, which include nine (9) independent 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 NBFI. None of the directors, who are members of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancies occurred in the Board during the year.

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, 2010 being 14. 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 Exchange has planned to conduct an orientation course for its directors, in the near future, to apprise them of their duties and responsibilities.

10. All transactions with the related parties were placed before the Audit Committee and were approved by the Board of Directors of the Company. Further, all transactions with the related parties were carried out on an arm's length basis.

11. 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.

12. 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.

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

14. The Company has complied with all the corporate and financial reporting requirements.

15. 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.

16. 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, 2010 was 06. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. 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.

18. 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.

19. 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.

20. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

Sd/-	Sd/-
MANAGING DIRECTOR	DIRECTOR

Karachi
September 30, 2010

"STRENGTH DOES NOT COME FROM PHYSICAL CAPACITY IT COMES FROM INDOMITABLE WILL."

— William Dean Howells

THE PYRAMID OF KULKAN (MEXICO)

EL CASTILLO - The Temple of Kukulcan, Chichén Itzá, Mexico Constructed by Mayans in ca 1000 -1200 AD the Temple of Kukulcan. By far the most impressive structure of the complex is the "Pyramid of Kukulcan" usually called "El Castillo". This is a square-based, stepped pyramid approximately 30 meters tall with the temple on top. A poetic combination of form, style, function, religion, philosophy, mathematics and geometry. The pyramid's design reflects the equinoxes and solstices of our solar year in a spectacular game of light and shadow. During the equinoxes, the setting sun casts a shadow of a serpent on the northern steps of the pyramid.

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 2010 and the related income and expenditure account, statement of comprehensive income, statement of changes in funds and reserves and cash flow statement together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as disclosed in note 3.5 to the accompanying financial statements, with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of comprehensive income, statement of changes in funds and reserves 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 2010 and of the income, its comprehensive income, its changes in funds and reserves and its cash flows for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to the contents of note 24 to the accompanying financial statements in respect of Contingencies. The ultimate outcome of the matters stated therein cannot presently be determined and, hence, pending the resolution thereof, no provision for any liability that may arise from such matters has been made in the financial statements.

Sd/-

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Shabbir Yunus

Karachi
October 07, 2010

BALANCE SHEET AS AT JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	415,092	366,297
Intangible assets	5	99,583	92,616
Investment property	6	7,150	7,412
Investment in associates	7	804,255	812,779
Long term investments	8	24,591	25,591
Long term deposits	9	3,320	3,303
Long term loans	10	20,709	28,142
		1,374,700	1,336,140
CURRENT ASSETS			
Accounts receivable	11	17,035	29,459
Loans and advances	12	12,804	261,346
Deposits and prepayments	13	43,611	45,681
Other recievables	14	35,969	47,012
Short term investments	15	1,570,678	1,278,465
Taxation - net	16	222,609	121,933
Cash and bank balances	17	1,341,195	746,801
		3,243,901	2,530,697
TOTAL ASSETS		4,618,601	3,866,837
FUNDS, RESERVES AND LIABILITIES			
FUNDS			
General Entrance Fee Fund		140,295	140,295
Dara F. Dastoor Scholarship Fund	18	2,231	2,238
		142,526	142,533
RESERVES	19	3,051,670	2,984,341
		3,194,196	3,126,874
NON-CURRENT LIABILITIES			
Deferred liability - Agent Welfare Fund		976	908
Deferred tax liability	20	6,233	27,056
Long term deposits	21	97,473	90,988
		104,682	118,952
CURRENT LIABILITIES			
Provision for wealth tax	22	1,684	1,684
Trade and other payables	23	1,318,039	619,327
		1,319,723	621,011
CONTINGENCIES AND COMMITMENTS	24		
TOTAL FUNDS, RESERVES AND LIABILITIES		4,618,601	3,866,837

The annexed notes from 1 to 40 form an integral part of these financial statements.

Sd/-
Managing Director

Sd/-
Director

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
INCOME			
Income from listing	25	137,244	111,649
Income from operations	26	182,889	192,550
Management fee	27	-	55,622
		320,133	359,821
EXPENDITURE			
Administrative expenses	28	614,902	502,759
Financial and other charges	29	21,701	31,957
Reversal of management fee	27	55,622	-
		692,225	534,716
		(372,092)	(174,895)
OTHER OPERATING INCOME			
Mark-up / interest income	30	283,201	341,034
Other income	31	60,268	59,962
		343,469	400,996
GAIN ON DERECOGNITION OF FIXED ASSETS - NET		-	59,616
SHARE OF PROFIT OF ASSOCIATES	32	66,953	93,208
INCOME BEFORE TAXATION		38,330	378,925
Taxation	33	(29,764)	64,840
NET INCOME FOR THE YEAR		68,094	314,085

The annexed notes from 1 to 40 form an integral part of these financial statements.

Sd/-

Managing Director

Sd/-

Director

STATEMENT OF COMPREHENSIVE INCOME — FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010	June 30, 2009
	(Rupees in '000)	
Net Income for the year	68,094	314,085
Other Comprehensive Income		
Share of other comprehensive income of associates in respect of deficit on revaluation of available for sale investments	(765)	(7,305)
Total Comprehensive Income for the year	67,329	306,780

The annexed notes from 1 to 40 form an integral part of these financial statements.

Sd/-
Managing Director

Sd/-
Director

STATEMENT OF CHANGES IN FUNDS AND RESERVES — FOR THE YEAR ENDED JUNE 30, 2010

	Funds		Reserves						Total
			Capital	Revenue					
	General Entrance Fee Fund	Dara F. Dastoor Scholarship Fund	Capital receipts	General reserve	Building Reserves	Computerisation and Modernisation Reserve	Un-appropriated Income	Share of Associates' Reserves	
	Rs. in '000								
Balance as at July 01, 2008	140,295	2,202	61,836	62,781	15,000	43,250	2,549,115	7,415	2,881,894
Profit after taxation for the year ended June 30, 2009	-	-	-	-	-	-	314,085		314,085
Other comprehensive income	-	-	-	-	-	-		(7,305)	(7,305)
Total comprehensive income	-	-	-	-	-	-	314,085	(7,305)	306,780
Profit on bank deposits	-	160	-	-	-	-	-	-	160
Scholarships awarded	-	(124)	-	-	-	-	-	-	(124)
Realization of Capital Receipts through execution of sub-leases	-	-	(61,836)	-	-	-	-	-	(61,836)
Balance as at June 30, 2009	140,295	2,238	-	62,781	15,000	43,250	2,863,200	110	3,126,874
Balance as at July 01, 2009	140,295	2,238	-	62,781	15,000	43,250	2,863,200	110	3,126,874
Profit after taxation for the year ended June 30, 2010	-	-	-	-	-	-	68,094	-	68,094
Other comprehensive income	-	-	-	-	-	-	-	(765)	(765)
Total comprehensive income	-	-	-	-	-	-	68,094	(765)	67,329
Transferred to unappropriated income	-	-	-	-	(15,000)	(43,250)	58,250	-	-
Profit on bank deposits	-	170	-	-	-	-	-	-	170
Scholarships awarded	-	(177)	-	-	-	-	-	-	(177)
Balance as at June 30, 2010	140,295	2,231	-	62,781	-	-	2,989,544	(655)	3,194,196

The annexed notes from 1 to 40 form an integral part of these financial statements.

Sd/-

Managing Director

Sd/-

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

		June 30, 2010	June 30, 2009
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before taxation		38,330	378,925
Adjustments for non-cash charges and other items			
Depreciation			
- Operating fixed assets		73,212	56,419
- Investment property		371	390
Amortisation of intangible assets		36,161	22,376
Provision for gratuity		14,390	15,659
Dividend income		(125)	-
Mark-up / interest income		(283,201)	(341,034)
Adjustment on account of physical verification of assets		-	(38,191)
Reversal of provision against receivables on recovery		(310)	(380)
Reversal of accrual against professional charges		-	(25,800)
Unrealised gain on revaluation of investments		(10,744)	-
Gain on derecognition of fixed assets		-	(59,616)
Investment written off		1,000	-
Provision against financial assistance to members		2,963	-
Share of profit of associates		(66,953)	(93,208)
(Gain) / loss on disposal of fixed assets		(4,543)	3
		(237,779)	(463,382)
Operating loss before working capital changes		(199,449)	(84,457)
MOVEMENT IN WORKING CAPITAL			
(Increase) / Decrease in current assets			
Accounts receivable		12,734	(13,629)
Loans and advances		245,579	(247,672)
Deposits and prepayments		2,070	10,492
Other receivables		6,460	(18,463)
		266,843	(269,272)
Increase / (Decrease) in current liabilities			
Trade and other payables		684,322	(5,315,125)
Cash generated from / (used) in operations		751,716	(5,668,854)
Income tax paid		(91,735)	(97,727)
Gratuity paid		-	(49,260)
Increase in deferred liability		68	187
Increase / (decrease) in long term deposits		6,485	(34,551)
Mark-up / interest received		287,784	413,990
		202,602	232,639
Net cash flows generated from/ (used) in operating activities	Balance c/f.	954,318	(5,436,215)

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
Balance b/f.		954,318	(5,436,215)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(100,997)	(240,769)
Capital work-in-progress		(65,768)	(26,196)
Proceeds from sale of fixed assets		6,062	28,956
Investments made during the year		(1,559,934)	(1,179,055)
Investments sold during the year		1,178,055	-
Dividend received		74,837	19,500
Decrease in long term loans		7,433	6,346
Increase in long term deposits		(17)	(6)
Net cash outflow from investing activities		(460,327)	(1,391,224)
		493,991	(6,827,439)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) / Increase in Dara F. Dastoor Scholarship Fund		(7)	36
Net cash flows from financing activities		(7)	36
Net increase / (decrease) in cash and cash equivalents		493,984	(6,827,403)
Cash and cash equivalents at the beginning of the year		847,211	7,674,614
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34	1,341,195	847,211

The annexed notes from 1 to 40 form an integral part of these financial statements.

Sd/-
Managing Director

Sd/-
Director

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

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

1.2 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, Demutualisation and Integration) Bill, 2009 which was approved by the National Assembly of Pakistan in its session held on October 08, 2009. The Bill has now been referred to the Mediation Committee of the Parliament. The Company has remained actively engaged with the Government and SECP to facilitate this process and looks forward to early promulgation of the Act so that the entire process can be completed in an efficient and judicious manner.

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

2. STATEMENT OF COMPLIANCE

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

3. 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 3.6);

(b) classification of investments (note 3.10);

(c) provisions (note 3.14);

(d) recognition of taxation and deferred tax (note 3.16);

(e) accounting for post employment benefits (note 3.17 and 3.18); and

(f) impairment (note 3.20)

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 - 24 Related Party Disclosures (Revised)	January 01, 2011
IAS - 32 Financial Instruments: Presentation - Classification of Right Issues (Amendment)	Febuary 01, 2010
IFRS - 2 Share based payment - Amendments relating to Group Cash-settled Share-based payment transactions	January 01, 2010
IFRIC - 14 IAS - 19 - The limit on a defined benefit asset, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC - 19 Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

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.

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, 2010. 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 and Interpretation that became effective during the year

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 - Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment)

IFRS 3 - Business Combinations (Revised)

IFRS 7 - Financial Instruments: Disclosures (Amendments)

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements (Revised)

IAS 23 - Borrowing Costs (Revised)

IAS 27 - Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 32 - Financial Instruments: Presentation

IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged items

IFRIC 15 - Agreements for the Construction of Real Estate

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

IFRIC 17 - Distributions of Non-cash Assets to owners

IFRIC 18 - Transfers of Assets from Customers

3.5 Changes in accounting policies and disclosures

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for the following:

IAS - 1 "Presentation of Financial Statements (Revised)"

The Company has adopted IAS - 1 "Presentation of Financial Statements (Revised)" which became effective during the year. The revised standard separates owner and non-owner changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two linked statements.

Similarly, with effect from the current year, the Company has also decided to prepare statement of changes in funds and reserves to reflect changes therein.

IFRS 7 - "Financial Instruments: Disclosures (Amendments)"

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurement is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity management. The fair value measurement disclosures are presented in note 38.8 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 38.7 to the financial statements.

3.6 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the diminishing balance method over its estimated useful life, 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 currently.

An item of property, plant 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.

3.7 Capital work-in-progress

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

3.8 Intangible assets

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

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

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

3.9 Investment property

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

Depreciation is charged to income by 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.

3.10 Investments

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

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

Investments at fair value through profit or loss

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

Held to maturity investments

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

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 funds and reserves.

Financial statements of the associates for the year ended June 30, 2010 have been used in applying the equity method. Associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

3.11 Accounts and other receivables

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

3.12 Loans, advances and deposits

These are stated at cost.

3.13 Cash and cash equivalents

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

3.14 Provisions

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

3.15 Revenue recognition

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

Income in respect of trading by members in shares, contracts and bonds is recognised at the trade date.

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 dividend is established.

3.16 Taxation

Current

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

Deferred

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

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

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

3.17 Staff retirement benefits

The Company operates an approved 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 income and expenditure account, calculated in accordance with the actuarial valuation. The most recent valuation in this regard was carried out as at June 30, 2010, using the Projected Unit Credit Method for valuation of the scheme.

3.18 Actuarial gains and losses

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

3.19 Compensated absences

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

3.20 Impairment

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

3.21 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.

3.22 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 the market place.

3.23 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, 2010	June 30, 2009
		(Rupees in '000)	
4. PROPERTY, PLANT AND EQUIPMENT	**Note**		
Operating fixed assets - Tangible	4.1	272,344	289,315
Capital work-in-progress	4.2	142,748	76,982
		415,092	366,297

4.1 OPERATING FIXED ASSETS - Tangible

	COST					ACCUMULATED DEPRECIATION / AMORTIZATION				WRITTEN DOWN VALUE
June 30, 2010	As at July 01, 2009	Additions / transfer during the year *	(Disposals)	As at June 30, 2010	Rate / Period	As at July 01,2009	For the year	(On Disposals)/ (On transfer)*	As at June 30, 2010	As at June 30, 2010
	Rs. in '000				%	Rs. in '000				
Leasehold land	90	-		90	99 yrs	57	1	-	58	32
Building on leasehold land	63,781	- (165) *		63,616	5	19,569	2,210	(56) *	21,723	41,893
Lift, generators and electric installation	72,852	31,309	(15,348)	88,813	25	60,260	8,307	(14,829)	53,738	35,075
Furniture and fixtures	16,752	85	-	16,837	20	13,387	689	-	14,076	2,761
Office equipment	59,307	2,232	-	61,539	20	32,351	5,691	-	38,042	23,497
Computers and related accessories	510,569	23,519	(800)	533,288	20 & 33.33	315,568	54,974	(800)	369,742	163,546
Vehicles	15,044	724	(2,200)	13,568	20	7,888	1,340	(1,200)	8,028	5,540
	738,395	57,869 (165) *	(18,348)	777,751		449,080	73,212	(16,829) (56) *	505,407	272,344

June 30, 2009	COST					ACCUMULATED DEPRECIATION / AMORTIZATION				WRITTEN DOWN VALUE
	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)	(On Disposals)/ (On transfers)	As at June 30, 2009	As at June 30, 2009
	Rs. in '000				%	Rs. in '000				
Leasehold land	108	-	(18)	90	99 yrs	65	3	(11)	57	33
Building on leasehold land	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	68,527	4,325		72,852	25	56,874	3,389 (3)	-	60,260	12,592
Furniture and fixtures	39,603	293 (23,144)**		16,752	20	26,434	801 (482)	- (13,366)**	13,387	3,365
Office equipment	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	382,578	142,396 (14,405)***	-	510,569	20 & 33.33	318,307	42,299 (34,208)	- (10,830)***	315,568	195,001
Vehicles	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

* This represents amount transferred to investment property during the year.

** These adjustments are recorded in the books of the Company as a result of a comprehensive exercise in respect of physical verification of assets carried out during the previous year.

*** The transfer of assets as a result of physical verification of assets carried out during the previous year.

	June 30, 2010	June 30, 2009
	(Rupees in '000)	
4.1.1 Included in additions during the year are the following amounts transferred from capital work-in-progress:		
Building on leasehold land		1,962
Lift, generators and electric installation	18,512	-
Computers and related accessories	22,743	97,105
Vehicles	699	1,465
	41,954	100,532

	June 30, 2010	Additions / (transfers)	June 30, 2009
	Rs. in '000		
4.2 Capital work-in-progress			
Tangible			
Civil works	45,149	22,864	22,285
Lift, generators and electric installation	16,597	18,910	16,199
		(18,512)	
Advances to suppliers in respect of:			
- computers and related accessories	33,926	45,062	11,607
		(22,743)	
- vehicles		699	-
		(699)	
Intangible			
Internally developed software	22,830	29,979	11,911
		(19,060)	
Internally developed market products	6,518	1,052	5,466
Computer software	27,878	17,728	19,664
		(9,514)	
	152,898	136,294	87,132
		(70,528)	
Provision for impairment	(10,150)	-	(10,150)
	142,748	136,294	76,982
		(70,528)	

5. INTANGIBLE ASSETS

	COST				ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
	As at July 01, 2009	Additions	As at June 30, 2010	Rate	As at July 01, 2009	For the year	As at June 30, 2010	As at June 30, 2010
	Rs. in '000			%	Rs. in '000'			
June 30, 2010								
Computer software	127,698	24,068	151,766	25	55,088	26,787	81,875	69,891
Internally developed software	29,975	19,060	49,035	25	9,969	9,374	19,343	29,692
	157,673	43,128	200,801		65,057	36,161	101,218	99,583

	COST				ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
	As at July 01, 2008	Additions/ transfers*	As at June 30, 2009	Rate	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'			
June 30, 2009								
Computer software	55,315	57,978 14,405*	127,698	25	26,074	18,184 10,830 *	55,088	72,610
Internally developed software	12,085	17,890	29,975	25	5,777	4,192	9,969	20,006
	67,400	75,868 14,405*	157,673		31,851	22,376 10,830 *	65,057	92,616

* This represents transfer from property, plant and equipment arising as a result of physical verification of assets carried out during the previous year.

6. INVESTMENT PROPERTY

	Note	COST As at July 01, 2009	COST Additions/ Transfer*	COST As at June 30, 2010	Rate	ACCUMULATED DEPRECIATION As at July 01, 2009	ACCUMULATED DEPRECIATION For the year / Transfer *	ACCUMULATED DEPRECIATION As at June 30, 2010	WRITTEN DOWN VALUE As at June 30, 2010
		Rs. in '000			%	Rs. in '000			
June 30, 2010									
Buildings on leasehold land	6.1 & 6.2	13,948	-	14,113	5	6,536	371	6,963	7,150
			165 *				56*		
		13,948	-	14,113		6,536	371	6,963	7,150
			165 *				56*		

	Note	COST As at July 01, 2008	COST Additions	COST As at June 30, 2009	Rate	ACCUMULATED DEPRECIATION As at July 01, 2008	ACCUMULATED DEPRECIATION For the year	ACCUMULATED DEPRECIATION As at June 30, 2009	WRITTEN DOWN VALUE As at June 30, 2009
		Rs. in '000			%	Rs. in '000			
June 30, 2009									
Buildings on leasehold land	6.1 & 6.2	13,948	-	13,948	5	6,146	390	6,536	7,412
		13,948	-	13,948		6,146	390	6,536	7,412

6.1 The fair value of the investment property, as at June 30, 2010, amounted to Rs.731.309 (2009: Rs.722.739) million, which has been arrived at on the basis of a valuation carried out by Iqbal Nanji & Co., independent valuers. As per the valuation report, the valuation was carried out in accordance with the commercial rates for sale of office space prevailing in the market for the said location.

6.2 The rental income for the year from the investment property amounted to Rs.40.941 (2009: Rs.33.715) million (note 31).

* This represents amount transfered from property, plant and equipment during the year.

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
7. INVESTMENT IN ASSOCIATES			
Unlisted companies	7.1	804,255	812,779

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, 2010					
Central Depository Company of Pakistan Limited Break-up value of each Ordinary share of Rs.10 is Rs.31.68 based on the latest audited accounts available for the year ended June 30, 2010	Pakistan	1,883,735	299,849	1,583,886	630,545	817,469	39.81
National Clearing Company of Pakistan Limited Break-up value of each Ordinary share of Rs.10 is Rs.57.90 based on the latest audited accounts available for the year ended June 30, 2010	Pakistan	856,910	487,785	369,125	173,710	98,666	47.06
		2,740,645	787,634	1,953,011	804,255	916,135	
		June 30, 2009					
Central Depository Company of Pakistan Limited Break-up value of each Ordinary share of Rs.10 is Rs.31.28 based on the audited accounts available for the year ended June 30, 2009	Pakistan	1,813,926	249,721	1,564,205	622,710	730,068	39.81
National Clearing Company of Pakistan Limited 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	Pakistan	921,428	517,541	403,887	190,069	124,712	47.06
		2,735,354	767,262	1,968,092	812,779	854,780	

	Note	June 30, 2010	June 30, 2009
		(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 (2009: 250,000) Ordinary shares of Rs.10 each, representing 12.50% (2009: 12.50%) equity therein. Break-up value of each Ordinary share of Rs.10 is Rs.27.75 (2009: Rs.18.93) based on the unaudited accounts available for the year ended June 30, 2010.			
National Commodity Exchange Limited (NCEL), a related party	8.1	22,091	22,091
3,636,356 (2009: 3,636,356) Ordinary shares of Rs.10 each, representing 19.14% (2009: 36.36%) equity therein. Break-up value of each Ordinary share of Rs.10 is Nil (2009: Nil) based on the unaudited accounts available for the year ended June 30, 2010. The original cost of investment in NCEL is Rs.42.091 million.			
Institute of Capital Markets			
200 (2009: advance against equity) Ordinary shares of Rs.5,000 each		1000	1000
Less : Written - off	28	(1,000)	-
		-	1000
		24,591	25,591

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. On July 17, 2009, the shareholders of NCEL approved further issue of capital of 10 million shares other than right issue to a financial institution which subscribed 3 million shares. Furthermore, on December 29, 2009, the Board of Directors of NCEL offered 200% right shares. The said right issue was fully subscribed by the financial institution and not subscribed by the Company. Accordingly, the shareholding of the Company in NCEL has been reduced from 36.36% to 19.14% at the end of current year.

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	

9. LONG TERM DEPOSITS

	Note	June 30, 2010	June 30, 2009
Utilities		1,915	1,915
Others		1,405	1,388
		3,320	3,303

10. LONG TERM LOANS

Considered good

	Note	June 30, 2010	June 30, 2009
Employees - Secured	10.1	29,957	40,383
Recoverable within one year shown under current assets	12	(9,248)	(12,241)
		20,709	28,142
Loans outstanding for periods exceeding three years		5,523	11,901
Others		15,186	16,241
		20,709	28,142

10.1 These personal loans are sanctioned for the purchase of motorcycles, performing Hajj and daughter marriage. These are secured against the outstanding balances in the Employees' Gratuity Fund. These are recoverable in monthly installments over a period, ranging between 2 and 6 (2009: 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.

11. ACCOUNTS RECEIVABLE

Unsecured

	Note	June 30, 2010	June 30, 2009
Considered good			
Due from members	11.1	5,018	8,632
Due from companies		12,017	20,827
		17,035	29,459
Considered doubtful			
Due from companies		17,262	32,072
		34,297	61,531
Provision for receivable considered doubtful	11.2	(17,262)	(32,072)
		17,035	29,459

11.1 Included herein is a sum of Rs.0.403 (2009: Rs.0.013) million due from related parties.

11.2 During the year, a sum of Rs.0.310 (2009: Rs.0.380) million was recovered against amount previously considered as doubtful and, accordingly, provision there against is reversed (note 31). Further, as a result of decision taken by the Board of Directors of the Company, an aggregate sum of Rs. 14.500 million was written-off against provision due to no chances of recovery there against.

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
12. LOANS AND ADVANCES			
Loans			
Secured, considered good			
Current portion of long term loans to employees	10	9,248	12,241
Financial assistance to members	12.1	-	244,409
Unsecured, considered doubtful			
Financial assistance to members	12.1 & 12.2	2,963	-
Less: Provision there against	28	(2,963)	-
		-	-
		9,248	256,650
Advances, considered good			
Employees		606	1,732
Suppliers		2,950	2,964
		3,556	4,696
		12,804	261,346

12.1 In the meeting of Board of Directors held on December 29, 2008, a decision was made that the funds of the Company held in its books be allowed to be used for temporary financing to the broker financees repayable within 6 months with mark-up @ 6 months' KIBOR+2% per annum, who opt to join voluntary CFS MK II Square-up Plan of NCCPL, for payment of final losses to NCCPL on their behalf, up to the extent of Rs.50 million or the amount of actual losses, whichever is lower, on the terms and conditions contained in the agreement executed between the Company and the individual broker financee. The said financing is secured against first right on the membership card and other assets including but not limited to office(s) within the premises of the Company, securities with the Company and margin against exposure.

12.2 The outstanding balance pertains to a Member-Financee who was expelled from the membership of the Company on account of failure to pay his clients' / investors' legitimate claims, failure to honour arbitration awards and non-fulfilment of his financial obligations towards the Company.

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	

13. DEPOSITS AND PREPAYMENTS

	Note	2010	2009
Deposits			
Earnest money	13.1	33,819	33,819
Prepayments			
Insurance		1,150	1,175
Others		8,642	10,687
		9,792	11,862
		43,611	45,681

13.1 This includes 10% of the bid amount, amounting to Rs.32.999 (2009: 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 (2009: Rs.296.995) million.

14 OTHER RECEIVABLES

	Note	2010	2009
Due from members	14.1	2,653	4,801
Due from non-members	14.1	11,430	6,501
Interest / profit accrued on PLS savings accounts		4,293	8,876
Management fee receivable			13,906
Due from an ex-member	14.2	6,574	6,574
Insurance claim receivable		522	571
Miscellaneous		10,497	5,783
		35,969	47,012

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

14.2 This represents amount due from an ex-member upon the cancellation of his membership and declaration as a defaulter. As a result thereof, certain shares of the ex-member were taken over by the Company in order to square up the ex-member's position and are held pending the outcome of a law suit brought against the Company by him in the Honourable High Court of Sindh [refer note 24.5, 24.6 and 24.7]. The market value of these shares as at June 30, 2010 amounted to Rs.10.508 (2009: Rs.7.643) million.

15. SHORT TERM INVESTMENTS

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
Designated at fair value through profit or loss			
Investment in Mutual Funds			
NAFA Government Securities Liquid Fund			
4,931,647 (2009: Nil) Units of Rs.10.14 each (2009: Nil)		50,000	-
Pakistan Cash Management Fund - A			
995,360 (2009: Nil) Units of Rs.50.23 each (2009: Nil)		50,000	-
UBL Liquid Plus Fund - C			
488,103 (2009: Nil) Units of Rs.102.44 each (2009: Nil)		50,000	-
	15.1	150,000	-
Add: Unrealised gain on revaluation of investments		10,744	-
		160,744	-
Held to maturity			
Term Deposit Certificates	15.2	1,409,934	1,278,465
		1,570,678	1,278,465

15.1 Pursuant to a decision taken in a meeting of the Investment Committee of the Board which was held on July 16, 2009, the Company invested in units of mutual funds that were money market cash funds in nature excluding the investment in CFS / equity.

15.2 These represent Term Deposit Certificates (having a face value of Rs.1,350 (2009:1,200) million, including interest accrued thereon of Rs.59.934 (2009:78.465) million) placed with commercial banks on a short term basis. Rate of return on Term Deposit Certificates issued by various banks range from 11.75% to 12.25% (2009: 12.5 % to 17 %) per annum due on maturity. These will mature latest by March 12, 2011.

16. TAXATION - net

	Note	2010	2009
Advance tax paid		213,668	145,446
Provision for taxation	16.1	8,941	(23,513)
		222,609	121,933

16.1 This is stated net of (i) reversal of provision for taxation, amounting to Rs. 19.468 (2009: Nil) million, which was made last year in respect of management fee income. Since management fee has been reversed with effect from July 1, 2008 as per the decision of the Board of Directors in its meeting held on September 30, 2010, the said provision has also been reversed (refer note 23.4) and (ii) provision for taxation, amounting to Rs.10.527 (2009:23.513) million, in respect of the current year (refer note 33.1)

17. CASH AND BANK BALANCES

	Note	2010	2009
In hand		3	18
With banks on			
Current accounts	17.1 & 17.3	10,355	3,116
PLS savings accounts in:			
foreign currency		7,828	4,492
local currency	17.1, 17.2 & 17.3	1,323,009	739,175
		1,341,195	746,801

17.1 Included in 'Current Accounts' and 'PLS Savings Accounts' are Rs.27.064 (2009: Rs.2.497) million and Rs.909.237 (2009: Rs.397.427) million, respectively, aggregating to Rs.936.301 (2009: Rs.399.924) million, representing deposits from members against exposures and losses (note 23.1). These deposits are utilised by the Company in the event of default of members to recover losses therefrom, as provided for in the relevant regulations of the Company. Rate of return on Pls savings accounts varies from 4.87% to 11.25% (2009:4.81% to 14.03%).

17.2 Included herein are funds earmarked by the Company against the outstanding balance in the Dara F. Dastoor Scholarship Fund, amounting to Rs.2.231 (2009: Rs.2.238) million (refer note 18).

17.3 Included herein are balances, aggregating to Rs.10.693 (2009: Rs.7.546) million, deposited with the Company by members and an ex-member with respect to certain arbitration cases pending settlement (refer note 23.2).

18. DARA F. DASTOOR SCHOLARSHIP FUND

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
Opening balance		2,238	2,202
Profit on bank deposits during the current year	18.1	170	160
		2,408	2,362
Scholarships awarded during the year		(177)	(124)
		2,231	2,238

18.1 This represents profit on bank deposits at a rate of 8.00% (2009: 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.

19. RESERVES

	Note	June 30, 2010	June 30, 2009
Revenue reserves			
General reserve		62,781	62,781
Building reserve	19.1	-	15,000
Computerisation and Modernisation reserve	19.1	-	43,250
Unappropriated income	19.2	2,989,544	2,863,200
		3,052,325	2,984,231
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		401	-
		(712)	(1,113)
National Clearing Company of Pakistan Limited			
Surplus on revaluation of available for sale investments		57	1,223
		3,051,670	2,984,341

19.1 During the year the Board of Directors in its meeting held on September 08, 2009 resolved to transfer the Building reserve and Computerisation and modernisation reserve to unappropriated income.

19.2 Unappropriated income	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
Unappropriated income brought forward		2,863,200	2,549,115
Transferred from building reserve		15,000	-
Transferred from computerisation and modernisation reserve		43,250	-
Net income for the year		68,094	314,085
Unappropriated income carried forward		2,989,544	2,863,200

20. DEFERRED TAX LIABILITY

Deferred tax debits arising from:		
Provision against financial assistance to members	(1,037)	-
Provision for debts considered doubtful	(6,042)	(11,226)
Unused tax losses	(21,960)	-
Minimum tax paid	(3,049)	-
	(32,088)	(11,226)
Deferred tax credit arising from:		
Unrealised gain on revaluation of investments	806	-
Differences between written down values and tax base of assets	37,515	38,282
	6,233	27,056

21. LONG TERM DEPOSITS

Clearing house deposits from members	94,041	86,641
Other security deposits	3,432	4,347
	97,473	90,988

22. PROVISION FOR WEALTH TAX

	1,684	1,684

Included herein are (a) a sum of Rs.0.500 (2009: 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 (2009: 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 on appeals filed by the Company allowed relief to the Company by cancelling the wealth tax orders and allowing exemption under the Wealth Tax Act 1963. Against this decision of the ITAT, during the year ended June 30, 2007, the Income Tax Department filed an appeal with the Honourable High Court of Sindh against the order issued by the ITAT. Pending the resolution of these matters, no provision has been made in the financial statements of the current year for a sum of Rs.19.184 (2009: Rs.19.184) million (note 24.12).

23. TRADE AND OTHER PAYABLES

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
Deposits			
From members against:			
Exposures and losses	23.1	936,301	399,924
Trading in provisionally listed securities		-	4
Arbitration	23.2	10,693	7,546
		946,994	407,474
Accrued liabilities			
Accrued expenses		72,117	75,016
		1,019,111	482,490
Other liabilities			
Due to members	23.3	8,773	1,069
Due to non-members		223	129
Retention money		2,229	1,133
Fees received in advance		15,105	37,894
Management fee refundable	23.4	87,994	-
Amount held against defaulted members	23.5 & 23.6	120,087	61,194
Amount received in respect of employees' motorcycle installments		1,309	1,209
Employees' Gratuity Fund	23.7	30,049	15,659
Tax deducted at source		10	19
Taxes collected from members		6,003	-
SECP transaction fee		131	147
Payable to members against return on cash margins on future contracts	29.1	6,641	26
Workers welfare fund payable		782	7,733
Others		19,592	10,625
		298,928	136,837
		1,318,039	619,327

23.1 In addition to the amount deposited by members against their exposures and losses, the members have also (a) pledged their shares, amounting to Rs.3,961.812 (2009: Rs.6,061.067) million, in the CDC account of the Company and (b) provided bank guarantees amounting to Rs.1,164.700 (2009: Rs.682.500) million.

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

23.3 Included herein, is a sum of Rs. 6.765 million representing amount refundable to members in respect of certain IT charges. The Board of Directors in its meeting held on June 11, 2009 had made a decision with respect to upward revision of certain IT charges. However, subsequent to the year end, the Board of Directors in its meeting held on September 30, 2010 resolved to reverse the upward revision of these charges with effect from July 01, 2009 and, accordingly, the amount received from the members on this account was decided to be refunded or adjusted against future IT charges.

23.4 The Board of Directors of the Company in its meeting held on September 30, 2010 decided to discontinue charging management fee from KSE Investors Protection Fund Trust and KSE Clearing House Protection Fund Trust with effect from July 01, 2008. Accordingly, the management has recorded the amount already received from these funds during the year amounting to Rs. 32.372 million (2009: 55.622 million) as refundable in these financial statements.

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

23.6 Included herein are Rs. 68.230 (2009:Rs.61.194) million pertaining to two (2009: two) defaulting members and Rs.51.857 (2009:nil) million pertaining to seven (2009: nil) members who have been expelled by the Company vide various notices.

	June 30, 2010	June 30, 2009
	(Rupees in '000)	
23.7 Employees' Gratuity Fund	30,049	15,659

23.7.1 Principal actuarial assumptions

Significant actuarial assumptions used in the valuation are as follows

	2010	2009
	Per annum	
Discount rate	13%	12%
Increase in salaries	10%	12%
Expected return on plan assets	13%	12%

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
23.7.2 Liability recognised in the balance sheet:			
Present value of obligation		118,105	115,411
Fair value of plan assets		(71,927)	(85,297)
		46,178	30,114
Unrecognised actuarial loss		(16,129)	(14,455)
		30,049	15,659
23.7.3 Expense recognised in Income and Expenditure Account:			
Current Service Cost		10,511	7,560
Interest Cost		13,849	12,006
Actuarial loss recognised during the year		265	404
Expected return on plan assets		(10,235)	(4,311)
		14,390	15,659
23.7.4 Movement in the liability recognised in the balance sheet:			
Opening balance		15,659	49,260
Charge for the year	28.1	14,390	15,659
Amount paid		-	(49,260)
Closing balance		30,049	15,659
23.7.5 Actual return on plan assets		5,237	3,858

23.7.6 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.

23.7.7 Historical information

	2010	2009	2008	2007	2006
	(Rupees in '000)				
Present value of defined benefit obligation	118,105	115,411	100,052	61,659	56,171
Fair value of plan assets	(71,927)	(85,297)	(35,933)	(35,099)	(34,683)
	46,178	30,114	64,119	26,560	21,488
Experience adjustment on plan liabilities	11,762	-	(443)	-	12,742
Experience adjustment on plan assets	(13,610)	-	1,604	-	429

24. CONTINGENCIES AND COMMITMENTS

Contingencies

24.1 The income tax assessments of the Company have been finalized up to and including the tax year 2009, corresponding to the income year ended June 30, 2009. However, the Company has filed an application in the Honourable High Court of Sindh against the decision of ITAT in respect of the additions made by the Taxation Officer of Rs.36.583 million on account of tax gain / (loss) on disposal / write off of fixed assets in tax year 2003, 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.15.731 million has not been made in the financial statements of the current year.

24.2 During the year ended June 30, 1997, a lawsuit was filed by a commercial bank against the Company for the recovery of Rs.500.00 (2009: 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.

24.3 During the year ended June 30, 1997, a lawsuit was filed by five investors against the Company and an ex-member for declaration, injunction and recovery of damages, aggregating to Rs.70.00 (2009: Rs.70.00) million together with interest thereon @ 22% (2009: 22%) per annum with quarterly rests, or any other relief that may be apt. The investors alleged that the Company had unlawfully taken possession and disposed off some shares belonging to the petitioners that were lying with the above-mentioned ex-member. The Company considers the said lawsuit to be untenable and not maintainable in the court of law and has, therefore, not made provision in the financial statements for any liability that may arise as a result of this law suit.

24.4 The Company has been named as a defendant in a lawsuit filed by an investor in the 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 (2009: 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.

24.5 An ex-member filed a lawsuit during the year ended June 30, 2000 against the Company, Central Depository Company of Pakistan Limited 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 (2009: 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 (2009: Rs.351.392) million. A sum of Rs.302.882 (2008: Rs.302.882) million including receivables amounting to Rs.6.574 (2009: 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 (2009: 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 14.2).

24.6 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 24.5 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 (2009: 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 14.2).

24.7 In addition to the lawsuits, as disclosed above, five (2009: five) law suits in prior years, involving an ex-members' default, as referred to in note 24.5 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 (2009: Rs.5,606.612) million, Rs.428.440 (2009: Rs.428.440) million, Rs.49.777 (2009: Rs.49.777) million, Rs.743.026 (2009: Rs.743.026) million and Rs.23.419 (2009: 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 liability that may arise as a result of these lawsuits (note 14.2).

24.8 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.

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 per the legal advisor, the Company has a reasonable case in respect of the above. Hence, no provision for any liability which may arise in this regard has been made in the financial statements of the Company.

24.9 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. The Company filed an appeal before the Appellate Bench of the Competition Commission of Pakistan. The Commission after conducting multiple hearings of the said appeal finally issued its order on November 26, 2009. The Commission reduced the penalty by 50% (fifty percent) restricting it to a nominal sum of Rs. 500,000/- .The Company filed an appeal in Honorable Supreme Court of Pakistan against the Order dated November 26, 2009 passed by the Appellate Bench of the Commission. On February 11, 2010, the case was fixed for hearing of application for interim relief. The Advocate for the CCP undertook on behalf of the CCP that no coercive action will be taken against KSE in pursuance of the impugned Order till next date of hearing. The legal advisor of 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.

24.10 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 million instead of Rs.59.860 million. 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 sustained losses and damages amounting to Rs.206.00 million. 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 legal advisor, the Company has a reasonable case in respect of the above. Hence, no provision for any liability which may arise in this regard has been made in the financial statements of the Company.

24.11 In addition to the law suits disclosed above, certain other law suits have been filed against the Company. These comprise (a) two (2009: three) law suits, involving an aggregate sum of Rs.17.800 (2009: Rs.18.914) million, and (b) thirty two (2009: twenty three) law suits having no financial effect on the Company. No provision has been made in the financial statements for any liability that may arise as a result of these lawsuits.

24.12 Contingency relating to wealth tax amounts to Rs.19.184 (2009: Rs.19.184) million, as discussed in detail in note 22. Pending resolution of this matter, no provision has been made in the financial statements of the current year for any liability that may arise on this account.

The contingencies, disclosed under 24.1 to 24.12 above, aggregated to Rs.8,572.009 (2009: Rs.8,573.109) million at the end of the current year.

Commitments

24.13 Capital expenditure

Aggregate commitments for capital expenditure at the end of the year were Rs.31.096 (2009: Rs.30.580) million.

24.14 Others

Commitment for professional charges in respect of various services at the end of the year amounted to Rs.34.305 (2009: Rs.38.406) million.

	June 30, 2010	June 30, 2009
	(Rupees in '000)	
25. INCOME FROM LISTING		
Annual listing fees	39,268	26,275
Initial listing fees	97,976	85,374
	137,244	111,649
26. INCOME FROM OPERATIONS		
Trading fees	69,423	99,591
Facilities and equipment fees	81,504	70,949
Income from non-trading facilities	15,247	9,922
Membership fees	2,070	2,140
Other fees	14,645	9,948
	182,889	192,550

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. Accordingly, a sum of Rs.55.622 million was charged as management fee and recorded as income of the Company during 2009, however, due to the decision of Board of Directors in their meeting held on September 30, 2010 the amount charged as fee during the current year and amount charged previously has been reversed (note.23.4).

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
28. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	28.1	336,225	307,038
Property rent and tax		1,294	3,087
Fuel and power		26,969	22,773
Repairs and maintenance		12,871	12,978
Computer maintenance and related expenses		64,836	53,708
Insurance		6,643	6,646
Telephone, courier and postage		4,705	4,362
Printing and stationery		5,548	5,254
Donations	28.2	500	2,366
Audit fee		650	650
Legal and professional charges		14,188	13,130
Depreciation			
- operating fixed assets	4.1	73,212	56,419
- investment property	6	371	390
Amortisation of intangible assets	5	36,161	22,376
Adjustment on account of physical verification of assets		-	(38,191)
Travelling and conveyance		3,038	5,102
Entertainment expenses		3,552	3,277
Reception, meetings and functions		2,411	2,474
Advertisements, marketing and development		2,234	3,352
Provision against financial assistance to members	12	2,963	-
Investment written off	28.3	1,000	-
Security expenses		14,533	11,741
Subscription fee		498	3,434
Miscellaneous		500	393
		614,902	502,759

28.1 Included herein is a sum of Rs.14.390 (2009: Rs.15.659) million and Rs.18.508 (2009: Rs.17.178) 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 As a result of decision taken by the Board of Directors of the Company, an aggregate sum of Rs. 1.000 million was written - off against Investment in Institute of Capital Markets. (note. 8)

29. FINANCIAL AND OTHER CHARGES

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
Bank charges		56	187
Return on cash margin against future contracts	29.1	20,863	24,037
Workers welfare fund	29.2	782	7,733
		21,701	31,957

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 3.87% and 10.25% (2009: 3.81% and 13.03%) 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. MARK-UP / INTEREST INCOME

Return on:		
short term investments	143,355	178,209
PLS savings accounts	120,425	139,341
financial assistance to members	19,421	23,484
	283,201	341,034

31. OTHER INCOME

Gain/ (loss) on sale of fixed assets	4,543	(3)
Dividend income	125	-
Exchange gain	381	70
Realised gain on sale of investments	1,877	-
Unrealised gain on revaluation of investments	10,744	-
Reversal of provision against receivables on recovery	310	380
Reversal of accrual against professional charges	-	25,800
Rental income from investment property	40,941	33,715
Miscellaneous income	1,347	-
	60,268	59,962

32. SHARE OF PROFIT OF ASSOCIATES

Associate	Percentage of shareholding	Associates' profit after tax	Share of associates' profit after tax
	JUNE 30, 2010		
	%	(Rupees in '000)	
Un-listed			
Central Depository Company of Pakistan Limited	39.81	168,674	67,147
National Clearing Company of Pakistan Limited (note 32.1)	47.06	(413)	(194)
		168,261	66,953

Associate	Percentage of shareholding	Associates' profit after tax	Share of associates' profit after tax
	JUNE 30, 2009		
	%	(Rupees in '000)	
Un-listed			
Central Depository Company of Pakistan Limited	39.81	175,808	69,988
National Clearing Company of Pakistan Limited	47.06	49,344	23,220
		225,152	93,208

32.1 This represents share of profit of an associate amounting to Rs.7.716 million based upon audited financial statements of National Clearing Company of Pakistan Limited net of loss pertaining to previous year amounting to Rs.8.129 million relating to the difference between audited and draft financial statements.

33. TAXATION

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000)	
Current	33.1	10,527	23,513
Prior	16.1	(19,468)	-
Deferred		(20,823)	41,327
		(29,764)	64,840

33.1 This represents turnover tax under relevant sections of the Income Tax Ordinance, 2001 due to the tax loss during the year.

33.2 The numerical reconciliation between the accounting profit and the taxable income has not been presented in these financial statements due to tax loss during the year.

34. CASH AND CASH EQUIVALENTS

	Note	June 30, 2010	June 30, 2009
Short term investments	15		100,410
Cash and bank balances	17	1,341,195	746,801
		1,341,195	847,211

35. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

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

	June 30, 2010		
	Chief Executive	Directors	Total
	(Rupees in '000)		
Managerial remuneration	19,244	480	19,724
Annual performance payout	11,000	-	11,000
Reimbursement of expenses	525	263	788
Fees	-	1,020	1,020
	30,769	1,763	32,532
No. of persons (See note 35.1)	1		

	June 30, 2009		
	Chief Executive	Directors	Total
	(Rupees in '000)		
Managerial remuneration	17,040	480	17,520
Annual performance payout	14,400	-	14,400
Reimbursement of expenses	524	263	787
Fees	-	1,010	1,010
	31,964	1,753	33,717
No. of persons (See note 35.1)	1		

35.1 The managerial remuneration and reimbursement of expenses are for two (2009: two) Directors whereas the fees for attending the meetings are for eight (2009: eight) Directors.

36. CAPITAL MANAGEMENT

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

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The related parties comprise of associates, joint venture, staff gratuity fund, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, remuneration of Chief Executive are disclosed in the relevant notes. The following are the material / significant transactions with entities that are related parties as at June 30, 2010.

Associates

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

Common Directorship

- Aba Ali Habib Securities (Private) Limited
- Abid Ali Habib Securities (Private) Limited
- Acumen Fund
- Adam Securities (Private) Limited
- AKD Investment Management Limited
- Central Depository Company of Pakistan Limited
- D.J.M Securities (Private) Limited
- JCR - VIS Credit Rating Company (Private) Limited
- Institute of Capital Markets
- Lakhani Securities (Private) Limited
- Muhammad Munir Muhammad Ahmed Khanani Securities (Private) Limited
- MZNE (Private) Limited
- National Clearing Company of Pakistan Limited
- National Commodity Exchange Building Management Limited
- Pakistan Advisory Council
- Pakistan Poverty Alleviation Fund
- Saudi Pak Insurance Company Limited
- Saudi Pak Leasing Company Limited
- Saudi Pak Real Estate Limited

	June 30, 2010	June 30, 2009
	(Rupees in '000)	
Dividend Income		
Central Depository Company of Pakistan	59,712	-
JCR VIS Credit Rating Company Limited	125	-
National Clearing Company of Pakistan Limited	15,000	19,500
	74,837	19,500
Management fee		
Clearing House Protection Fund	-	39,625
Investors Protection Fund		15,997
		55,622
Reversal of Management fee		
Clearing House Protection Fund	39,625	-
Investors Protection Fund	15,997	-
	55,622	-
Trading fees		
Aba Ali Habib Securities (Private) Limited	649	-
Adam Securities (Private) Limited	581	-
AKY Securities (Private) Limited	-	10
D.J.M Securities (Private) Limited	996	-
Dawood Equities Limited		20
Ghani Osman Securities (Private) Limited		856
Hum Securities (Private) Limited		328
Ismail Iqbal Securities (Private) Limited		336
Lakhani Securities (Private) Limited	168	148
Muhammad Munir Muhammad Ahmed Khanani Securities (Private) Limited	700	-
Zafar Moti Capital Securities (Private) Limited	-	238
	3,094	1,936

	June 30, 2010	June 30, 2009
	(Rupees in '000)	
IT related services		
Aba Ali Habib Securities (Private) Limited	205	-
Adam Securities (Private) Limited	588	-
AKY Securities (Private) Limited	-	2
D.J.M Securities (Private) Limited	923	-
Ghani Osman Securities (Private) Limited	-	151
Hum Securities (Private) Limited	-	171
Ismail Iqbal Securities (Private) Limited	-	141
Lakhani Securities (Private) Limited	18	16
MAC Securities (Private) Limited		16
Muhammad Munir Muhammad Ahmed Khanani Securities (Private) Limited	377	-
Zafar Moti Capital Securities (Private) Limited	-	63
	2,111	560
Listing fees		
Abbott Laboratories (Pakistan) Limited		60
IGI Investment Bank Limited		60
		120

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. The Company is exposed to market risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

38.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term investments and 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, 2010

		Interest / Mark-up bearing			Total
	Effective Yield / mark-up rate	Up to six months	More than six months and up to one year	Over one year	June 30, 2010
	%	---------------------------- Rs. in '000			----------------------------
FINANCIAL ASSETS					
Short term Investments	11.75 - 12.25	404,896	1,005,038		1,409,934
Cash and bank balances	4.87 - 11.25	1,330,837	-		1,330,837
		1,735,733	1,005,038		2,740,771
FINANCIAL LIABILITIES					
Trade and other liabilities	3.87-10.25	6,641			6,641

June 30, 2009

		Interest / Mark-up bearing			Total
	Effective Yield / mark-up rate	Up to six months	More than six months and up to one year	Over one year	June 30, 2009
	%	---------------------------- Rs. in '000			----------------------------
FINANCIAL ASSETS					
Short term Investments	12.50-17	527,960	750,505	-	1,278,465
Loans	17.58-17.68	244,409	-		244,409
Cash and bank balances	4.81-14.03	743,667	-	-	743,667
		1,516,036	750,505	-	2,266,541
FINANCIAL LIABILITIES					
Trade and other liabilities	3.81-13.03	26	-	-	26

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 income and expenditure account.

The Company does not have any floating rate financial assets and liabilities as at June 30, 2010.

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, 2010.

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, 2010	June 30, 2009
	(Rupees in '000)	
Cash and bank balances	7,828	4,492
Net exposure	7,828	4,492

The following significant exchange rates were applicable as at year end.

	Balance Sheet date rate	
	2010	2009
	—— (Rupees) ——	
US Dollar	85.6	81.1

Sensitivity analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June would have 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 2010 as used in 2009.

	Funds & Reserves	Income and Expenditure
	—— (Rupees in '000) ——	
As at June 2010		
Effect in US Dollars - loss	(1,057)	(783)
As at June 2009		
Effect in US Dollars - loss	(606)	(449)

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, 2010	June 30, 2009
	(Rupees in '000)	
Financial assets		
Shorts Term Investments	1,570,678	1,278,465
Deposits	37,139	37,122
Loans	29,957	284,792
Accounts Receivable	17,035	29,459
Other receivables	35,969	47,012
Cash at bank	1,341,192	746,783
	3,031,970	2,423,633

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

	June 30, 2010	June 30, 2009
	(%)	
RATINGS		
AAA	1.80	-
AA+	57.05	50.20
AA	12.60	26.20
AA-	15.85	16.20
A	6.35	1.60
A-	6.35	5.80
	100.00	100.00

* Ratings are performed by PACRA and JCR-VIS

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, 2010			
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months
	(Rupees in '000)			
Trade and other payables	1,190,931	1,190,931	1,190,931	

	June 30, 2009			
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months
	(Rupees in '000)			
Trade and other payables	562,610	562,610	562,610	-

38.8 Fair value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : Quoted prices in active markets for identical assets.

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2010, the Company held the following financial instruments at fair value:

	June 30, 2010		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
Designated at fair value through income statment		160,744	-
		160,744	-

	June 30, 2009		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
Designated at fair value through income statment	-	-	-
	-	-	-

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on September 30, 2010 by the Board of Directors of the Company.

40. GENERAL

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

40.2 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. Major reclassifications are as follows:

Statement	Components	Reclassification from	Reclassification to	Rupees in '000
Income and Expenditure	Mark-up / Interest Income	Income	Other Operating Income	341,034

Sd/-

Managing Director

Sd/-

Director

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