ENABLING INVESTORS DISCOVER NEW GROWTH OPPORTUNITIES

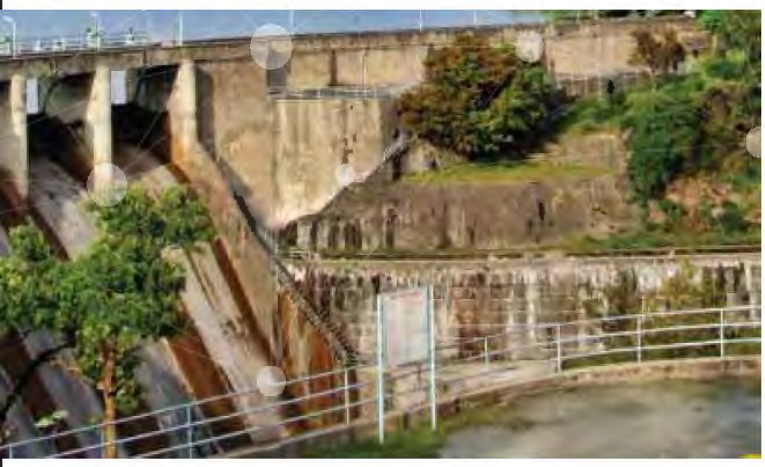
"Human decisions affecting the future, whether personal or political or economic, can not depend on strict mathematical expectation, since the basis for making such calculations does not exist; ..... it is our innate urge to activity which makes the wheels go round, our rational selves choosing between the alternatives as best as we are able, calculating where we can, but often falling back for our motive on whim or sentiment or chance."

John Maynard Keynes

The General Theory of employment, interest and money

10 oz
GOLD
999.9

P/E Level
Price USD



DIVERSIFIED SUCCESS

Economics is not a technique in search of problems but a set of problems in search of a solution. Such problems are varied and their solutions will inevitably be eclectic. Such pragmatic thinking requires not just deductive knowledge but an understanding of the processes of belief formation, of anthropology, psychology and organization behavior, and meticulous observations of what people, businesses and governments do.

John Kay, Professor at LSE
and fellow of St. John's College, Oxford

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VISION

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

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 investors at large.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Muneer Kamal (Chairman)	Non-Executive
Mr. Nadeem Naqvi (Managing Director)	Executive
Mr. Abdul Majeed Adam	Non-Executive
Mr. Kamal Aziz	Non-Executive
Mr. Shazad G. Dada	Non-Executive
Mr. Abid Ali Habib	Non-Executive
Mr. Muhammad Yasin Lakhani	Non-Executive
Mr. Abdul Qadir Memon	Non-Executive
Mr. Asif Qadir	Non-Executive
Mr. Mohammed Sohail	Non-Executive
Syed Muhammad Shabbar Zaidi	Non-Executive

COMPANY SECRETARY

Mr. Muhammad Rafique Umer

CHIEF REGULATORY OFFICER

Mr. Shafqat Ali

CHIEF FINANCIAL OFFICER

Mr. Ahmed Ali Mitha

NOMINATION COMMITTEE

Mr. Muneer Kamal (Chairman)
Mr. Shazad G. Dada
Mr. Asif Qadir
Mr. Muhammad Rafique Umer (Secretary)

REGULATORY AFFAIRS COMMITTEE

Syed Muhammad Shabbar Zaidi (Chairman)
Mr. Kamal Aziz
Mr. Abdul Qadir Memon
Mr. Asif Qadir
Mr. Muhammad Rafique Umer (Secretary)

AUDIT COMMITTEE

Mr. Abdul Qadir Memon (Chairman)
Mr. Abdul Majeed Adam
Mr. Shazad G. Dada
Mr. Muhammad Yasin Lakhani
Mr. Asif Qadir
Mr. Mohammed Sohail
Mr. Muhammad Rafique Umer (Secretary)

HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Muneer Kamal (Chairman)
Mr. Abdul Majeed Adam
Mr. Kamal Aziz
Mr. Shazad G. Dada
Mr. Abid Ali Habib
Mr. Muhammad Yasin Lakhani
Syed Muhammad Shabbar Zaidi
Mr. Muhammad Rafique Umer (Secretary)

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISORS

Ghani Law Associates
Industrial Relations Advisors

Faiz Ahmed & Associates
Advocates & Legal Consultants

Sayeed & Sayeed
Advocates & Legal Consultants

BANKERS

Allied Bank of Pakistan Limited
Askari Bank Limited
Bank Al Falah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Bank of Khyber
Barclays Bank PLC Pakistan
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Summit Bank Limited
United Bank Limited

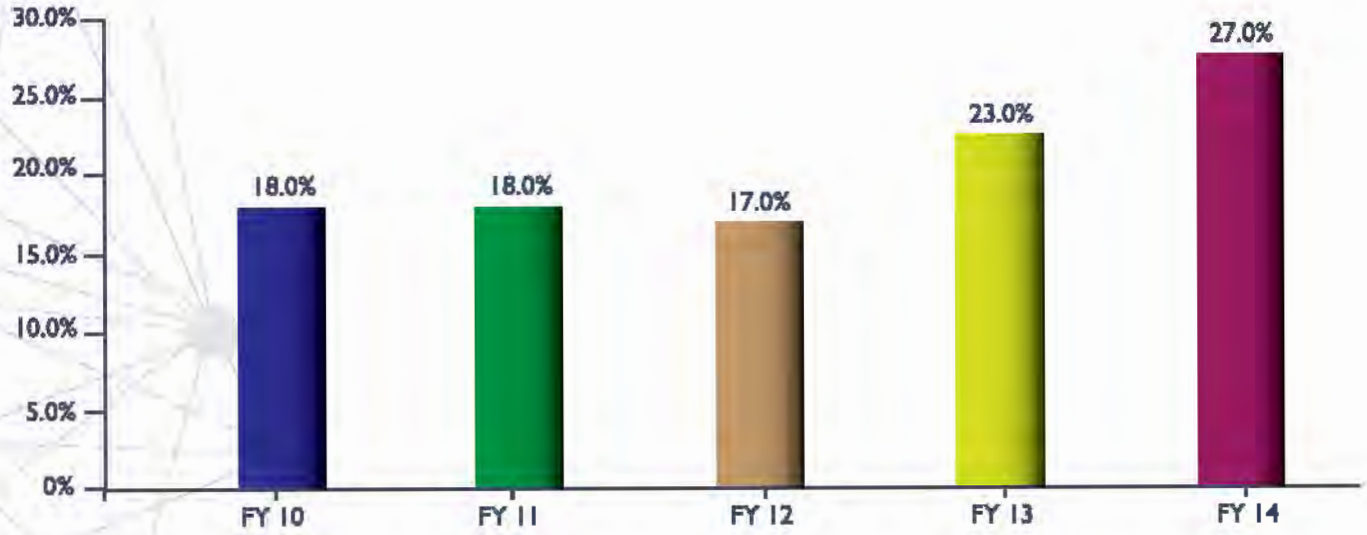
SHARE REGISTRAR

Central Depository Company of Pakistan Limited
CDC House 99-B, Block "B", S.M.C.H.S.
Main Shahra-e-Faisal, Karachi 74400

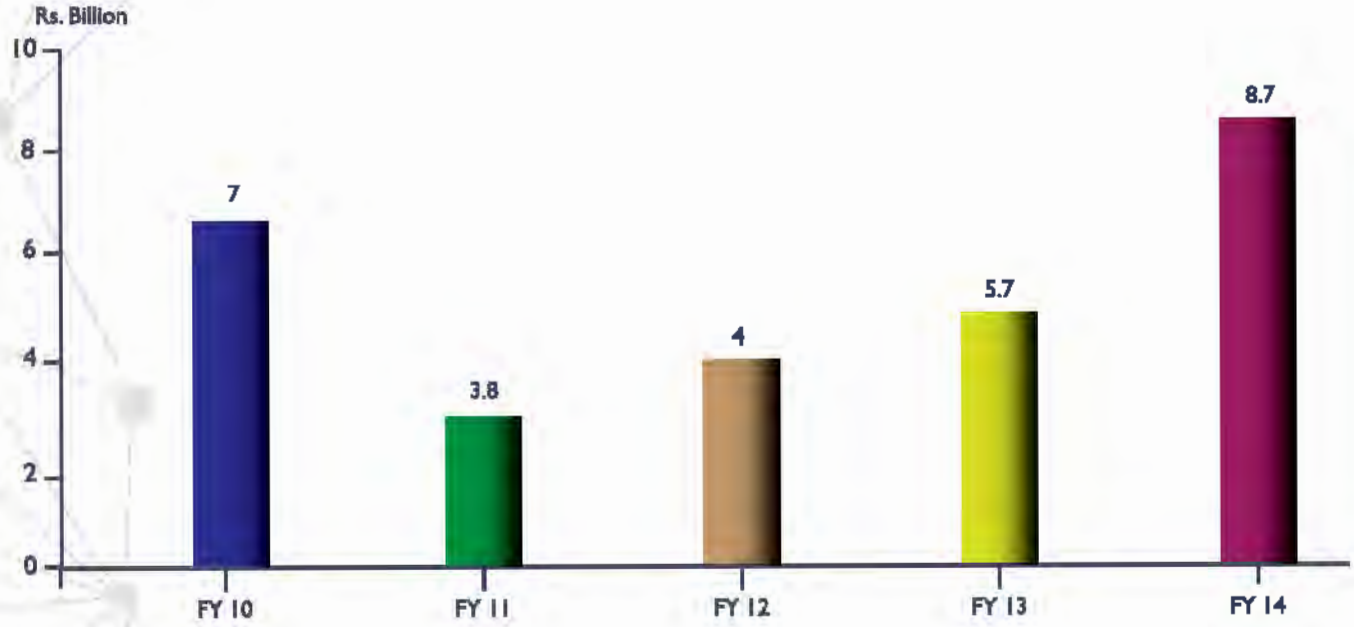
REGISTERED ADDRESS

Stock Exchange Building, Stock Exchange Road
Karachi 74000
Phone: (92 21) 35205528-29
UAN: (92-21) 111 00 11 22
Fax: (92-21) 32410825
E-mail: info@kse.com.pk
Web: www.kse.com.pk

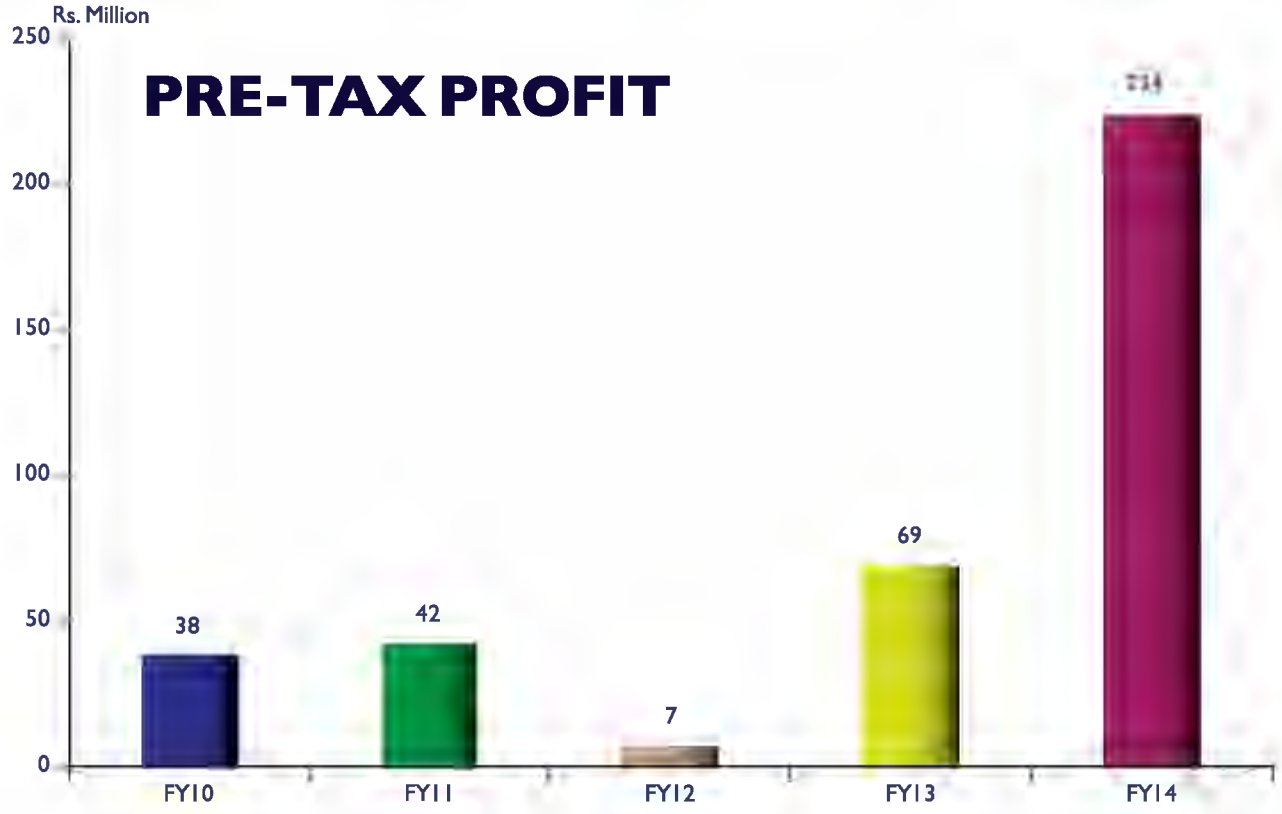
MARKET CAPITALIZATION TO GDP RATIO



AVERAGE DAILY VALUE TRADED



TOTAL REVENUE
Rs. Million
1200
1000
800
600
400
200
0
675
681
781
878
1183
FY10
FY11
FY12
FY13
FY14


PRE-TAX PROFIT
Rs. Million
250
200
150
100
50
0
38
42
7
69
FY10
FY11
FY12
FY13
FY14

BOARD OF DIREC

(From Right to Left)

1. **Mr. Munear Kamal**
   Chairman
2. **Mr. Abid Ali Habib**
   Director
3. **Syed Muhammad Shabbar Zaidi**
   Director
4. **Mr. Mohammed Sohail**
   Director
5. **Mr. Shazad G. Dada**
   Director
6. **Mr. Muhammad Rafique Umer**
   Company Secretary

CTORS

(From Left to Right)

1. **Mr. Nadeem Naqvi**
   Managing Director
2. **Mr. Muhammad Yasin Lakhani**
   Director
3. **Mr. Abdul Majeed Adam**
   Director
4. **Mr. Asif Qadir**
   Director
5. **Mr. Abdul Qadir Memon**
   Director
6. **Mr. Kamal Afsar**
   Director

Directors' Profile

MUNEER KAMAL
(Chairman)

Mr. Muneer Kamal, the Chairman of Karachi Stock Exchange, has over 34 years of extensive experience in banking and financial sector. With an MBA degree from University of Karachi, his career started with Citibank where, between November 1979 and July 1994, he served locally and internationally on various senior positions including his term as Director, Head of Country Public Sector and Financial Institutions. During this association, he also attended a number of training courses / programs in Far East, Middle East and Africa.

Mr. Kamal then joined Faysal Bank Limited as President/CEO and led to spread out its operations from 3 branches to 11 and also expanded the balance sheet size from Rs.3 billion to Rs.30 billion.

Mr. Kamal also held position of President/CEO, and then as Vice Chairman and Chief Operating Officer (International) of Union Bank Limited, where he had been instrumental in various acquisitions done by Union Bank Limited i.e. Bank of America, American Express Credit Cards, Emirates Bank International and Mashreq Bank, SriLanka. As a result, Union Bank emerged as a success story and was ably acquired by Standard Chartered Bank.

After his stint with Union Bank, Mr. Kamal began his current association with KASB Group - first as President/CEO of KASB Bank Limited from November 2005 to August 2010 and then as Vice Chairman of KASB Group. For KASB Bank, he again oversaw the manifold expansion of operations coupled with acquisition of other entities and introduction of new and modern products, services, policies, procedures and systems.

Besides holding the position of Chairman of the KSE Board, Mr. Muneer Kamal is also the Chairman of Human Resources & Remuneration Committee and Nomination Committee and a member of Voluntary De-listing Committee of KSE's Board.

Other Directorships & Offices

- Chairman, National Bank of Pakistan
- Director, New Horizon Exploration & Production Limited
- Director, Government Holdings (Private) Limited
- Trustee, Shaukat Khanum Memorial Cancer Hospital & Research Centre

NADEEM NAQVI
(Managing Director)

Mr. Nadeem Naqvi holds the degrees of M.B.A. in Finance and B.Sc. with Honours in Banking and International Finance from The City University, CASS Business School in London, United Kingdom. He brings with him over 31 years of rich work experience in the global financial services industry, operating in diverse environments of the Middle East, North America and Europe besides that of Pakistan.

Prior to joining Karachi Stock Exchange, Mr. Naqvi was the Chief Executive Officer of a leading asset management company in Pakistan. Earlier, he has served as Chief Executive Officer of AKD Securities Limited which he helped transform from a proprietary business into a full-scale investment banking and brokerage firm and in the process, gained company's recognition as the best domestic brokerage house for two consecutive years by the CFA Associateion of Pakistan Mr. Naqvi also served as Chairman of the first technology venture capital fund of Pakistan and oversaw the completion of several ventures by successful exits.

Economic & market analysis and research has been the hallmark of Mr. Naqvi's career. He has led an independent investment research firm in USA/Canada, Investology Inc., which was ranked by 'Business Week' in 2004 as the third best out of 300 independent research firms in North America. Before that, he headed the Merrill Lynch Pakistan research team. He was also the Head of Research of the investment advisory company of Morgan Stanley Asset Management's Pakistan Investment Fund for four years. He commenced his career at the Bank of Credit & Commerce International S. A., in London in 1982 and served there till 1990.

Mr. Naqvi has been involved in landmark investment banking transactions, including the privatization of Kot Addu Power Plant, National Refinery and United Bank. His association with the capital markets is also longstanding where he served in committees of Karachi Stock Exchange and was a member of the Capital Markets Committee, Economic Advisory Council of the President in the last decade.

After successful completion of 3-year term as Managing Director of KSE in May 2014, the Board, with the approval of SECP, renewed his contract of employment for another term of same tenure.

Within Karachi Stock Exchange he is a member of Index Experts Committee, Investment Committee, Taxation Committee and the Convener of Voluntary De-listing Committee.

Other Directorships & Positions:

- Chairman, National Clearing Company of Pakistan Limited
- Director, Institute of Capital Markets
- Vice Chairman, South Asian Federation of Exchanges (SAFE)

ABDUL MAJEED ADAM
(Director)

Mr. Abdul Majeed Adam is the Chief Executive and Nominee Director of Adam Securities (Private) Limited, which is the corporate TREC holder of Karachi and Lahore stock exchanges.

Mr. Adam is a graduate from University of Karachi and has an extensive experience of 26 years in capital as well as forex markets. Previously, he has served as the Director of Karachi Stock Exchange in the years 2002, 2010 & 2012. He also acted as the Chairman of Trading Affairs Committee and Market Development & New Products Committee during the year 2012.

Mr. Adam is the founder member of Pakistan Mercantile Exchange Limited (PMEX) and is active in commodities trading at PMEX through Adam Securities (Private) Limited. He also acted as voluntary advisor to activate gold trading at PMEX.

Presently, Mr. Adam is also a member of Audit Committee, Human Resources & Remuneration Committee, Index Experts Committee, Market Development & New Products Committee, Voluntary De-listing Committee and Demutualization Committee.

Other Directorships:

- Chief Executive, Adam Securities (Private) Limited
- Director, Pakistan Mercantile Exchange Limited

KAMAL AFSAR
(Director)

Mr. Kamal Afsar has over 41 years of rich and unique blend of professional experience which encompasses working for the corporate sector, trade diplomacy and running the affairs of the Government, both in Pakistan and abroad.

Mr. Afsar, a certified director from Pakistan Institute of Corporate Governance, has held directorships at various large corporate sector entities in Pakistan. He was Chairman, State Life Insurance Corporation of Pakistan, Chairman and CEO, Pakistan Reinsurance Company Limited, and Chairman and CEO, Pakistan Automobile Corporation Limited. Mr. Afsar has also served as Managing Director, Karachi Electric Supply Corporation Limited (now named as K-Electric Limited) and CEO, National Tanker Company.

Working for the public sector, Mr. Afsar has held the position of Federal Commerce Secretary where he was involved in decision making at the highest level in matters concerning Pakistan's economy. He remained Consul General of Pakistan at Hong Kong for over 5 years, gathering hands-on experience in international trade and diplomacy.

Mr. Afsar holds a post-graduate degree in Economics and International Relations. He is a former International Player and Captain of Pakistan Table Tennis Team and former Vice President, Asian Table Tennis Union. He is also the Chairman, Karachi Race Club.

At KSE, besides being the director on the Board, he is also nominated as member of Regulatory Affairs Committee, Human Resources & Remuneration Committee and Voluntary De-listing Committee of the Board.

Other Directorships:

- Director, Central Depository Company of Pakistan Limited
- Director, Bank Islami Pakistan Limited
- Director, EFU Life Assurance Limited

SHAZAD G. DADA
(Director)

Mr. Shazad G. Dada is presently the Chief Executive Officer of Barclays Bank PLC, Pakistan. He joined Barclays Bank in October 2010, with the overall responsibility for managing all its businesses including Corporate, Investment and Retail Banking. He is also the Head of Regional Transaction Services Steering Committee for Asia & India / UAE & Pakistan (ROW). Mr. Dada is expected soon to assume a new role as Chief Executive Officer of Standard Chartered Bank Pakistan Limited, subject to regulatory approvals.

Mr. Dada is a seasoned banker and a prominent capital market professional with around 25 years of experience. He started his banking career in the USA after joining Bankers Trust in 1990, which was later acquired in 1999 by Deutsche Bank AG. Since 2005, he was working in Pakistan as the Chief Country Officer and Head of Global Banking Deutsche Bank. Prior to taking up the role in Pakistan, Mr. Dada was Managing Director in the Mergers, Acquisitions and Corporate Advisory Group at Deutsche Bank Securities, Inc. in New York and was the Head of Media & Telecommunication M&A practice in Americas.

Mr. Dada graduated with honors from University of Pennsylvania with a Bachelor of Science and Bachelor of Arts degree. Mr. Dada also has MBA from The Wharton School, University of Pennsylvania.

He has been contributing towards the development of the Pakistani financial market and continues to do so as the Chairman, Pakistan Banks' Association and Chairman, Pakistan Mercantile Exchange Limited.

The Board of Directors of KSE has appointed Mr. Dada as member of its Nomination Committee, Audit Committee, Human Resources & Remuneration Committee, Index Experts Committee and Taxation Committee.

In addition to his commercial interests, Mr. Dada is an active supporter of a number of social causes and is associated with various reputed charitable organizations.

Other Offices:

- Chief Executive Officer, Barclays Bank PLC, Pakistan
- Chairman, Pakistan Mercantile Exchange Limited
- Chairman, Pakistan Banks Association
- Chairman, Board of Trustees, Development in Literacy (DIL) - Pakistan
- Member, Board of Directors, British Overseas School
- Member, Board of Directors, AISEC

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 holders of trading rights at Karachi Stock Exchange (KSE) and Pakistan Mercantile Exchange.

Mr. Habib is a prominent member of brokers' community at KSE and has always rendered valuable contribution towards the betterment and growth of the Exchange. In the past, he has been elected as Director of KSE for various terms between the years 1995 and 2011. During these years, he has served on various Committees constituted by the Board, as Chairman or member.

He played the central role in conceptualization, planning and design of Internet-based order routing system and also supervised, implemented and tested Karachi Automated Trading System.

As member of Demutualization Committee of KSE during the years 2005, 2006 and 2010, Mr. Habib was the key figure in preparation of Preliminary Report on proposed demutualization of KSE, identifying various issues and recommendations thereon, in line with existing models and international practices. Ultimately, the objectives of corporatization and demutualization of KSE were achieved in 2012.

Mr. Habib held the position of Chairman, Companies Affairs/Corporate Governance Committee of KSE for the years 2010 and 2011. During this term, a number of tasks were initiated and successfully completed, having positive impact on overall regulatory environment of the Exchange. Some of the major achievements included (i) various amendments in Listing Regulations; (ii) action against delinquent/non-performing companies in violation of Listing Regulations; (iii) revision of annual listing fee; (iv) mechanism for verification of rumor mongering in the market pertaining to listed companies/securities; (v) implementation of revised Code of Corporate Governance; (vi) measures for disclosure of information to market participants/investors pertaining to sale/purchase of securities by any director, CEO or executive or their spouses; and (vii) revision of criteria for selection of Top Companies.

Presently, Mr. Habib is acting as Chairman of Arbitration Committee and as a member of Human Resources & Remuneration Committee, Index Experts Committee, Investment Committee, Market Development & New Products Committee and Voluntary De-listing Committee of KSE's Board.

Other Directorships:

- Chairman, Abid Ali Habib Securities (Private) Limited
- Director, Aba Ali Habib Securities (Private) Limited
- Director, Central Depository Company of Pakistan Limited

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 President/Chairman of Karachi Stock Exchange during the years 1994, 1998-99, 2001 and 2005. In addition to above, he has been elected as director of KSE during the years 1969, 1986, 1987, 1989, 1990, 2009, 2010 & 2012. He has also served as Chairman of Advisory and Arbitration Committee, Administration Committee, Rules & Regulations Committee, Taxation Committee, Company 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 was the member of Committee on Code of Corporate Governance formed by Institute of Chartered Accountants of Pakistan.

Mr. Lakhani has been instrumental in setting up the Central Depository Company of Pakistan Limited (CDC), where he served as Chairman and member of their Board also. He is credited for introducing Investors Account Service in CDC in 1999. He has been a founder member of National Clearing Company of Pakistan Limited (NCCPL) as well.

Mr. Lakhani is also the Chairman of Investment Committee and a member of Audit Committee, Human Resources & Remuneration Committee, Market Development & New Products Committee, Taxation Committee, Voluntary De-listing Committee and Demutualization Committee of the Exchange.

Other Directorships:

- Chief Executive, Lakhani Securities (Private) Limited
- Director, National Clearing Company of Pakistan Limited

ABDUL QADIR MEMON
(Director)

Mr. Abdul Qadir Memon is a fellow of Institute of Taxation Management of Pakistan and a Commerce graduate from University of Karachi. Mr. Memon is a 'Certified Director' from Institute of Cost and Management Accountants of Pakistan under the Code of Corporate Governance. He is a well known and respected tax and corporate law expert and a senior resource.

Mr. Memon established his own consulting firm A. Qadir & Company, which he has been managing successfully over the last 34 years and readily makes available his expertise to and contributes positively in the efforts to streamline the system for steady economic growth of the country. He is a member of the Advisory/Taxation Committees of the Revenue Advisory Council of Ministry of Finance, Federation of Pakistan Chamber of Commerce & Industry and Karachi Chamber of Commerce & Industry besides being a member of the Federal Board of Revenue's Alternative Dispute Resolution Committee.

Mr. Memon had been the President of Pakistan Tax Bar Association and President of Karachi Tax Bar Association. He has also served as President of Junior Chamber International - Pakistan and Memon Professional Forum. Mr. Memon has also served as Chairman of National Clearing Company of Pakistan Limited.

Mr. Memon is a member of Management Association of Pakistan and a member of Board of Governors of Newports Institute of Communications & Economics and Sir Adamjee Institute. He is a seeker of knowledge and professional excellence and has presented many papers on the subjects of taxation, corporate laws and individual development. He has widely travelled and attended many national and international conferences and seminars.

He also devotes his time for the social causes and helps those engaged in social work. He is a founder of Cleft and Contracture Care Foundation and a member of Executive Committee of Health & Nutrition Development Society (HANDS).

In addition to acting as director on the Board of KSE, Mr. Memon is also the Chairman of Audit Committee and Taxation Committee and a member of Regulatory Affairs Committee and Investment Committee.

Other Directorships:

- Director, National Clearing Company of Pakistan Limited

ASIF QADIR
(Director)

Mr. Asif Qadir holds a degree in Chemical Engineering from Columbia University, New York and has over 30 years of management and marketing experience in the chemical and fertilizer sector.

Mr. Qadir's career began at Exxon Chemical Pakistan Limited in August 1978. At Exxon, he worked in various capacities including as Worldwide Business Advisor for Exxon Chemicals as well as for Esso Chemical Alberta Limited of Canada.

Mr. Qadir was part of the management buyout of Exxon Chemicals Pakistan, and became one of the key management figures of Engro Corporation. He was also the CEO/President of Engro Polymer & Chemicals Limited till the end of 2011.

Mr. Qadir has served as the President of Management Association of Pakistan from 2007 to 2009 and on the Executive Committee of Overseas Investors' Chamber of Commerce & Industry from 2006 to 2009.

Mr. Asif Qadir has performed the role of Chairman of Committee for hearing appeals of TREC holders for violation/non-compliances of Regulations and for handling cases of suspension or cancellation/forfeiture of TREC and imposition of fines and as member of Nomination Committee, Regulatory Affairs Committee and Audit Committee of KSE Board.

Other Directorships:

- Chairman, Inbox Business Technologies (Private) Limited
- Chairman, Unicol Limited
- Director, Tri-Pack Films Limited
- Director, Thal Limited
- Director, Descon Oxychem Limited

MOHAMMED SOHAIL
(Director)

Mr. Mohammed Sohail is the Chief Executive Officer of Topline Securities (Private) Limited with an extensive experience of over 20 years in Pakistan's capital markets, research and broking.

Before joining Topline Securities, he has worked as Director Broking with JS Global Capital Limited and as Head of Research at Invest Capital Investment Bank Limited.

Mr. Sohail who is MBA from IBA Karachi is regarded as one of the prominent capital market analysts of the country. He is the first analyst to be awarded "Best Analyst" by CFA Association of Pakistan for two years running (2003 and 2004). For three consecutive years (2011, 2012 and 2013) Asiamoney awarded him the title of "Best Salesperson" in Pakistan.

Previously at KSE, he has been elected as director on KSE's Board for the year 2011. Mr. Sohail has served as member of various committees including New Product & Market Development Committee, Index Experts Committee and IT Steering Committee in the years 2010 & 2011. Moreover, he has served on different committees formed by Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP).

Currently, Mr. Sohail is the Chairman of Market Development & New Products Committee and a member of Audit Committee, Index Experts Committee, Investment Committee, Taxation Committee and Voluntary De-listing Committee of the Board.

Mr. Sohail is also a visiting faculty member at Institute of Business Administration (IBA) and a member of Board of Studies for Accounting and Finance at College of Business Management (CBM), Karachi.

Other Directorships:

- Chief Executive, Topline Securities (Private) Limited
- Chief Executive, Topline Commodities (Private) Limited
- Director, Central Depository Company of Pakistan Limited
- Director, JCR-VIS Credit Rating Company Limited

SYED MUHAMMAD SHABBAR ZAIDI
(Director)

Syed Muhammad Shabbar Zaidi, a Chartered Accountant by profession and Senior Partner at A.F. Ferguson and Co., has a distinguished record of achievements to his credit.

He has been the President, Institute of Chartered Accountants of Pakistan and South Asian Federation of Accountants and Chairman, Professional Standards and Technical Advisory Committee of the Institute of Chartered Accountants of Pakistan. He has also been a caretaker Minister of the Province of Sindh in 2013.

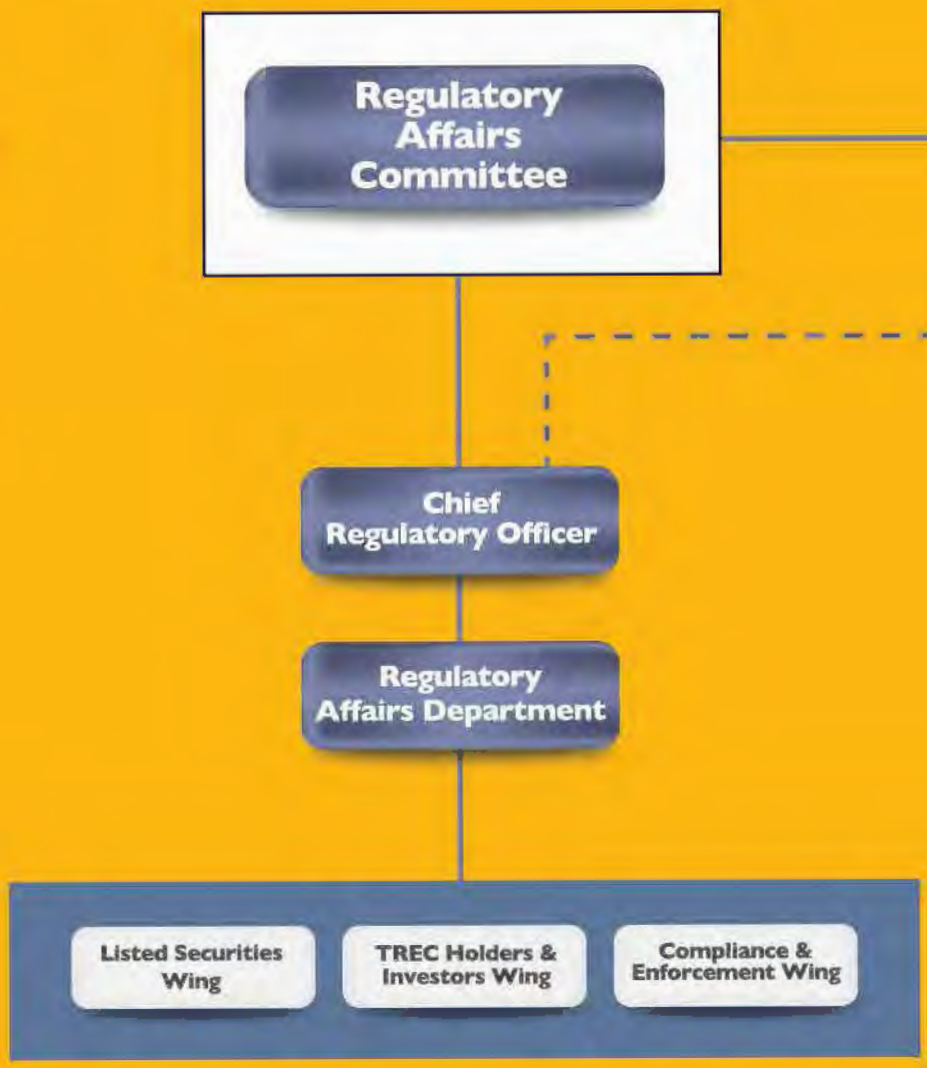
His current responsibilities include being Chairman of Taxation Committee of Institute of Chartered Accountants of Pakistan; Member, Developing Nations Committee of International Federation of Accountants; Member, Central Audit Committee of Board of State Bank of Pakistan; Senior Member of the Task Force for Reform of Tax Administration (2000); Advisor, Corporate Rehabilitation Committee of Securities and Exchange Commission of Pakistan; Trustee, Sindh Institute of Urology & Transplantation (SIUT) and Member, Boards of Governors of Liaquat National Hospital, Karachi and Karachi School for Business & Leadership.

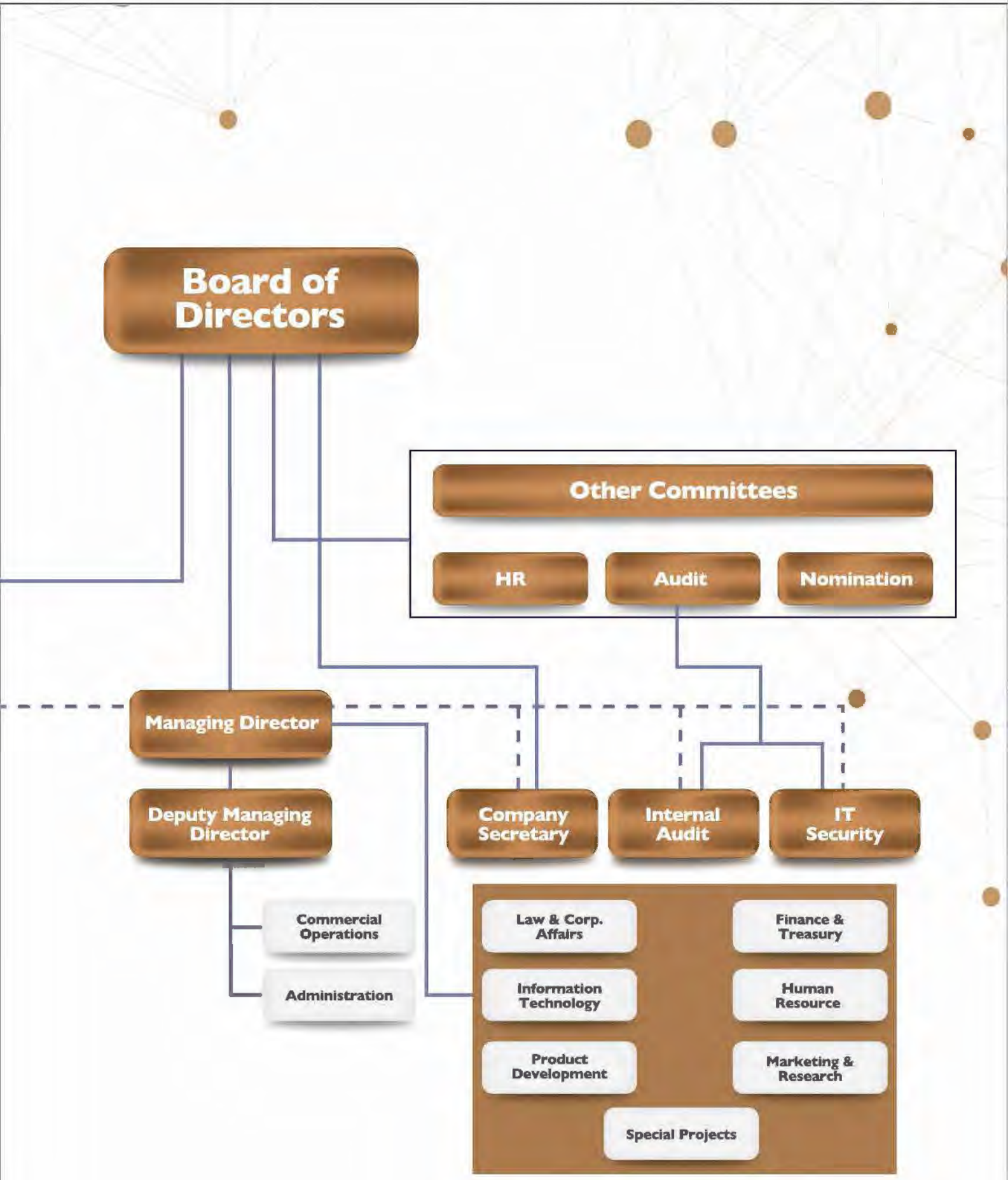
Mr. Zaidi is the Chairman of Regulatory Affairs Committee and a member of Human Resources & Remuneration Committee and Taxation Committee of KSE's Board.

The big lesson that this (2008) crisis forcibly brought home – is that market economies, on their own, are not necessarily efficient, stable, or self correcting ..... But this is more than just a balance sheet crisis. There is a deeper cause: the United States and Europe are going through a structural transformation.... associated with the move from manufacturing to a service sector economy. Additionally, changing comparative advantages require massive adjustments in the structure of the North Atlantic countries. Such transformations occur slowly..... markets do not make such adjustments easily on their own.....

Joseph Stiglitz,
Winner of 2001 Nobel Prize in Economics
and Professor at Colombia University

ORGANIZATIONAL STRUCTURE OF KARACHI STOCK EXCHANGE LIMITED




Board of Directors
Other Committees
HR
Audit
Nomination
Managing Director
Deputy Managing Director
Company Secretary
Internal Audit
IT Security
Commercial Operations
Administration
Law & Corp. Affairs
Finance & Treasury
Information Technology
Human Resource
Product Development
Marketing & Research
Special Projects

The government's urgent response to the financial crisis of 2007-08, initiated by George W. Bush and continued by Barak Obama, was thoroughly Keynesian with both administrations intervening in the market place to head off the economy's collapse..... The view of Austrian–American philosopher Joseph Schumpeter that the free market must from time to time endure a period of "creative destruction" was not allowed to be put to test. Having so markedly been proven wrong, the widely held assumption that the free market always righted itself over time was not given a second chance."

Nicholas Wapshott
©2011
Keynes - Hayek

Management Team

STANDING (FROM LEFT TO RIGHT)

Mr. Aamir Nazir	DGM - Finance & Treasury
Mr. Farhan Ansari	DGM - Internal Audit
Mr. Muhammad Ghufran	DGM - Companies Affairs
Mr. Abbas Mirza	Chief Compliance Officer
Mr. Shafqat Ali	Chief Regulatory Officer
Mr. Nadeem Naqvi	Managing Director
Mr. Muhammad Rafique Umer	Company Secretary and GM - Law & Corporate Affairs
Mr. Haroon Askari	Deputy Managing Director
Mr. Ahmed Ali Mitha	Chief Financial Officer
Mr. Nisar Qazi	DGM - Administration
Mr. Sani-e-Mehmood Khan	GM - Product Development, Research and Marketing

ABOUT KSE

The Karachi Stock Exchange (KSE) is Pakistan's largest and most liquid Stock Exchange, was incorporated in 1949 as a Company Limited by Guarantee. As a result of demutualization KSE stood corporatized and demutualized as a public company limited by shares under the name of 'Karachi Stock Exchange Limited', with effect from August 27, 2012.

KSE provides a reliable, orderly, liquid and efficient digitized marketplace where investors meet directly to buy and sell listed companies' common stock and other securities. For over 60 years, the KSE has facilitated capital formation, serving a wide spectrum of participants, including individual and institutional investors, the trading community and listed companies.

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 THEN

- A Incorporated on March 10, 1949 as a companyLimited by guarantee.
- A Exchange having 200 members.
- A Started with 5 companies that had a paid up capital of Rs. 37 million
- A Trading was conducted through an open-out-cry system
- A The first Index was the KSE 50 Index

KSE NOW

- A company limited by shares, with the initial share capital equally allocted To 200 initial members.
- 557 companies listed
- Modern Risk Management System
  - VaR based margin collection
  - Pre-trade margin verification
  - Client level margining system
- FIX Compliant
- Electronic Trading through KATS
- 6 Indices
  - KSE 100
  - KSE 30
  - KSE All Share Index
  - KMI 30
  - Oil & Gas Sector
  - Banking sector
- Market capitalization: US $ 70.2 billion (June 30, 2014)

KSE TOMORROW

- Public Listed Company with Strategic Investor
- Products in the pipeline:
  - Options
  - Exchange Traded Fund (ETFs)
  - Tradable Sector Indices
  - Fixed Income Derivatives
  - Government Securities Trading
- Broad based investor participation via Cross border listings of companies and indices
- Opening up of branches in other cities and in the region

PRODUCTS & SERVICES

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
- Fixed Income Securities

Stock Index Futures Contracts based on:

- Kse-30 index
- Oil and Gas sector Index
- Banking Sector Index

KSE introduced Government securities trading through KSE in 2013-14

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

KEY DEVELOPMENTS

Launch of Government Debt Securities Market at KSE

Honourable Finance Minister, Mohammad Ishaq Dar launched the secondary market trading of Government debt securities through Karachi Stock Exchange's Bond Automated Trading System (BATS) on 18th February, 2014.

The combined efforts of State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP), KSE, Central Depositary Company of Pakistan, market participants, along with professionals from banking sector have made the day of 18th February, 2014, a historic day for the capital market industry.

The trading of Government Securities is conducted on the Karachi Stock Exchange's Bond Automated Trading System (BATS) and market activity is disseminated on real-time basis on KSE's website as well as on KATS and BATS terminals. With the advent of Government Securities trading through KSE, Primary Dealers in Treasury Securities have got access to wider base of investors and pool of liquidity. The issuer i.e. GOP should have access to yet another segment of intermediaries while over 250,000 investors of equity market now have easy access to a risk free asset class.

Introduction of Electronic Announcement Recording and Reporting System

Pakistan Unified Corporate Action Reporting System (PUCARS) is an electronic announcement recording and reporting system which is a transparent and time efficient web based solution through which listed companies post their financial and corporate action announcements. PUCARS is a key step towards setting high standards of governance and strong culture of investor empowerment through information disclosures in an instant, effective and transparent manner.

Phased Approach for Derivatives Segment

Development and Launch of KSE's in-House VaR

Until February 18th 2014, KSE was using third party application software for calculation of VaR based Margins. The earlier application software did not have the feature of calculating the VaR for Indices. With the launch of KSE's homegrown Risk Meter, the requisites of Launch of Options have been met.

Re-Launching of Stock Index Futures

The introduction of KSE's in-house VaR has paved the way for an effective re-launch of Stock Index Futures as KSE's Risk Meter can calculate VaR Margins for Indices. Currently, the Margins in Stock Index Futures are charged at a fixed rate of 12.50%, as opposed to international practices where VaR of the underlined index is used to determine margins in the Stock Index Futures. KSE intends to re-launch the Stock Index Futures in March 2015, after appropriate regulatory changes are approved by the Securities and Exchange Commission of Pakistan (SECP).

Launching of Option Contracts based on Index

KSE is in advanced stages of application software development and regulatory framework for the commencement of trading in the Options based on Indices. KSE wants to ensure that Option writers are introduced to the market first, and there is enough liquidity in the stock index futures to actually provide a space to benefit from price discrepancies between options and futures contracts. KSE's target is to observe execution of at least 500 SIFC contracts daily by June 2015, with options launch being targeted towards the end of 2015 calendar year.

Development of KSE All Share Islamic Index

The Securities and Exchange Commission of Pakistan has constituted a Technical Committee with a view to develop KSE's All Islamic Shares Index, comprising all

Shariah compliant stocks listed on the Karachi Stock Exchange under the Chair of Dr. Imran Usmani. The purpose of the All Share Islamic Index is to provide a definitive standard for measuring performance of Shariah compliant universe of securities of Pakistani Capital Markets for Shariah conscious investors. The technical committee comprises of industry professionals from (i) Mutual Funds Association of Pakistan (MUFAP) (ii) Karachi Stock Exchange (iii) State Bank of Pakistan (iv) SECP and (v) Dr. Imran Usmani, who will guide the Committee in the matters relating to Shariah compatibility. The All Share Islamic Index is expected to be launched by June, 2015.

Measures for Investor Awareness

Financial inclusion is a key element in the development of a robust financial sector and growth of a modern market-based economy. Penetration of financial products in general and capital market products in particular, is extremely low in Pakistan. In 2012, KSE launched a focused campaign to generate large scale awareness amongst individual savers regarding the role that capital markets can play in the overall context of their long term financial planning. In FY-2014, this campaign has been further streamlined with the number of workshops and seminars increased significantly.

KSE conducted altogether 25 programmes (17 for senior investors and 8 for young investors) which have provided over 5700 senior potential investors and 1300 young savers of Pakistan the knowledge required for making well considered investment decisions. These seminars / workshop were conducted in Karachi and Lahore and students of lower Sindh, i.e. Hyderabad, Mithi and Badin also attended the programmes held at the KSE auditorium.

Initiation of Corporate Briefing Program

KSE launched its first ever Corporate Briefing Program (CBP) in May, 2014 with K-Electric and Ghani Gases. Under this program, listed Companies are invited at KSE trading hall to hold corporate briefings for general public and analysts with a view to facilitate them to understand their financial reports and offer a thorough evaluation of their business strategies by responding directly to queries and concerns. The basic goal of the CBP is to enhance investors' understanding of financial statements, company's short term and long term plans and any other corporate development. KSE's CBP aims to bridge the gap between the listed companies and investor community. KSE plans to hold corporate briefings from CFO's of the KSE-30 companies in the current financial year.

Industry Wide Professional Enhancement

KSE worked closely with the Institute of Capital Markets (ICM) which has rolled out broker and trader certification programs. KSE has launched Financial Literacy Program in conjunction with ICM and is organizing specific workshops in Karachi, Lahore and Islamabad.

In FY14 -15, the Securities and Exchange Commission is adding two more mandatory certification programmes of ICM for capital market professionals bringing the total to four. These certifications include:

i. Fundamentals of Capital Markets certification programme
ii. Pakistan Markets and Regulations certification programme
iii. Stock Brokers Certification programme (Mandatory since Oct, 2009)
iv. Mutual Funds Distributors certification programme (Mandatory since Oct, 2009)

KSE fully supports this initiative and is providing premises for training workshops as well as actively encouraging 'train the trainer' initiative of ICM. It is hoped that these efforts will enhance professionalism, ethics and technical knowledge amongst capital market participants thus benefiting investors.

Measures for Encouraging New Listings

The Karachi Stock Exchange continues to encourage industry to source long term finance from the capital market. The Company Affairs Department of the Exchange engages with growing companies having good financial track record. The companies belong to a diverse group of sectors such as pharmaceutical, real estate, fertilizer, asset management, oil and gas, infrastructure, Information Technology and textile. All the companies approached by the Exchange qualified for the basic listing requirements such as minimum required paid-up capital, following the code of corporate governance, etc.

The management of the Exchange is of the view that this initiative will generate much needed awareness amongst private entrepreneurs of Pakistan while providing public equity investors with more investment choices by further broadening the pool of listed companies across variety of sectors.

During the period under review, five equity issues with paid-up capital of Rs.19.24 billion, three open-end mutual funds of Rs.1.07 billion and five debt securities amounting to Rs.8.78 billion were listed. This includes first ever Sukuks of Rs.6 billion of K-Electric Limited which was fully subscribed within a record time of 48 hours.

The Government of Pakistan raised Rs.53.57 billion through secondary public offering of shares of United Bank Limited and Pakistan Petroleum Limited through the Privatization process. There are at present, seven Equity Issues with paid-up capital of Rs.16.3 billion and 1 Sukuk of Rs.25 billion in the pipeline.

Development on the Information Technological Front

Information Technology (IT) is at the heart of the Exchange's Operations. The effectiveness, efficiency and security of the IT platform is the number one priority of KSE. In this regard key developments during the financial year 2013-14 include:

Revamping of KSE's IT governance and management structure

During the year the Exchange commissioned external IT consultants to review the entire IT organization structure and processes and provide a comprehensive report regarding future IT strategy with specific focus focus on governance, security and HR capability. Based on this, KSE is developing a roadmap for execution of the recommendations.

Enhanced Security Measures

Based on consultants' review and recommendations, a new position of Chief Information Security Officer (CISO) has been created reporting to the Chairman of the Audit Committee while the existing IT infrastructure has been significantly strengthened to guard against potential vulnerabilities.

Internet Trading and Cloud Computing Initiative

With the advent of G3/G4 communications technology roll out in Pakistan the wireless spectrum has been greatly enhanced. KSE believes that there is now an opportunity to take advantage of this development and provide necessary technology infrastructure to brokers and though them, the investors at large, in order to increase nationwide outreach, secure internet trading facility and compliance functionality for participants in the capital market. In this regard KSE has signed an agreement with an experienced vendor to develop and deploy an Exchange managed unified order management system. We expect this Broker Font Officer System (BFOS) to be implemented in phases starting within six months. Detailed assessment indicates that deployment of such a system will both enhance investor base and trading activity as well as be a cost-effective alternative for brokers to offer internet and wireless based services.

Revamped KSE Automated Trading System (KATS) Workstation

The Exchange has launched its new version of KATS Trading Workstation which provides analytics on real-time basis, has easy to use graphic user interface, historic data, trend analysis in a more secure and comprehensive manner. In order to keep up with the fast changing IT security dynamics, the Exchange has devised another security layer at server level which is useful for intrusion detection and prevention of unauthorized access.

Key Achivements of Regulatory Affairs Department (RAD)

KSE Compiles first ever Comprehensive Rule Book for Capital Market

Pakistan's equity market did not have a single, comprehensive document until April 2014 that listed all the rules and regulations governing the securities

business in the country. Karachi Stock Exchange with the support and approval of the Securities and Exchange Commission of Pakistan (SECP), has now addressed this issue by compiling the entire regulatory framework in a single 'Rule Book'.

This initiative is a historic landmark in the development of capital markets and an initiating point towards market discipline.

Implementation of Integrated Short/Blank Sale Identification System

KSE, in collaboration with Central Depository Company of Pakistan Limited (CDC) and National Clearing Company of Pakistan Limited (NCCPL), has launched an Integrated Short/ Blank Sale Identification System to detect instances of Short/ Blank Sale. As a result of this the instances of Short/Blank Sale have reduced by 65%.

Development of Complaint Management System

In order to facilitate investors, the Default and Arbitration Department of RAD in conjunction with the IT department, is indigenously developing a Complaint Management System which is an automated system to facilitate investors in lodging e-complaints related to their relationship with brokers & listed companies.

Enforcement Actions against Noncompliance Cases

1. During FY 2013-14, a total of 463 cases were investigated by the Market Surveillance Department (MSD) out of which 142 cases were identified as non-complaint against which necessary enforcement actions were taken.

2. Enforcement actions were taken against sixty-three (63) listed companies for various non-compliances of Listing of Companies and Securities Regulations.

3. During Ballot #s 17 – 20, a total number of 128 TREC Holders were randomly selected under System Audit, out of which 76 TREC Holders were reported as non-compliant initially by their System Auditors. Subsequently, under Limited Scope Audit, 48 TREC Holders were found compliant out of initial of 76 non-compliant TREC Holders and appropriate enforcement actions were taken against remaining TREC Holders which include warnings to 20 TREC Holders and penalty on 8 TREC Holders.

4. During FY 2013-14, a total number of 52 TREC Holders were selected for Internet Based Trading System (IBTS) Audit out of which 40 TREC Holders were found non-compliant against which enforcement actions were taken which resulted in compliance by 37 TREC Holders (92.5%).

5. Further, 52 TREC Holders were selected for Penetration Testing & Periodic Vulnerability Assessment (PT & PVA) Audit of their IT systems, out of which 15 TREC Holders were found non-compliant resulting in initiation of disciplinary actions.

I think most central bankers view monetary policy as a blunt tool for addressing financial stability concerns and many probably share my own strong preference to rely on micro and macro prudential supervision and regulation as the main line of defence.

Janet L. Yallen
Chair, Federal Reserve Bank

PHOTO GALLERY

TFC – Pakistan Refinery, 20-12-2013

Listing of Pakistan International Bulk Terminal, 23-12-2013

IPO – Engro Fertilizer, 17-01-2014

IPO – Avanceon Limited, 11-02-2014

Sukuk – K-Electric, 26-03-2014

IPO – Hascol Petroleum, 17-01-2014

PHOTO GALLERY

Launching Ceremony of Government Debt Securities by the Finance Minister, 18-02-2014

Visit of the Chairman SECP to the KSE, 26-09-2013

Discussion on Government Debt Securities Secondary Market Development, 29-08-2014

Corporate Briefing of Ghani Gasses, 08-05-2014

Bankers Meeting at KSE – Special Convertible Rupee Account (SCRA), 25-08-2014

66th Annual General Meeting, 23-10-2013

PHOTO GALLERY

Visit of Canadian High Commissioner, 27-05-2014

Visit of Australian High Commissioner, 11-12-2013

Visit of Universal Credit Rating Group Delegation, 29-08-2013

Visit of Deutsche Bank Delegation, 04-03-2014

Visit of Mitsubishi Pakistan Delegation, 22-10-2013

Visit of Foreign Journalists Delegation, 04-02-2014

PHOTO GALLERY

Investors Awareness Programme – AKD-KSE at Hyderabad, 25-10-2013

Investors Awareness Programme PRIMUS-KSE at Karachi, 23-02-2014

Investors Awareness Programme BMA-KSE at Lahore, 20-06-2014

Lahore Expo, 14-12-2013

Visit of St. Joseph School, 09-12-2013

Visit of Binoria University Delegation, 12-05-2014

PHOTO GALLERY

Hajj Balloting, 21-02-2014

Foundation Stone Laying Ceremony of KSE New Building, 25-11-2013

Eid Milan Reception for TREC Holders, 04-08-2014

Workshop on Fixed Income Securities, 10-05-2014

IT Task Force, 11-05-2014

Regulatory Affairs Department, 11-05-2014

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 67th Annual General Meeting of Karachi Stock Exchange Limited will be held on Monday, October 20, 2014 at 04:00 pm at the Registered Office of the Company, Stock Exchange Building, Stock Exchange Road, Karachi to transact the following business:

1. **To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.**

2. **To approve, as recommended by the Board of Directors, payment of Final Cash Dividend @ 1.5% i.e. Re.0.15 per share for the financial year ended June 30, 2014, in addition to Interim Cash Dividend @ 0.60% already paid.**

3. **To appoint auditors of the Company for the year ending June 30, 2015 till the conclusion of next Annual General Meeting and fix their remuneration. The retiring auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, have offered themselves for re-appointment.**

4. **To discuss any other matter with the permission of the Chair.**

By order of the Board of Directors

Sd/-

Muhammad Rafique Umer
Company Secretary

Karachi:
Dated: September 26, 2014

NOTES:

1. The Register of Members will remain closed from October 14, 2014 to October 20, 2014 (both days inclusive).

2. All members are entitled to attend and vote at the meeting.

3. A member entitled to attend, speak and vote at the meeting shall also be entitled to appoint another member as his/her proxy to attend, speak and vote instead of him/her and a proxy so appointed shall have such rights with respect to attending, speaking and voting at the meeting as are available to the member appointing him as proxy. The Instrument of Proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarized certified copy of that Power of Attorney or authority, in order to be effective, must be received by the Exchange at least 48 hours before the meeting. A proxy must be a member of the Exchange. The Form of Proxy is enclosed with this notice.

4. Any company or other body corporate which is a member of the Exchange may, by resolution of its Directors, or proxy signed by authorized officers, authorize any of its officials or any other person to act as its representative at the meeting and the person so authorized shall be entitled to exercise the same powers as if he were an individual member of the Exchange.

5. Members are requested to notify the change of their registered address, if any, immediately but before book closure to our Share Registrar, Central Depository Company of Pakistan Limited [CDC], CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi.

6. Since all shares issued to members are in dematerialized format, credited in their respective CDC accounts, the individual members desiring to attend the meeting are requested to bring their original Computerized National Identity Cards (CNICs) along with the Investor Account or Participant Id and House Account / Sub-Account numbers, for identification purposes, whereas, in case of corporate member, the resolution of Board of Directors / Power of Attorney with specimen signature of the nominee may preferably be provided to the Exchange well in advance or otherwise produced at the time of meeting.

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Karachi Stock Exchange Limited (the Company) for the year ended 30 June 2014 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 and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the

	Clause Reference	Description
i.	1	**Currently the Company's Board of Directors do not have any independent director for the reasons stated therein;**
ii.	8	**Chief Financial Officer of the Company did not attend all the meetings of the Board of Directors as required under the Code.**
iii.	21	**A mechanism for the evaluation of the Board's performance is not yet in place as per the requirements of the Code of Corporate Governance.**

Chartered Accountants
Date: September 11, 2014
Karachi

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

KARACHI STOCK EXCHANGE LIMITED

Year ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance [CCG] contained in Paragraph 5.19 of Chapter 5 of Karachi Stock Exchange Limited's Regulations 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 CCG in the following manner:

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

Category	Names
Executive Director	(i) Mr. Nadeem Naqvi (Managing Director)
Non-Executive Directors	*SECP nominees* (ii) Mr. Muneer Kamal (Chairman of the Board) (iii) Mr. Kamal Afsar (iv) Mr. Shazad G. Dada (v) Mr. Abdul Qadir Memon (vi) Mr. Asif Qadir (vii) Syed Muhammad Shabbar Zaidi *Representatives of Trading Right Entitlement Certificate Holders* (viii) Mr. Abdul Majeed Adam (ix) Mr. Abid Ali Habib (x) Mr. Muhammad Yasin Lakhani (xi) Mr. Mohammed Sohail

Since, composition of present Board is defined in the Act and because the Company is presently in a transitory phase of demutualization where the specified portion of the existing shares of the Company is to be divested by initial shareholders and sold to strategic investor and general public in pursuance of the Act; the requirement of CCG for having at least one 'independent director' is, therefore, yet to be complied with by the Company. With the divestment of shares as aforesaid, the directors nominated by the SECP will be replaced by the representatives of new shareholders paving way for induction of independent non-executive directors and directors representing minority interests on the Board of Directors of the Company.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors represents those companies/firms which are TREC Holders of a stock exchange and that have been declared as defaulter by that stock exchange.

4. During the year, Mr. Nadeem Naqvi completed 3 years of his term of appointment as the Managing Director (CEO) of the Company and was re-appointed for the next term by the Board, with the approval of SECP. Besides this, no casual vacancy occurred on the Board during the year.

5. The Company has developed a 'Code of Conduct' and supporting policies and procedures which have been disseminated throughout the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates, on which they were approved or amended, has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings except in the case of 9 meetings held in emergent situations. The minutes of the meetings were appropriately recorded and circulated. The Chief Financial Officer (CFO) of the Company has not attended all the meetings of the Board of Directors except for the meetings where finance - related matters were discussed.

9. The directors have been made aware of the provisions of Memorandum and Articles of Association of the Company, Regulations of Karachi Stock Exchange Limited and Code of Corporate Governance. The directors are, therefore, well conversant with their duties and responsibilities. Moreover, three directors of the Company have obtained the certification under Directors' Training Program from a recognized institute, while the remaining directors, excluding those who are already exempted under CCG, are also expected to obtain requisite certifications under Directors' Training Programs in the future in order to comply with the requirements of CCG.

10. The Board approves the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. During the year, the appointment of Head of Internal Audit was approved by the Board upon the recommendation of Audit Committee and its Chairman in compliance with CCG.

11. The Directors' Report for this year has been prepared in compliance with the requirements of CCG and fully describes the salient matters required to be disclosed.

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

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

15. The Board has formed an Audit Committee. It comprises of 6 members including the Chairman. All members of Audit Committee are non-executive directors.

16. The meetings of the Audit Committee were held at least once in every quarter prior to the approval of the interim and annual financial results of the Company and as required by CCG. The total number of meetings held during the financial year ended June 30, 2014 was 7. The terms of reference of the Committee have been formed and advised to Committee for compliance.

17. The Board has formed Human Resources & Remuneration Committee. It comprises of 7 members including the Chairman. All members of the said Committee are non-executive directors.

18. The Board has set-up an effective internal audit function through a combination of internal resources and outsourced expertise procured from M. Yousuf Adil Saleem & Co., Chartered Accountants (Deloitte-Pakistan). Internal Auditors are conversant with the policies and procedures of the Company and are considered suitably qualified and experienced for the purpose. The internal resources are engaged in internal audit function on a full time basis.

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

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Regulations of Karachi Stock Exchange Limited and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. All other material principles contained in CCG have been complied with except that the Board is yet to put a mechanism in place for evaluation of its own performance which is expected to be formalized during the next financial year.

On behalf of the Board of Directors

sd/-
Muneer Kamal
Chairman

sd/-
Nadeem Naqvi
Managing Director

Karachi
September 11, 2014

The free movement of capital across borders has created, and will certainly continue to create, enormous economic benefits. Capital flows afford developing countries... the means to exploit promising investment opportunities, while providing savers around the globe the means both to earn higher returns and to reduce risks through international portfolio diversification

Ben Bernanke
Former Chairman, Federal Reserve Bank
Paper on "International Monetary Reform and Capital Freedom"
October 14, 2004

PERFORMANCE OF KEY SECTORS

Energy

Energy Sector (comprising of Oil & Gas and Electricity) has the largest representation by value in Pakistan's stock market with market capitalization of US$ 22 billion (PKR 2,207 bn) as at June 30, 2014, which constitutes almost a third of total market capitalization. Government controlled / managed companies constitute approximately 82% of the sector's market capitalization at US$ 18 billion (PKR 1,805 bn). This important sector displayed a growth of 18.9% in market capitalization in FY 2014.

32	2,207	18.9%	31.4%
No. of Companies	Market Cap 2014 (PKR bn)	Mkt Cap YoY Growth	Representation in Index 2014

Banking & Financial Services

Banking & Financial Services Sector has the second largest representation by value accounting for 22% of total market capitalization at US$ 15 billion (PKR 1,548 bn) as at June 30, 2014. This sector has displayed growth of 58.5% in market capitalization in FY 2014, higher than 36.2% average growth displayed by all listed companies in the KSE Universe.

62	1,548	58.5%	22.0%
No. of Companies	Market Cap 2014 (PKR bn)	Mkt Cap YoY Growth	Representation in Index 2014

FR7057065
100

Consumer Goods

The third largest contributor to Pakistan's stock market by value, the Consumer Goods Sector represents 11.6% of total market capitalization at US$ 8.1 billion (PKR 812 bn) as at June 30, 2014. This is the only major sector that has witnessed a slight decline of 3.1% in FY 2014 in market capitalization terms caused primarily by the delisting of Unilever Pakistan Limited on September 13, 2013. Factoring out Unilever, the year over year growth in this sector would have been 27.1%.

55	812	-3.1%	11.6%
No. of Companies	Market Cap 2014 (PKR bn)	Mkt Cap YoY Growth	Representation in Index 2014

NESCAFÉ
Compian
Horlicks
Splenda
SKIPPY
TANG

Chemicals & Fertilizers

Companies in the Chemicals & Fertilizer Sector, a key element of the economy reflecting the agri-sector, represent approximately 8% of the total market capitalization of the KSE Listed Companies at US$ 5.6 billion (PKR 558 bn) as at June 30, 2014. This sector has displayed growth of 40.3% in market capitalization in FY 2014.

33	558	40.3%	7.9%
No. of Companies	Market Cap 2014 (PKR bn)	Mkt Cap YoY Growth	Representation in Index 2014

Nike

Construction & Materials

Cement

Cement Sector companies comprise 5.5% of the KSE Listed Companies Universe with capitalization of US$ 3.9 billion (PKR 386 bn) as at June 30, 2014. In FY 2014, the sector's market capitalization rose by 51.2%, outperforming the overall market by 15%.

35	386	51.2%	5.5%
No. of Companies	Market Cap 2014 (PKR bn)	Mkt Cap YoY Growth	Representation in Index 2014

Textiles

Textile Sector represents approximately 3% of the Pakistan's stock market with capitalization of US$ 2.1 billion (PKR 213 bn) as at June 30, 2014. The sector displayed growth of 37% in market capitalization in FY 2014 which is broadly in line with the market.

166	213	37.0%	3.0%
No. of Companies	Market Cap 2014 (PKR bn)	Mkt Cap YoY Growth	Representation in Index 2014

Manufacturing

Manufacturing Sector (comprising of Automotives and Other Manufacturing) represents 2.9% of the Pakistan's stock market in terms of total market capitalization at US$ 2 billion (PKR 202 bn). The sector has displayed a growth of 58.2% in market capitalization in FY 2014.

28	202	58.2%	2.9%
No. of Companies	Market Cap 2014 (PKR bn)	Mkt Cap YoY Growth	Representation in Index 2014

T 86

One of the unambiguous lessons from the (2008) crisis is that dangerous imbalances can build beneath a seemingly tranquil macroeconomic surface. Inflation can be stable, output can appear to be at potential but ..... sector booms may lead to an unsustainable composition of output … e.g. too much housing investment. Or financial risks may buildup because of the way real activity is funded (e.g. excessively leveraged financial institutions, excess household indebtedness, excess maturity mismatches in the banking system, recourse to off balance-sheet products) entailing large tail risks….. The effects of such imbalances can be highly non-linear. Long and gradual buildups can be followed by abrupt and sharp busts, with major welfare consequences.

Olivier Blanchard, Giovanni Dell' Ariccia, and Paolo Mauro

Rethinking Macro Policy

IMF Sponsored Conference, April 2013

DIRECTORS' REPORT

DIRECTORS' REPORT

The Board of Directors of Karachi Stock Exchange Limited (KSE) is pleased to present the Annual Report of the Company for the financial year ended June 30, 2014.

FINANCIAL PERFORMANCE

Financial performance of the Company has continued to improve in FY14 with pretax profit rising by 224% to PkR223.6million versus PkR69.1million in FY13. However, due to tax write backs last year which were not present this time, the after tax earnings depicted a growth of 49%. Total Income increased by 35% to touch PkR1,183million from PkR878million in FY13.

Income from listing fees, which constitutes 20% of total income, rose by 19% to PkR236.7million where, annual listing fees grew by 13% while initial listing fees associated with new listings rose by 33% reflecting improvement in capital raising activity by industry. Income from Exchange Operations, constituting 21% of total income, grew by 61% to PkR244.2million. The main driver in the latter was trading fees, depicting an increase of 106% year on year. Two factors were responsible for this growth in trading fees. First, average daily value traded in the ready market rose by 50% from PkR6.0billion in FY13 to PkR9.0billion in FY14 while in the Futures market it rose by 100% from PkR1.0billion to PkR2.0billion. Secondly, the trading fee tariff, after a hiatus of eight years, was raised by Re1.0/PkR100,000 in two phases, July to Dec 2013 (Re0.50), and Jan to June 2014 (Re0.50). During the period that the trading fee tariff remained unchanged, the cumulative inflation was 100%, putting considerable pressure on Exchange's operating margins. It had, therefore, become imperative that the tariff should reflect cost realities and enable sustainable income generation capacity of the Exchange. This aspect assumed even more importance given that the process of strategic sale of up to 40% of the Exchange's equity was underway and valuation of the Exchange would be impacted by its profitability.

Management Fee, Rental and Other Income, making up 14% of total income, rose by 30% YoY to PkR169.6million while gross Treasury Income (interest / markup) showed a growth of 29% YoY to PkR359.8million, partly due to increase in margin deposits by TREC Holders whose balance at June-end 2014 was PkR3.57billion, up 49% from June-end 2013. The Exchange, however, reimburses interest / mark-up to TREC Holders after deducting 1% service charge, thus the net impact is significantly less. At the same time, by lengthening the maturity of its investment portfolio (which is substantially in government securities) the extra yield pick up helped overall Treasury income to show decent growth.

Finally, share of profit of associates (where KSE has 47.06% equity stake in the National Clearing Company of Pakistan – NCCPL, and 39.81% equity stake in the Central Depository Company of Pakistan – CDC) depicted a healthy growth of 47% YoY to PkR172.3million. CDC increased its after tax profits by 34% while NCCPL's after tax profits rose by 108% in FY14.

On the cost side, administrative expenses grew by 11% to PkR810million. This includes one-time cost of voluntary separation scheme (VSS) amounting to PkR16.1million in FY14, which will result in permanent reduction of approximately PkR8millon p.a. in employee expenses going forward. Excluding the VSS, administrative expenses would have come out at PkR793.9million i.e. growing by 8% YoY which compares favourably with 8.6% inflation (CPI) during the period under review. Within the cost structure, fuel and power costs rose by 57% YoY to almost PkR59million and repairs and maintenance expense increased by 41% due to renovations of public areas in the main building and in the area allocated to the new Regulatory Affairs Department (RAD) in the administration block. Recurring HR Cost as a percentage of Total Cost remained capped at just over 40% in FY14.

Financial Charges, reflecting reimbursement of interest/markup on TREC Holders' higher margins deposited at the Exchange, rose by 96% to PkR143.6million.

In terms of operational sustainability, the Exchange achieved a significant turnaround with EBITDA (earnings before interest, tax, depreciation & amortization) rising from a negative PkR15.4million in FY13 to a positive PkR68.7million in FY14. Factoring in net treasury income and excluding share of profits of associates, the EBTDA grew by a healthy 50% from PkR189.9million in FY13 to PkR284.9million in FY14.

Pretax profit increased by 224% while after tax profit rose by 49% to PkR179.5million. EPS of the Exchange was Re0.22 in FY14 based on 801.476million weighted average shares versus Re0.17 in FY13 based on 702.664million weighted average shares.

Dividend

The directors have recommended a final cash dividend of Re.0.15 per share, in addition to an interim cash dividend of Re.0.06 per share already paid. This makes a total cash dividend of Re.0.21 per share or PkR168.31million out of the profit of PkR179.55 million for the financial year 2013-14, as follows:

	(Rupees in '000)
Profit for the year	179, 549
Profit available for distribution, after excluding gain on fair value of investment property amounting to Rs.9.6 million	169,965
Interim cash dividend @ 0.60%	48,089
Final cash dividend @1.5%	120,221
	168,310
Balance carried forward	1,655

Earnings per share

The basic and diluted earnings per share is Re.0.22.

GLOBAL DYNAMICS: Shifting Sands

Around the world, the level of uncertainty – whether political or socio-economic – and thus risk, has increased significantly in the last twelve to eighteen months. Some significant changes in global dynamics and trends include:

- Shift in political positioning amongst major powers as manifested by:

- US, UK & EU stand-off with Russia over Ukraine
- Increasing assertiveness of China in its sphere of influence in East Asia and its challenge to traditional western influence over African and Latin American mineral and natural resource sectors
- Massive growth in the power of non-state extremist actors in the Middle East and Africa from Libya and Nigeria to Syria, Iraq and Sudan, generating instability throughout the region which is still the primary oil exporter internationally
- Comeback of autocratic governance as witnessed in Egypt and Thailand
- Profound rethinking about internet security and global information flow, after revelations of hacking into public and private information networks by public and private groups

- Continued subdued economic activity around the world relative to pre 2008 financial crisis levels:

- Divergence in growth within G-7 countries with the U.S. economy gradually finding traction while the E.U. and Japan still unable to break-out of low-to-stagnant growth trend and 'liquidity-trap', despite unprecedented monetary easing by the central banks
- Industrial and construction overcapacity in China, now the second largest national economy in the world, along with huge debt overhang in the country's shadow banking system, creating serious drag on economic growth which is much below last two decades' trend
- Slowdown in growth in other major emerging economies from Russia, Brazil and Turkey to South Africa, India and Indonesia reflecting the slump in commodity prices and subdued domestic demand

The implications of above dynamics are several going forward. There is a real possibility of reversal of globalization and rising protectionism and nationalism, thus negatively impacting global trade and flow of people, ideas and innovations that provided the tail-wind for economic growth worldwide over the last two decades. Without growth the universe of investment opportunities begins to shrink, leading to what Allen Greenspan and others have called a global 'SAVINGS GLUT". Left to itself and combined with the demographic realities of major economies and the 2008 crisis induced high public debt levels (e.g. 70% of GDP for the U.S., over 200% of GDP for Japan), it appears that a vast swathe of the global economy is trapped in a low-growth environment at least in the foreseeable future.

The policy implications are that even if the U.S. Federal Reserve Bank begins to reverse its extraordinary loose monetary policy stance by mid-2015 (as the consensus currently believes), it is likely to do so gradually. And that means U.S. interest rates are likely to remain relatively low by historical standards with 10-year T-Bond yield expected to be below 3.5% p.a. As a result, yield hungry investors in developed markets attempting to escape the so-called 'financial repression', will continue to look at riskier asset classes even with US Dollar strengthening.

The above scenario is positive for liquidity flows into emerging / frontier market equities and debt, including Pakistan's, over the next twelve months. Beyond that, the shifting sands of global politics appear to pose growing risks to cross border investment and trade relations.

PAKISTAN ECONOMY

Economic momentum improved in FY2013-14 with GDP growth coming out at 4.1% versus 3.7% last year, leading to Pakistan's GDP crossing US$250billon. The impetus came primarily from a spurt in industrial activity which chalked in a growth of 5.5% versus 4.5% in FY13, even as agricultural sector growth slowed to 2.1% in FY14 as against 2.9% in FY13 and the services sector growth was 4.3% versus 4.9%. Reduction in federal budget deficit to 5.8% of GDP from 7.2% last year was an important achievement for the administration as a first step in stabilizing the economy. Monetary (M2) growth was curtailed at 12.5% versus 15.9% last year and inflation, while edging up from 7.4% in FY13 was still in single digit at 8.6% in FY14. On the external front, the current account deficit was under 1% of GDP, helped in no small measure by a robust 13% growth in inward remittances which reached US$15.8billion in FY14. Further, a Saudi grant of US$1.5billion, net IMF funding turning positive and a successful Eurobond issue of US$2.0billion helped foreign exchange reserves reach US$14.1billion in June 2014 versus US$11.0billion in June 2013. The Rupee, after coming under pressure in the beginning of last fiscal year, recovered smartly and stabilized around PkR98-99/US$ level in the latter half of FY14. The ratio of external debt to GDP remained stable at 24%, the same as last year.

A key feature in the economic landscape last year was the administration's success in significantly reducing energy sector's circular debt problem. This enabled higher electricity generation, reduction in brownouts and facilitated reactivation of manufacturing units which had been operating at a fraction of potential capacity. There was also progress on the privatization front with the Privatization Commission selling a portion of the Government's equity stakes in United Bank Limited (UBL) and Pakistan Petroleum Limited (PPL), thus raising PkR53.57billion.

With the macro economic picture showing signs of improvement, business activity and investment witnessed renewal across the spectrum of industries. However, exporters were unable to capitalize on this due to energy shortage still remaining acute as well as increase in electricity tariff, while major export markets of US and EU continuing to remain stuck in low growth mode. Nevertheless, industrial and energy sector projects that had been deferred in the last few years came back on the table and are at various stages of initiation.

Outlook

GDP growth in FY15 is likely to be affected by floods. If however, the administration moves quickly to rehabilitate after emergency relief phase, construction activity may get a boost and help industrial growth even if agriculture remains subdued.

In terms of fiscal situation, government spending would be dependant on the level of tax receipts. A silver lining could be that recent dip in global oil prices, if sustained, may allow the government to capture greater differential in the domestic regulated petroleum products' prices. It would also be a positive for the external account. With core inflation relatively tame and private sector credit demand still relatively slack, probability of the central bank reducing interest rates appears reasonably good. If that occurs it would be a positive for the equity market.

Recent political developments have created considerable uncertainty at the macro – level. If the crisis is resolved relatively soon then there may not be a lasting negative impact on the economy. However, if the situation remains unresolved for a significant time period the economic impact would undeniably be negative and the green shoots of growth could quickly wither away. That is the single biggest risk factor facing the economy and capital markets at present.

CAPITAL MARKET DEVELOPMENTS

Pakistan's equity market, as measured by total market capitalization, displayed stellar performance in FY2014, rising by 36% in local currency terms. This put Pakistan amongst Top-10 performing markets third year in a row, as per Bloomberg. The KSE-100 Index rose by 41% both in local currency and US Dollar terms compared to 36% rise in MSCI Frontier Market Index and 31.4% rise in MSCI Emerging Market Index.

A key driver of market performance was rising interest by foreign portfolio investors. According to NCCPL data, net buying of US$366mn was seen in FY14 and this does not include US$310million invested by foreign investors in the United Bank Limited's government offering. Thus the effective net FPI inflow was US$676million in FY14 versus US$569mn in FY13. The fundamental performance of listed companies remained strong, making market valuations very attractive relative to emerging Asia peers in terms of Price-to-Earnings and Dividend Yield metrics. In fact, the Exchange's KSE-100 Index achieved a historic milestone when it crossed the 30,000 level peaking at 30,475 on July 24, 2014. More recently, the political uncertainty has sapped the market's momentum. However, its resilience can be gauged by the fact that despite this uncertainty, the KSE-100 Index, after dipping to 27,774 on August 28, 2014 bounced back smartly and stood at 29,691 as on September 10, 2014. Had it not been for this macro level dissonance, the Index would most likely have been significantly higher. Market activity displayed marked improvement with the Average Daily Value Traded rising by 50% in the Ready Market to PkR9.0billion in FY14 versus PkR6.0billion in FY13 and doubling in the Futures Market from PkR1.0billion to PkR2.0billion. This was driven not so much by the number of shares traded as Average Daily Volume rose by a mere 6.4% to 232million shares but rather, by Average Share Price which increased by 38% to PkR40 from PkR29 last year, indicating greater activity in blue-chip, higher priced stocks.

Going forward, while the market has certainly regained its footing after initial reaction to the political crisis, future direction will be highly dependent on the political situation and related to that, how the macro-economic consequences pan out. If the political situation stabilizes the fundamental strength of the market should shine through, otherwise uncertainty may continue to be a drag on market performance.

SIGNIFICANT DEVELOPMENTS IN 2013-14

During the financial year 2014 several significant developments occurred in both regulatory and commercial areas. Key ones are noted below:

- Launch of the first ever comprehensive Rule Book of KSE by the Regulatory Affairs Department (RAD) after approval by the Regulatory Affairs Committee, the Board and the Securities and Exchange Commission of Pakistan
- Heightened investigation and enforcement action by the RAD where 463 cases were investigated and 142 identified as non-compliant with necessary enforcement action initiated
- Launch of Government Debt Securities (GDS) trading facility on KSE's Bond Automated Trading System (BATS) in order to widen investor base for Government securities
- Introduction of Electronic Corporate Announcement System (PUCARS) which is a transparent and time efficient web based solution for listed companies to disseminate financial results and corporate announcements
- Knowledge and skills development initiative for industry professionals in collaboration with the Institute of Capital Markets (ICM) and the Securities and Exchange Commission of Pakistan through mandatory certification programme for brokerage and mutual fund employees
- Formation of Information Technology Task Force (ITTF) to act as central coordinator between IT department and management for all IT related initiatives and operational oversight
- Development and Launch of KSE's In-House VaR which is a pre-requisite for re-launch of Stock Index Cash Settled Futures and lays the ground for development of Index Options Contracts

DEMUTUALIZATION

Demutualization Committee of the company is overseeing the process of demutualization of KSE with the assistance of Deutsche Bank AG [DBAG] which is the advisor and sole book-runner for the purpose of placement of KSE's shares first with the strategic investor and then with the general public. With active participation and approval of the Committee, DBAG has finalized the information memorandum, which will be circulated among potential investors with a view to reach an agreement for acquisition of 40% shares of KSE out of 60% allotted to initial shareholders and kept in blocked account. As the first stage, KSE is in the process of executing Non-Disclosure Agreements (NDA) with potential investors who have expressed interest in exploring the possibilities of acquiring a strategic stake in country's leading capital market.

Subsequent to year-end, SECP, through its letter dated August 26, 2014, while appreciating the efforts of the Demutualization Committee for completion of divestment process in an efficient manner and making a significant progress in soliciting interest from potential strategic investors, has issued directions under section 12 of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (Demutualization Act) for divestment of 60% of KSE's shares to the strategic investor, general public and local financial institutions, to carry out related activities within the timeframe as specified in the said Act for each respective action. The Commission, however, while taking cognizance of the commercial dynamics of the divestment process, has indicated its powers to relax the time period for compliance with the above-mentioned directions, upon an application by KSE, setting out the reasons for not being able to comply with the said directions.

CONTRIBUTION TO NATIONAL EXCHEQUER

The capital markets are amongst the larger contributors to the national exchequer. During the year 2013-14, the Company collected taxes from its TREC Holders on securities market transactions and paid an aggregate amount of PkR852 million to the government exchequer (PkR570 million in 2012-13).

INVESTMENTS IN ASSOCIATE AND OTHER COMPANIES

The Company currently holds investments in 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	935.75
National Clearing Company of Pakistan Limited [NCCPL]	30.00	47.06	231.02
Others			
JCR-VIS Credit Rating Company Limited [JCR-VIS]	2.50	12.50	2.50
Pakistan Mercantile Exchange Limited [PMEX]:			
- Existing*	42.09	19.14	22.09
- Advance against further issue of shares**	52.73	-	52.73

* KSE holds 3,636,356 (2013: 3,636,356) ordinary shares of PkR10 each. Break-up value of each ordinary share of PkR10 in PMEX is PkR Nil (2013: Nil) based on the unaudited accounts of PMEX available for the year ended June 30, 2014. The original cost of investment in PMEX is PkR42.09 million.

** During the year, the Company made a further investment of PkR52,727,949 in PMEX by accepting the offer of 145% right issue of PMEX and accordingly subscribing to 5,272,704 ordinary shares of PkR10 each at par, which shall rank pari passu with existing ordinary shares of PMEX in all respects as approved under special resolution passed at Extra Ordinary General Meeting held on March 25, 2014.

As of the year end, the process of allotment of shares by PMEX was not completed and therefore, the subscription paid by the Company is disclosed as 'Advance against further issue of shares'. The cumulative shareholding of the Company in PMEX, after taking into account the latest right issue, subject to the completion of allotment of shares and if the unsubscribed rights are not further allotted to any one by the Board of PMEX, would reach 32.32%.

During the year, a cash dividend @ 30% (2013: 30%) by CDC; cash dividend @ 20% (2013: 10%) and bonus shares @ 50% (2013: Nil) by NCCPL and cash dividend @ 5% (2013: 5%) by JCR-VIS was declared for the financial year ended June 30, 2013 and was received by KSE. In addition, JCR-VIS also paid an interim cash dividend @ 37.5% (2013: Nil) which was received by KSE.

BOARD OF DIRECTORS

As provided under Demutualization Act, the Board of Directors of the Company is composed of 6 directors nominated by SECP, 4 elected directors representing TREC Holders and the Managing Director. These include the following:

Directors nominated by SECP

1. Mr. Muneer Kamal (Chairman)
2. Mr. Kamal Afsar
3. Mr. Shazad G. Dada
4. Mr. Abdul Qadir Memon
5. Mr. Asif Qadir
6. Syed Muhammad Shabbar Zaidi

Directors representing TREC Holders

7. Mr. Abdul Majeed Adam
8. Mr. Abid Ali Habib
9. Mr. Muhammad Yasin Lakhani
10. Mr. Mohammed Sohail

Managing Director

11. Mr. Nadeem Naqvi

During the year under review, the 3-years' term of appointment of Mr. Nadeem Naqvi as the Managing Director of the Company expired on May 01, 2014. The Board accordingly approved re-appointment of Mr. Naqvi for the next term which was approved by SECP in terms of Articles of Association of the Company.

The KSE Board consists of a mix of experienced and successful professionals with diverse background. The directors nominated by SECP have a proven track record of running major institutions, while the directors representing TREC Holders have a deep understanding of the working of KSE as well as the local equity market.

During the financial year ended June 30, 2014, 17 Board meetings (08 scheduled & 09 emergent) were held in which Directors' attendance was as follows:

Name of Director	Meetings held	Meetings attended
Mr. Muneer Kamal	17	17
Mr. Nadeem Naqvi	17	16
Mr. Abdul Majeed Adam	17	16
Mr. Kamal Afsar	17	17
Mr. Shazad G. Dada	17	13
Mr. Abid Ali Habib	17	17
Mr. Muhammad Yasin Lakhani	17	17
Mr. Abdul Qadir Memon	17	12
Mr. Asif Qadir	17	14
Mr. Mohammed Sohail	17	16
Syed Muhammad Shabbar Zaidi	17	11

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

BOARD COMMITTEES

The enactment of Demutualization Act brought Pakistan's capital market at par with other international jurisdictions. It provided a framework for corporatization and demutualization of stock exchanges, which is expected to result in expanding market outreach, attracting new investors, improving liquidity and enabling the stock exchanges to attract international strategic partners. It also envisages facilitating the consolidation of brokers, leading to financially strong entities.

The regulatory and public interest role of the Exchange may be contrasted with its commercial role and objectives. In this connection and in terms of the Demutualization Act, SECP also approved a 'Plan for Segregation of Commercial & Regulatory Functions of Stock Exchanges' which provides for segregation of regulatory and commercial functions performed by various departments of the Exchange. The Regulatory Affairs Committee as envisaged under the Plan is to function as a 'Chinese wall' for effectively segregating the regulatory functions of the Exchange from its commercial activities. In order to successfully attain segregation, two distinct reporting lines have been identified, wherein the regulatory departments report to the Chief Regulatory Officer and the commercial departments report to the Managing Director.

In compliance with the above-referred Segregation Plan and Code of Corporate Governance (CCG) and in order to meet the specific requirements of the Exchange as a frontline regulator and a commercial entity, the Board has constituted a number of committees out of which the main statutory committees are Regulatory Affairs Committee, Nomination Committee, Audit Committee and Human Resources & Remuneration Committee.

No meeting of Nomination Committee was held during the year while attendance of members at the respective meetings of other 3 Committees is as follows:

Regulatory Affairs Committee

Name of Committee Member	Meetings held	Meetings attended
Syed Muhammad Shabbar Zaidi (Chairman)	9	8
Mr. Kamal Afsar	9	7
Mr. Abdul Qadir Memon	9	7
Mr. Asif Qadir	9	8

Audit Committee

Name of Committee Member	Meetings held	Meetings attended
Mr. Abdul Qadir Memon (Chairman)	7	7
Mr. Abdul Majeed Adam	7	7
Mr. Shazad G. Dada	7	7
Mr. Muhammad Yasin Lakhani	7	7
Mr. Asif Qadir	7	5
Mr. Mohammed Sohail	7	6

Human Resources & Remuneration Committee

Name of Committee Member	Meetings held	Meetings attended
Mr. Muneer Kamal (Chairman)	5	5
Mr. Abdul Majeed Adam	5	5
Mr. Kamal Afsar	5	5
Mr. Shazad G. Dada	5	4
Mr. Abid Ali Habib	5	5
Mr. Muhammad Yasin Lakhani	5	5
Syed Muhammad Shabbar Zaidi	5	3

CORPORATE GOVERNANCE

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

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

- Proper books of accounts of the Company have been maintained.
- The financial statements prepared by the management present fairly its state of affairs, the results of its operations and cash flows.
- Appropriate accounting policies have been consistently applied in preparation of financial statements which conform to the International Financial Reporting Standards, as applicable in Pakistan. The accounting estimates, wherever required, are based on reasonable and prudent judgment.
- The system of internal controls is sound in design. It has been effectively implemented by the management and is monitored by the internal and external auditors as well as the Board of Directors and the Audit Committee. The Board reviews the effectiveness of established internal controls through the Audit Committee and suggests, wherever required, further improvement in the internal control systems.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There is no reported instance of any material departure from the best practices of corporate governance.
- Significant deviations from last years' operating results, future plans and changes, if any, have been separately disclosed, as appropriate, in this report of the Directors.
- Value of investment of KSE Employees' Gratuity Fund is Rs.108.22million based on unaudited accounts for the year June 30, 2014.
- Key operating and financial data of last 6 years has been included in this report.
- Pattern of shareholding is annexed to this 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 activities.

During the year under review, the Board approved the donation of Rs.400,000/- to Kharadar General Hospital.

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, have completed their assignment and stand retired. Being eligible, they have offered themselves for re-appointment. Based on the recommendation of Audit Committee, the Board further recommends re-appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as KSE's auditors for the financial year ending on June 30, 2015.

ACKNOWLEDGEMENT

The Board wishes to express its gratitude to KSE's TREC Holders and other stakeholders for their continued commitment and support to KSE and the capital markets. The Board is also grateful to the Securities and Exchange Commission of Pakistan, the State Bank of Pakistan, the 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 contribution and dedication of all KSE staff members in performing their tasks with diligence and commitment.

For and on behalf of the Board of Directors

sd/-

MUNEER KAMAL
Chairman

sd/-

NADEEM NAQVI
Managing Director

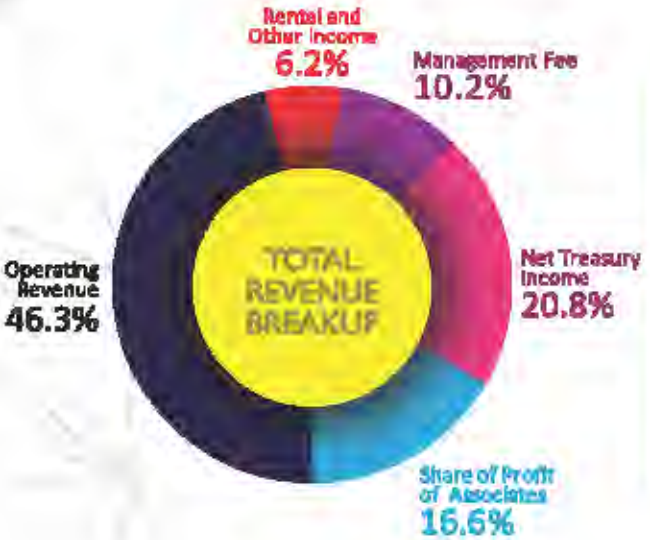
Karachi
September 11, 2014

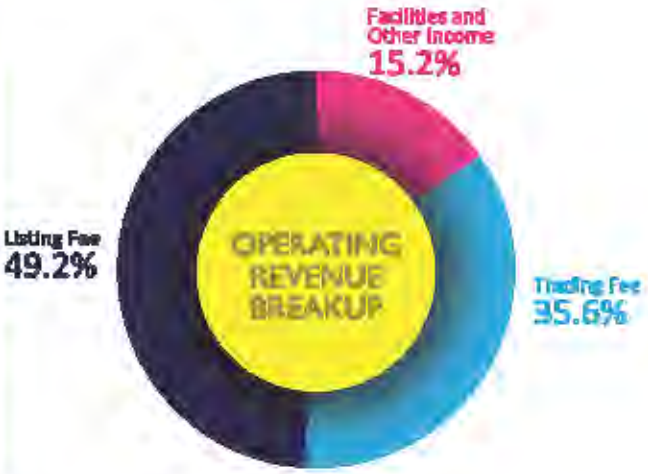
It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so.

Mark Twain

FINANCIAL HIGHLIGHTS
(Five years at a glance)

Rs Million	2009	2010	2011	2012	2013	2014
SHARE CAPITAL	-	-	-	-	8,015	8,015
RESERVES	2,985	3,661	3,807	4,666	42	61
SURPLUS ON REVALUATION OF ASSETS-NET	-	-	-	3,288	-	-
LONGTERM LIABILITIES	261	362	248	44	56	42
CURRENT LIABILITIES	620	1,320	1,137	1,526	2,823	4,018
TOTAL LIABILITIES	**3,866**	**5,343**	**5,192**	**9,524**	**10,936**	**12,136**
FIXED ASSET	466	1,246	1,176	4,491	4,339	4,246
OTHER LONG TERM ASSESTS	870	887	894	1,126	1,220	3,118
CURRENT ASSETS	2,530	3,210	3,122	3,907	5,377	4,772
TOTAL ASSETS	**3,866**	**5,343**	**5,192**	**9,524**	**10,936**	**12,136**
OPERATIONAL RESULTS						
TOTAL INCOME	914	675	681	781	878	1,183
TOTAL EXPENSES	535	637	639	774	809	959
PROFIT BEFORE TAX	379	38	42	7	69	224
PROFIT AFTER TAX	314	68	145	669	121	180
RATIOS						
CURRENT RATIO	4.08	2.43	2.75	2.56	1.90	1.19
QUICK RATIO	3.26	2.21	2.37	2.09	1.67	1.04
NET PROFIT MARGIN	34%	10%	21%	86%	14%	15%
EXPENSES AS A PERCENTAGE OF REVENUE	59%	94%	94%	99%	92%	81%
PROFIT BEFORE TAX AS PERCENTAGE OF REVENUE	41%	6%	6%	1%	8%	19%





MARKET HIGHLIGHTS

DESCRIPTION	2010	2011	2012	2013	2014
Total Listed Companies	652	639	590	569	557
Total Listed Capital (Rs. in million)	909,894	943,733	1,069,838	1,116,005	1,160,341
Total Market Capitalization (Rs. in million)	2,732,374	3,288,657	3,518,136	5,154,738	7,022,692
New Companies Listed	8	1	4	4	5
Listed Capital of New Companies (Rs. in million)	40,653	4,350	11,861	7,404	19,235
New Debt Instruments Listed	5	2	5	9	5
Total Issue Size of New Debt Instruments (Rs. in million)	8,650	5,000	11,500	12,255	8,779
Total Shares Volume (million)	42,959	28,018	38,011	54,319	56,581
Average Daily Share Volume (million)	173	112	153	221	229
Average Daily Trade Value (Rs in millions)	6,994	3,815	3,980	5,708	8,730
KSE Indices					
KSE – 100 Index					
Year End	9721.91	12496.03	13801.41	21005.69	29652.53
High	10677.47	12681.94	14617.97	22757.72	29789.85
Low	7270.72	9516.42	10842.26	14142.92	21363.16
KSE – All Share Index					
Year End	6809.60	8663.10	9708.31	14987.53	21973.16
High	7522.88	8794.69	10251.17	16020.93	22064.49
Low	5194.43	6652.45	7549.52	9935.78	15150.36
KSE – 30 Index					
Year End	9556.58	11586.49	11922.13	16207.96	20415.95
High	10876.61	12476.12	12762.79	17787.71	20570.64
Low	7711.91	9372.08	10060.64	12246.91	16290.83
KMI – 30 Index					
Year End	14573.54	20936.20	23776.48	36713.89	47686.55
High	16079.33	21344.19	25221.31	38747.31	48065.30
Low	10871.59	14421.31	19436.79	24303.16	36759.88

NOTES:

(i) The figures are from July to June.

(ii) The total number of listed companies have been stated after 3 companies De-listed in 2010, 11 companies in 2011, 51 companies in 2012, 25 companies in 2013 and 15 companies in 2014 and 4 companies Merged in 2010, 3 companies in 2011, 2 companies in 2012 and 2 companies merged in 2014.

(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.

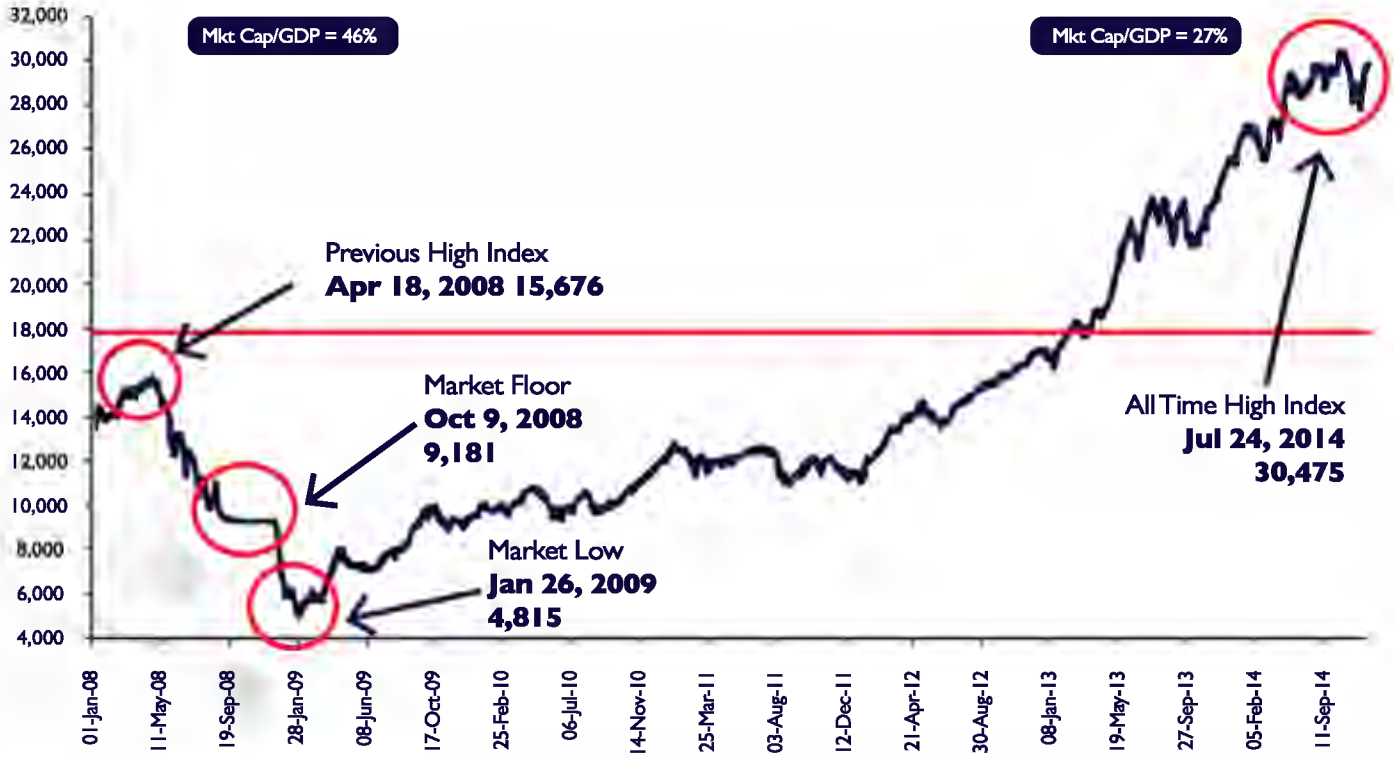
(v) The KSE All Share Index based on the prices of August 29, 1995 = 1000, commenced w.e.f. September 18, 1995.

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

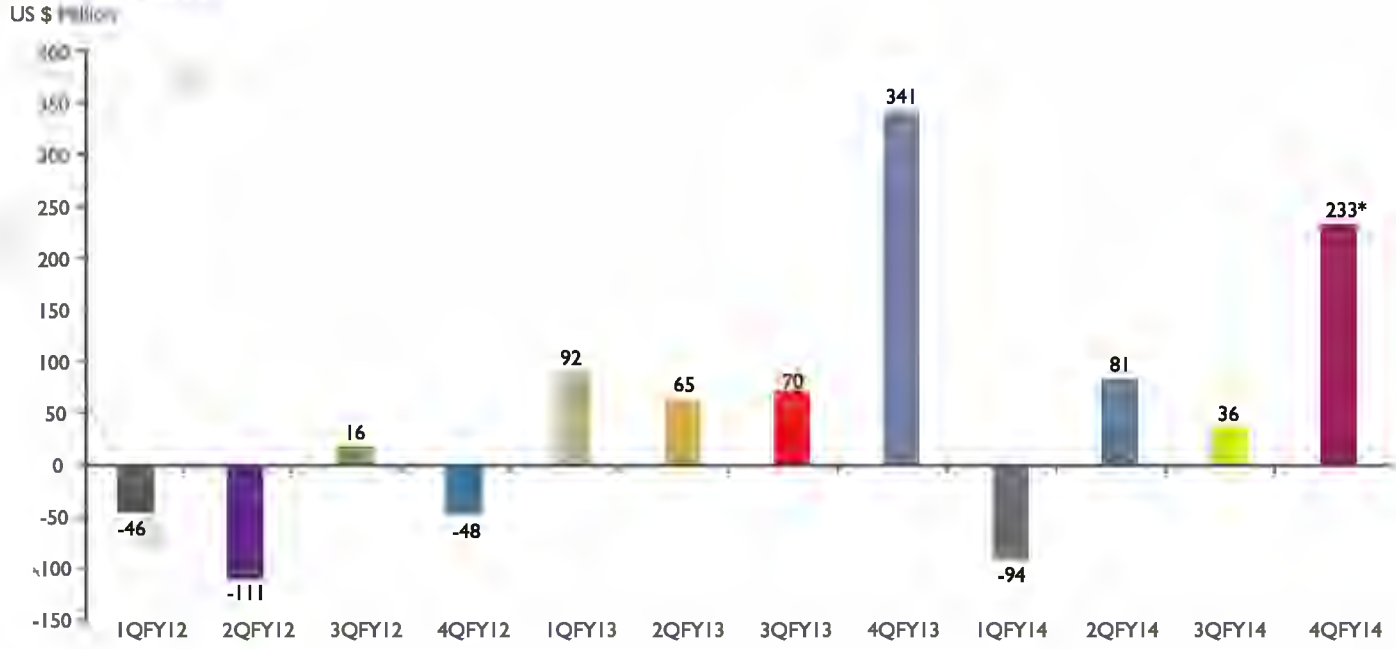
(vii) The KMI – 30 Index introduced w.e.f. September 01, 2008.

KSE 100 INDEX: SCALING NEW HEIGHTS

KSE 100 INDEX



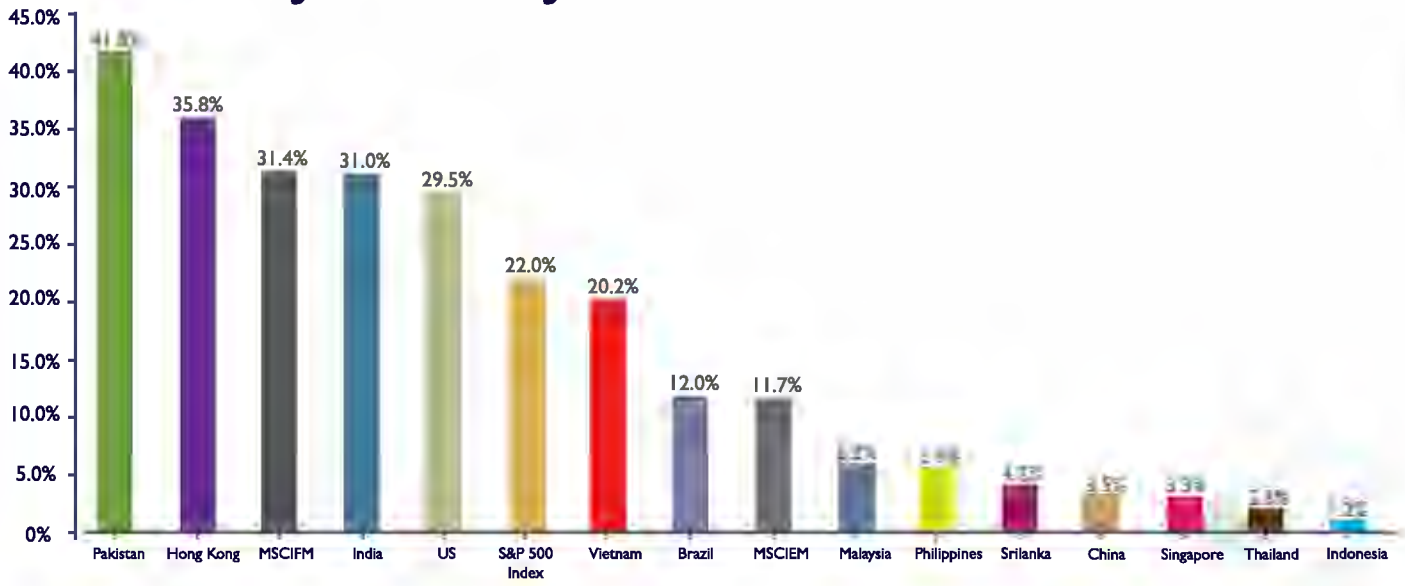
FOREIGN PORTFOLIO INVESTMENT NET FLOWS



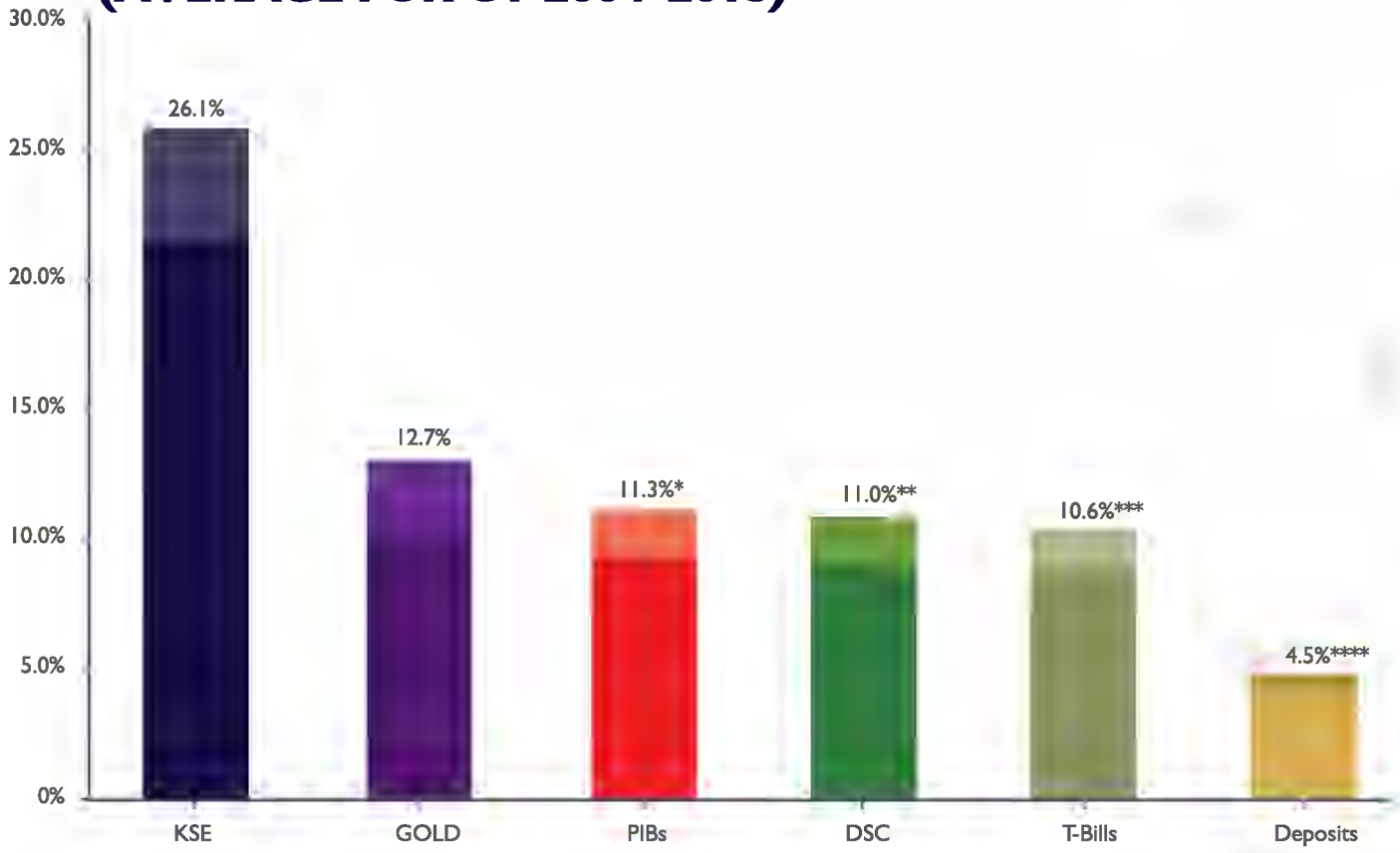
* Excluding FPI inflow of US$ 310 million related to government's secondary offering of United Bank Limted's shares.

PAKISTAN MARKET PERFORMANCE

MAJOR WORLD INDICES PERFORMANCE PERIOD JULY 2013-JUNE 2014



HISTORICAL ASSET CLASSES RETURN IN PAKISTAN (AVERAGE FOR CY 2004-2013)



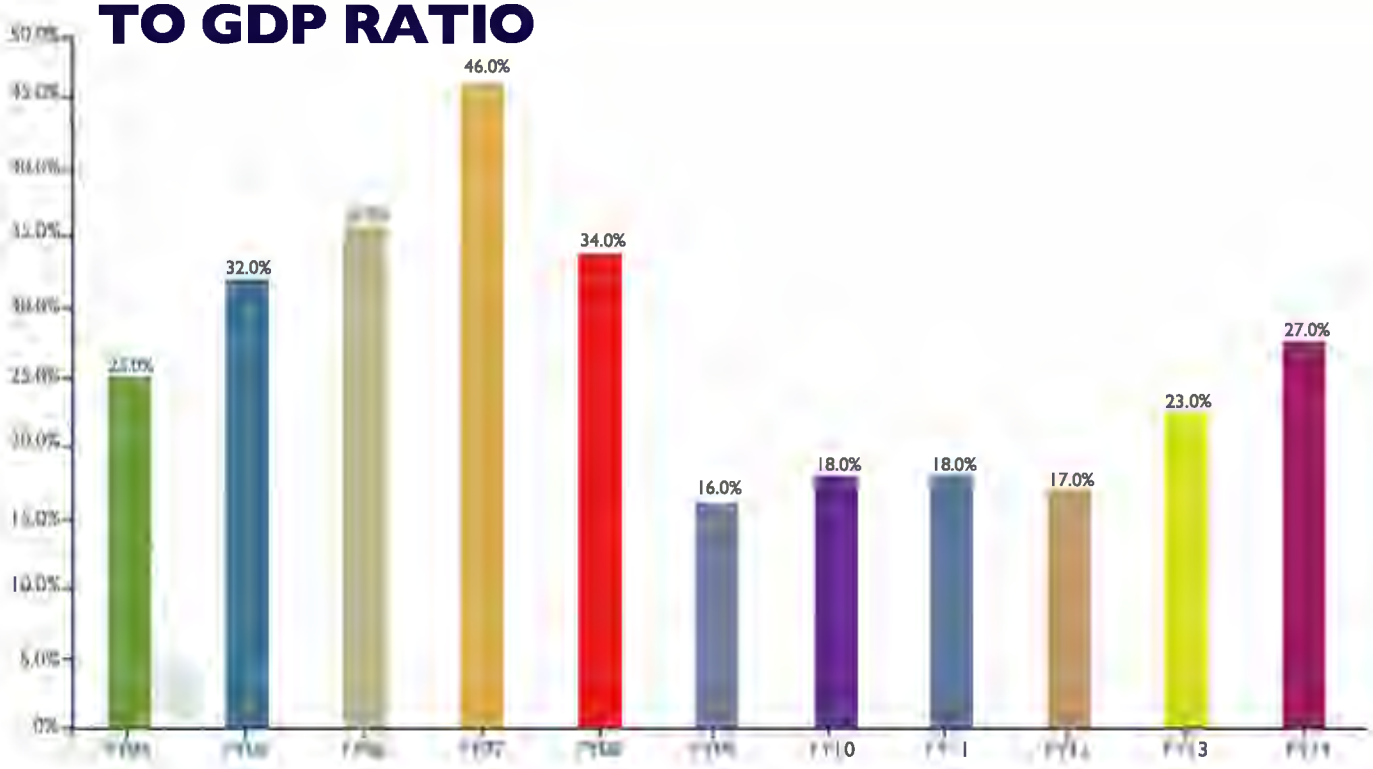
* PIB 10YR tenure average rate p.a.

** Defence Savings Certificates

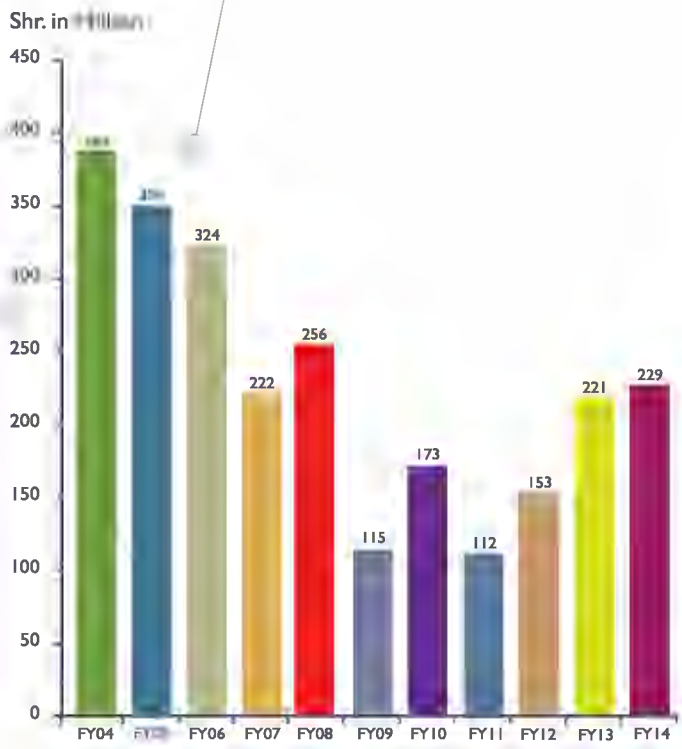
*** T-Bills 6M tenure average rate p.a.

**** Weighted average deposit rate, SBP

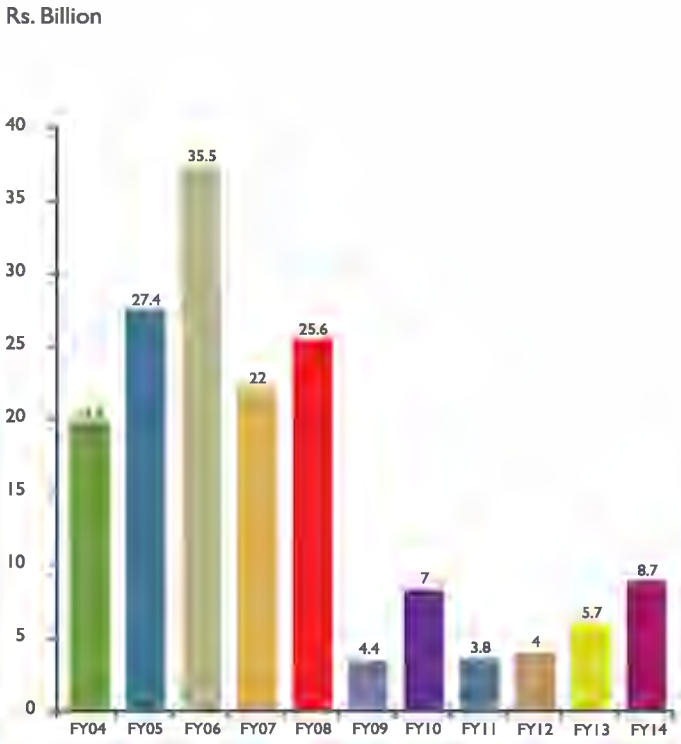
MARKET CAPITALIZATION TO GDP RATIO



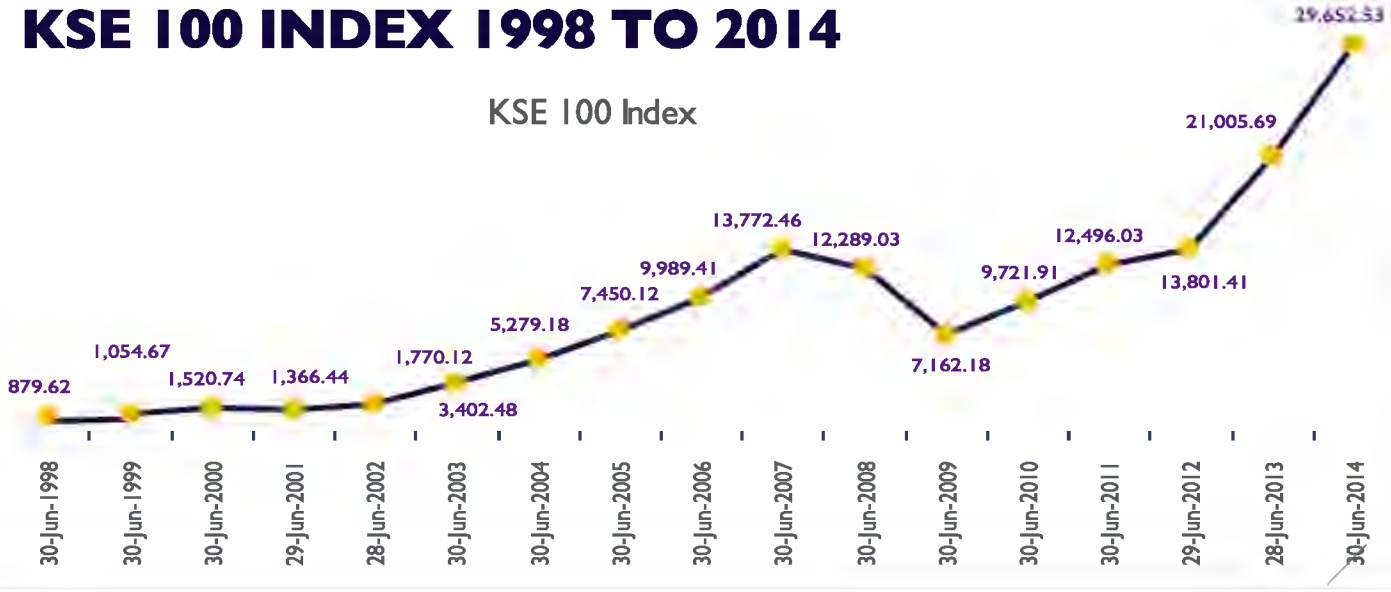
AVERAGE DAILY VOLUME TRADED



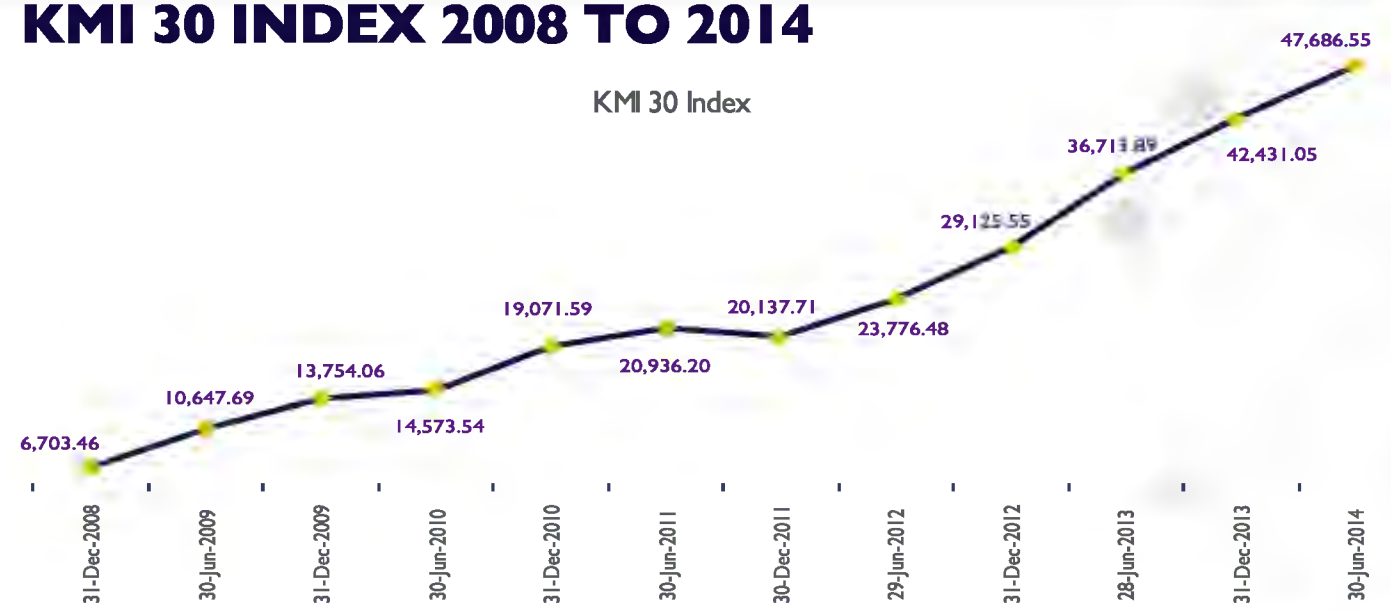
AVERAGE DAILY VALUE TRADED



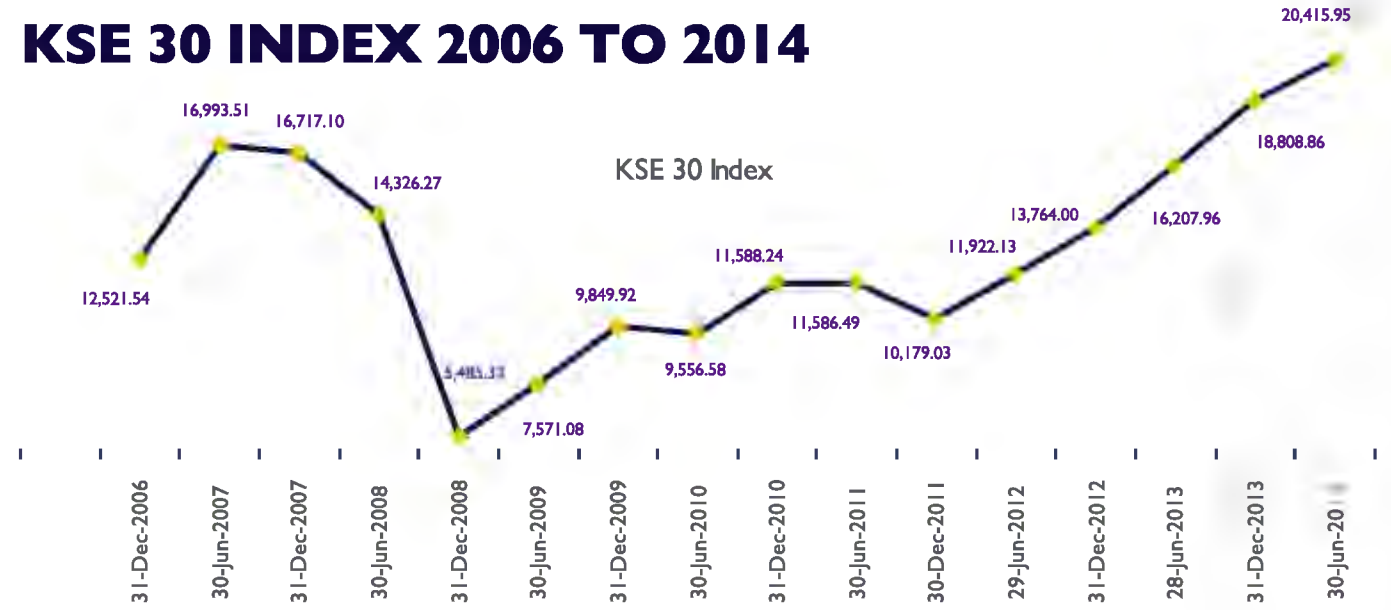
KSE 100 INDEX 1998 TO 2014



KMI 30 INDEX 2008 TO 2014



KSE 30 INDEX 2006 TO 2014



STATISTICS
(July 2013 to June 2014)

LISTING OF NEW COMPANIES – EQUITY

(Rs million)			Capital Offered to		Subscription Received	
Name of Company	**Date of Listing**	**Paidup Capital**	**General Public/ Employees**	**Premium**	**General Public/ Employees**	**Premium**
Lalpir Power Limited (i) (Offer for Sale @ Rs.12 premium per share)	20-Aug-2013	3,798	95	114	387	464
Pakistan International Bulk Terminal Limited (ii)	23-Dec-2013	546	-	-	-	-
Engro Fertilizers Limited (iii) (At a premium of Rs.18.25 per share)	17-Jan-2014	12,978	188	342	643	1,173
Avanceon Limited (iv) (At a premium of Rs.4 per share)	11-Feb-2014	1,007	63	25	79	31
Hascol Petroleum Limited (v) (At a premium of Rs.46.50 per share)	14-May-2014	906	63	291	90	418
TOTAL		**19,235**	**409**	**772**	**1,199**	**2,086**

(i) Book Building Portion of the offer comprised of 28,488,000 Ordinary Shares (75% of the total offer) at a floor price of PKR 15 per share and the Strike price was determined at PKR 22 per share.

(ii) The Company was listed without public offering due to issuance of Specie Dividend by Pakistan International Container Terminal Limited.

(iii) Book Building Portion of the offer comprised of 56,250,000 Ordinary Shares (75% of the Total Issue) at a floor price of PKR 20 per share and the Strike price was determined at PKR 28.25 per share.

(iv) Book Building Portion of the offer comprised of 18,874,500 Ordinary Shares (75% of the Total Issue) at a floor price of PKR 14 per share and the Strike price was determined at PKR 14 per share.

(v) Book Building Portion of the offer comprised of 18,750,000 Ordinary Shares (75% of the Issue) at a floor price of PKR 20 per share and the Strike price was determined at PKR 56.50 per share.

SECONDARY OFFER BY ALREADY LISTED COMPANIES

(Rs million)

Name of Company	Bidding Period	Present Issue Offered to HNWI Investors / Institutional Investors	Premium Amount	Subscription Received HNWI Investors / Institutional Investors
United Bank Limited (i)	11-Jun-2014	2,419	35,804	73,620
Pakistan Petroleum Limited (ii)	26&27-Jun-2014	701	14,641	21,791

(i) The offer was made through the Book Building Mechanism to the Institutional Investors and High-Networth Individual. Allocation was made to International Investors of US$ 307.88 million and to Domestic Investors at PKR 7.44 billion, the Floor Price was PKR 155 and the Strike Price was PKR 158 per share.

(ii) The offer was made through the Book Building Mechanism to the Institutional Investors and High-Networth Individual, the Floor Price was PKR 205 and the Strike Price was PKR 219 per share.

LISTING OF NEW DEBT INSTRUMENTS

(Rs million)

Name of Company	Date of Listing	Amount Offered			Subscription Received			Amount Listed
		General Public	Others	Total Issue	General Public	Others	Total Issue	
Pakistan Refinery Limited (PRL Taraqqi TFC-1) *	20-Dec-2013	2,500	-	3,000	2,244	-	2,244	2,244
Pakistan Refinery Limited (PRL Taraqqi TFC-2)	20-Dec-2013	1,000	-	1,000	536	-	536	536
K-Electric Limited (Sukuk – 1)	26-Mar-2014	750	-	750	882	-	882	750
K-Electric Limited (Sukuk – 2) **	26-Mar-2014	3,500	-	3,750	5,481	-	5,481	3,750
K-Electric Limited (Sukuk – 3) **	26-Mar-2014	1,250	-	1,500	1,748	-	1,748	1,500
TOTAL		**9,000**	**-**	**10,000**	**10,891**	**-**	**10,891**	**8,780**

* Total Issue including Green Shoe Option of PKR 500 million which was not exercised.
** Total Issue including Green Shoe Option of PKR 250 million which was exercised

LISTING OF OPEN–END MUTUAL FUNDS

(Rs million)

Sr. #	Name of Fund	Date of Listing	Total Size
1	Faysal Financial Sector Opportunity Fund	08-Nov-2013	585
2	Primus – Strategic Multi Asset Fund	05-Dec-2013	334
3	Primus Investment Management Limited – Islamic Equity Fund	28-May-2014	150

APPLIED FOR LISTING

Sr. #	Name of Company
1	Colony Textile Mills Limited
2	Saif Power Limited
3	Systems Limited
4	International Brands Limited
5	Sapphire Holdings Limited
6	Mughal Iron & Steel Industries Limited

PROSPECTUS CLEARED BY THE EXCHANGE

Sr. #	Name of Company
1	Engro Powergen Qadirpur Limited
2	Treet Corporation Limited – Perpetual Participated Term Certificates (PTCs)

COMPANIES IN PROCESS OF FORMAL LISTING

Sr. #	Name of Company
1	NIB Bank Limited (2nd Issue of TFC)

DELISTING OF COMPANIES / SECURITIES

(Rs. in million)

Sr. #	Name of Company	Date of De-listing	Paid up Capital
1	JS Growth Fund	September 13, 2013	3,180
2	Unilever Pakistan Limited	September 13, 2013	665
3	Atlas Fund of Funds	September 16, 2013	525
4	PICIC Energy Fund	September 16, 2013	1,000
5	JS Value Fund Limited	September 16, 2013	1,186
6	Meezan Balanced Fund	September 23, 2013	1,200
7	Taxila Engineering Limited	November 11, 2013	43
8	Safeway Mutual Fund Limited	December 09, 2013	545
9	Asian Stock Fund Limited	December 09, 2013	900
10	Liberty Mills Limited	December 27, 2013	231
11	First Capital Mutual Fund Limited	January 06, 2014	300
12	Platinum Insurance Company Limited	January 27, 2014	120
13	Wateen Telecom Limited	February 17, 2014	6,175
14	First Habib Bank Modaraba	June 02, 2014	397
15	Saif Nadeem Kawasaki Motors Limited	June 02, 2014	26

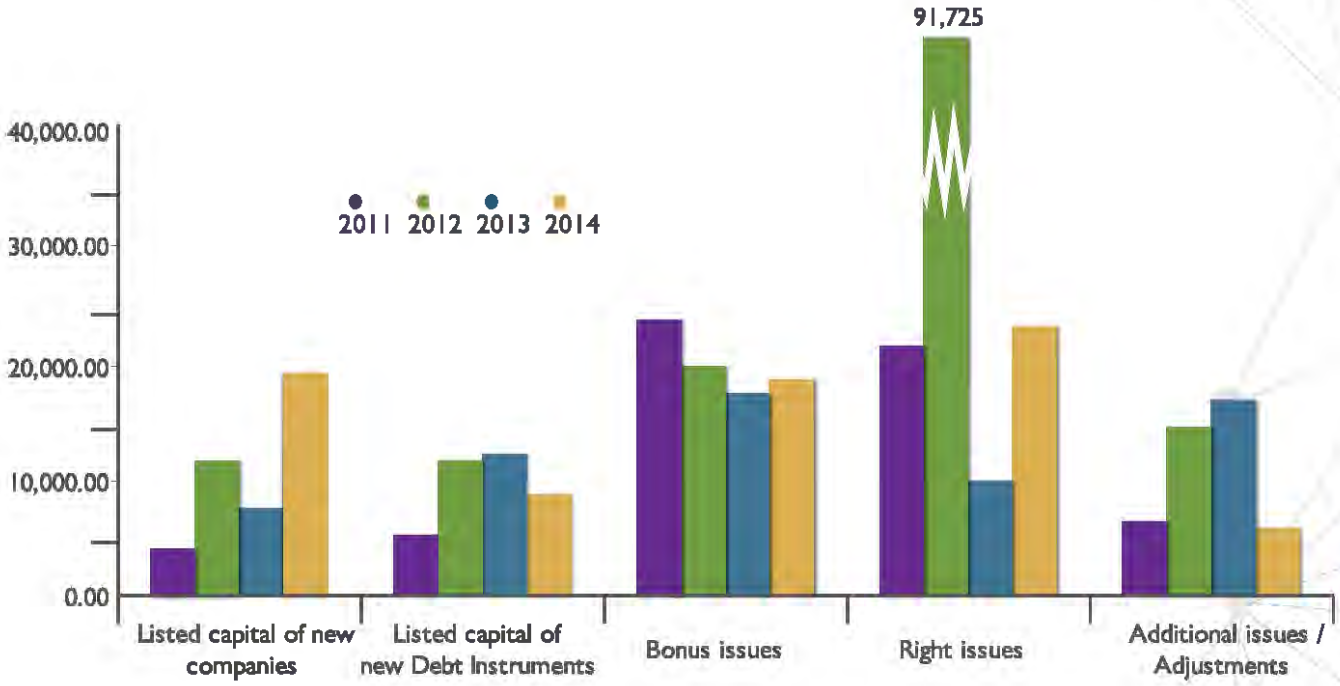
MERGER OF COMPANIES / SECURITIES

Sr. #	Name of Company	Date of Merger	Merged With
1	Mustehkam Cement Limited	December 26, 2013	Bestway Cement Company Limited
2	Colony Mills Limited	May 28, 2014	Colony Textile Mills Limited

BREAK-UP OF LISTED CAPITAL

(Rs. in million)

	2011	2012	2013	2014
Listed Capital of New Companies	4,350	11,861	7,404	19,235
Listed Capital of New Debt Instruments	5,000	11,500	12,255	8,779
Bonus Issues	24,122	19,902	17,330	18,559
Right Issues	21,689	91,725	9,838	23,154
Additional Issues / Adjustments	6,123	14,440	16,638	5,922
	61,284	**149,428**	**63,465**	**75,649**

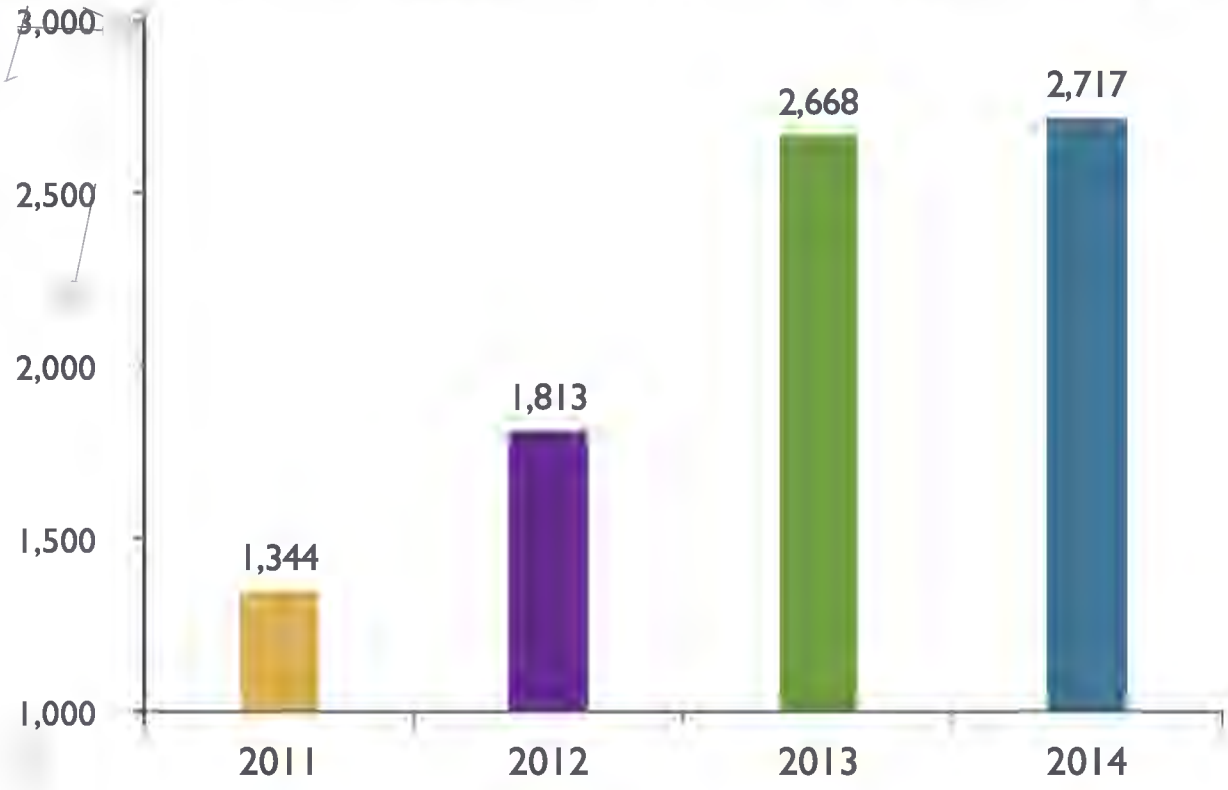


AVERAGE MONTHLY TURNOVER OF SHARES

(READY)

(In million)

	2011	2012	2013	2014
July	75.806	79.866	103.438	287.021
August	60.890	59.087	193.141	211.335
September	69.481	84.291	162.003	224.850
October	129.069	115.727	143.548	123.227
November	131.618	54.930	269.884	151.017
December	157.211	61.608	171.452	226.609
January	186.959	90.309	175.367	325.629
February	110.939	200.353	299.141	246.637
March	110.189	392.614	221.133	228.626
April	86.551	338.744	188.309	306.653
May	94.977	211.691	355.808	175.902
June	130.682	124.156	384.877	209.160
Total	**1,344.372**	**1,813.375**	**2,668.100**	**2,716.667**

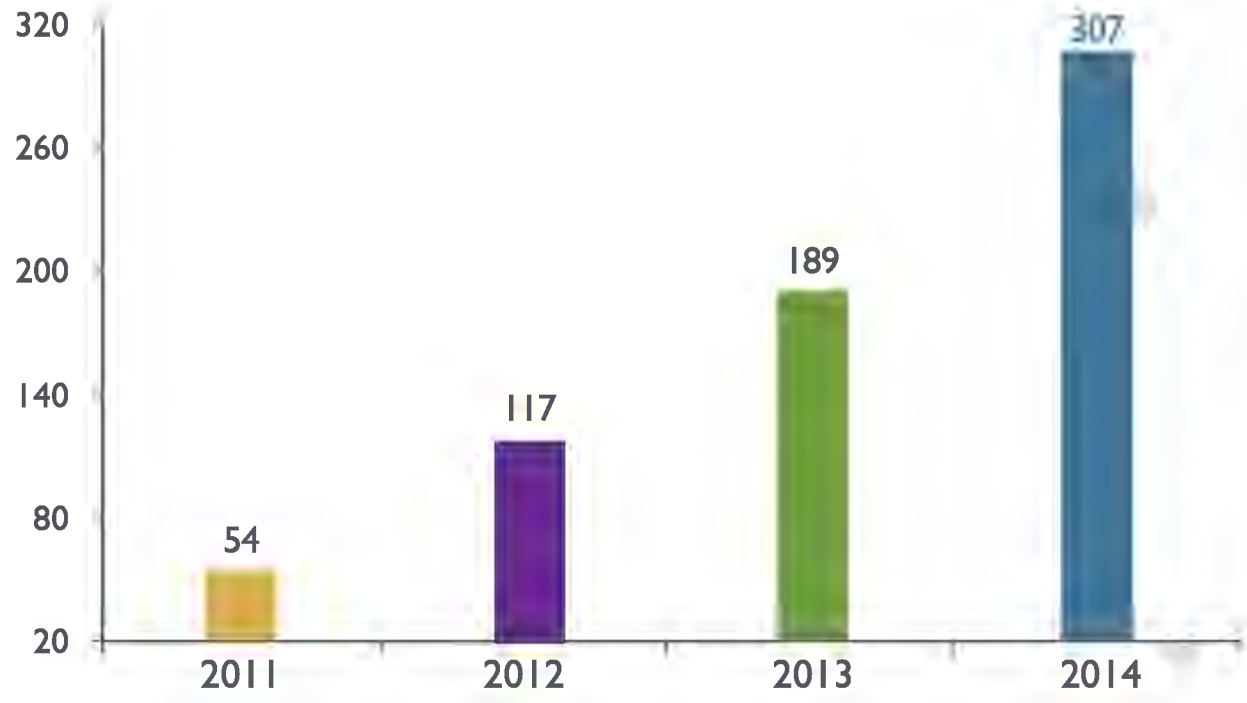


AVERAGE MONTHLY TURNOVER OF SHARE

(FUTURES)

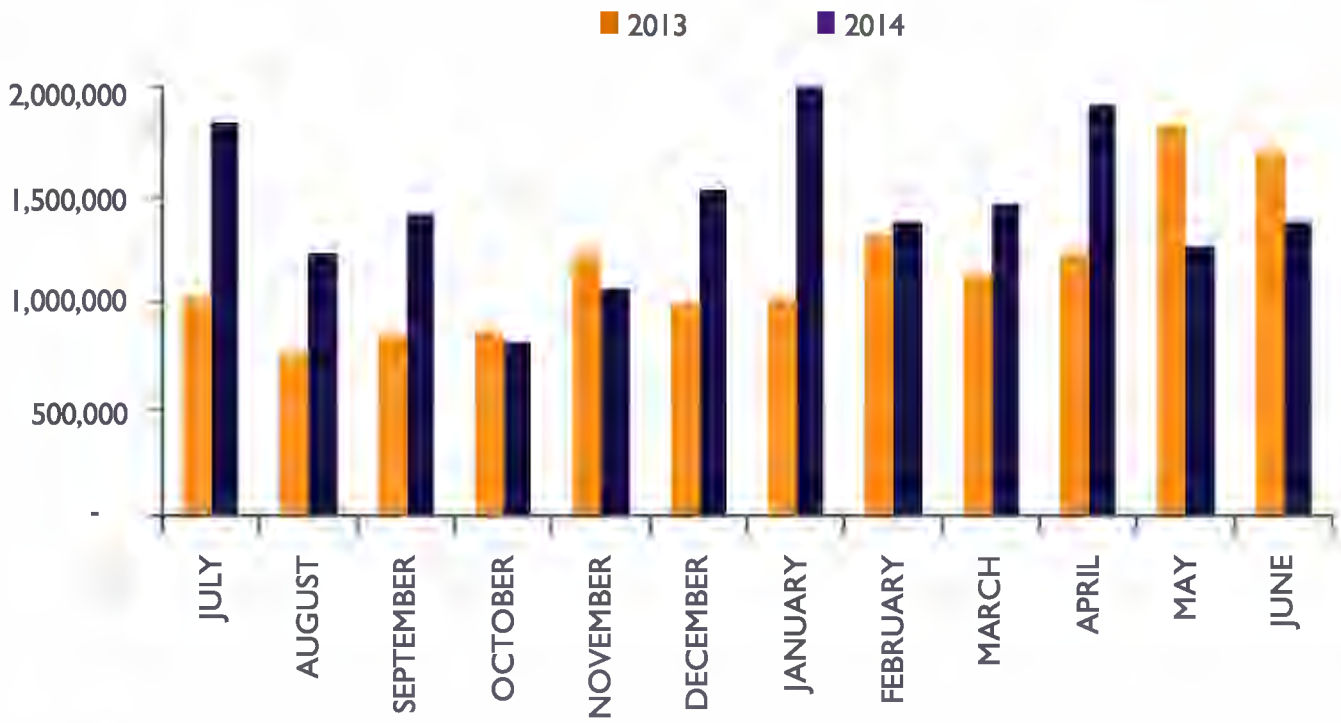
(In million)

	2011	2012	2013	2014
July	3.357	3.621	9.928	28.329
August	2.196	4.509	11.436	26.418
September	2.119	7.294	12.794	26.974
October	2.970	9.465	14.844	19.556
November	4.143	6.007	16.215	24.251
December	5.319	5.226	9.995	28.964
January	8.216	7.737	10.327	26.880
February	5.975	10.286	21.159	26.171
March	7.460	15.247	21.120	29.521
April	4.075	19.575	18.087	30.780
May	3.567	17.605	20.262	16.959
June	4.293	10.792	22.976	22.610
Total	**53.690**	**117.362**	**189.144**	**307.412**



TRADES ON KARACHI AUTOMATED TRADING SYSTEM (KATS)

Month	2013		2014	
	No. of Trades	Daily Average	No. of Trades	Daily Average
July	1,034,938	47,043	1,835,515	79,805
August	775,152	43,064	1,224,062	68,003
September	845,907	42,295	1,406,817	66,991
October	868,774	41,370	815,786	42,936
November	1,221,112	67,840	1,087,490	57,236
December	999,650	47,602	1,524,383	72,590
January	1,013,702	46,077	2,008,501	91,296
February	1,314,243	69,171	1,368,614	72,032
March	1,131,243	53,869	1,451,906	69,138
April	1,219,808	55,446	1,916,444	87,111
May	1,837,980	83,545	1,254,303	59,729
June	1,703,194	85,160	1,374,019	65,429
TOTAL	**13,965,703**		**17,267,840**	
Average Daily Volume		**56,873**		**69,358**



SECTOR-WISE CAPITAL LISTED ON THE EXCHANGE

(Rs. in million)

	2014	
Sector Name	**No. of Companies**	**Paid up Capital**
Oil and Gas	13	83,540.80
Chemicals	33	109,713.39
Forestry (Paper and Board)	4	2,054.98
Industrial Metals and Mining	9	11,950.37
Construction and Materials (Cement)	35	78,584.41
General Industries	13	4,435.49
Electronic and Electrical Goods	3	372.24
Engineering	10	1,753.25
Industrial Transportation	4	10,048.31
Support Services	1	3,853.91
Automobile and Parts	15	7,589.90
Beverages	3	469.03
Food Producers	49	20,428.51
Household Goods	13	8,833.66
Leisure Goods (Miscellaneous)	1	73.49
Personal Goods (Textile)	174	54,447.00
Tobacco	3	3,182.76
Health Care Equipment and Services	2	581.08
Pharma and Bio Tech	9	5,839.11
Media	2	2,733.51
Travel and Leisure	4	29,604.92
Fixed Line Telecommunication	4	62,703.73
Electricity	17	140,939.58
Multiutilities (Gas and Water)	2	15,151.33
Commercial Banks	23	413,871.37
Non Life Insurance	28	19,372.07
Life Insurance	4	2,815.48
Real Estate Investment and Services	2	2,813.84
Financial Services	39	40,652.80
Equity Investment Instruments	35	17,811.46
Software and Computer Services	1	889.70
Technology Hardware and Equipment	2	3,229.48
TOTAL	**557**	**1,160,340.94**

Total Market Capitalization to Paid up Capital Ratio - June 30

SECTOR WISE PERFORMANCE OF COMPANIES LISTED ON THE EXCHANGE - 2013

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
			2013			
Oil and Gas	12	12	11	-	11	1
Chemicals	33	33	15	10	25	8
Forestry (Paper and Board)	4	3	3	-	3	-
Industrial Metals and Mining	9	7	2	1	3	4
Construction and Materials (Cement)	35	34	14	10	24	10
General Industries	13	12	7	2	9	3
Electronic and Electrical Goods	3	3	1	-	1	2
Engineering	10	9	6	2	8	1
Industrial Transportation	4	2	2	-	2	-
Support Services	1	1	-	1	1	-
Automobile and Parts	16	13	10	1	11	2
Beverages	3	3	2	-	2	1
Food Producers	49	46	20	8	28	18
Household Goods	13	9	2	3	5	4
Leisure Goods (Miscellaneous)	1	1	-	1	1	-
Personal Goods (Textile)	175	157	66	42	108	49
Tobacco	3	3	2	-	2	1
Health Care Equipment and Services	2	1	1	-	1	-
Pharma and Bio Tech	9	9	9	-	8	1
Media	2	2	1	-	1	1
Travel and Leisure	4	4	1	2	3	1
Fixed Line Telecommunication	5	4	2	-	2	2
Electricity	17	15	8	2	10	5
Multiutilities (Gas and Water)	2	-	-	-	-	-
Commercial Banks	23	23	13	5	18	5
Non Life Insurance	29	24	13	7	20	4
Life Insurance	4	4	2	2	4	-
Real Estate Investment and Services	2	2	1	-	1	1
Financial Services	39	30	8	12	20	10
Equity Investment Instruments	37	30	22	3	25	5
Software and Computer Services	1	1	1	-	1	-
Technology Hardware and Equipment	2	2	1	1	2	-
TOTAL	**562**	**499**	**246**	**114**	**360**	**139**
PERCENTAGE		**88.79%**	**43.77%**	**20.28%**	**64.06%**	**24.73%**
2012						
TOTAL	**573**	**521**	**243**	**94**	**337**	**184**
PERCENTAGE		**90.92%**	**42.41%**	**16.40%**	**58.81%**	**32.11%**

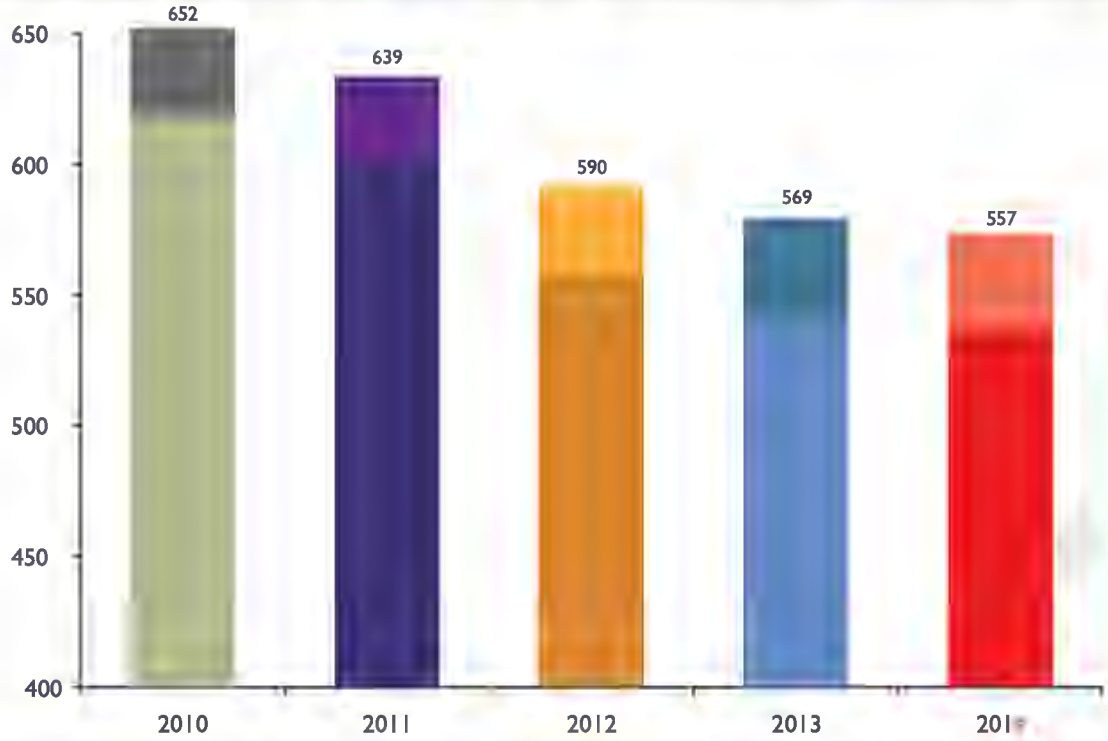
Notes:

1 Based on the financial results of the companies up to December 31, 2013.

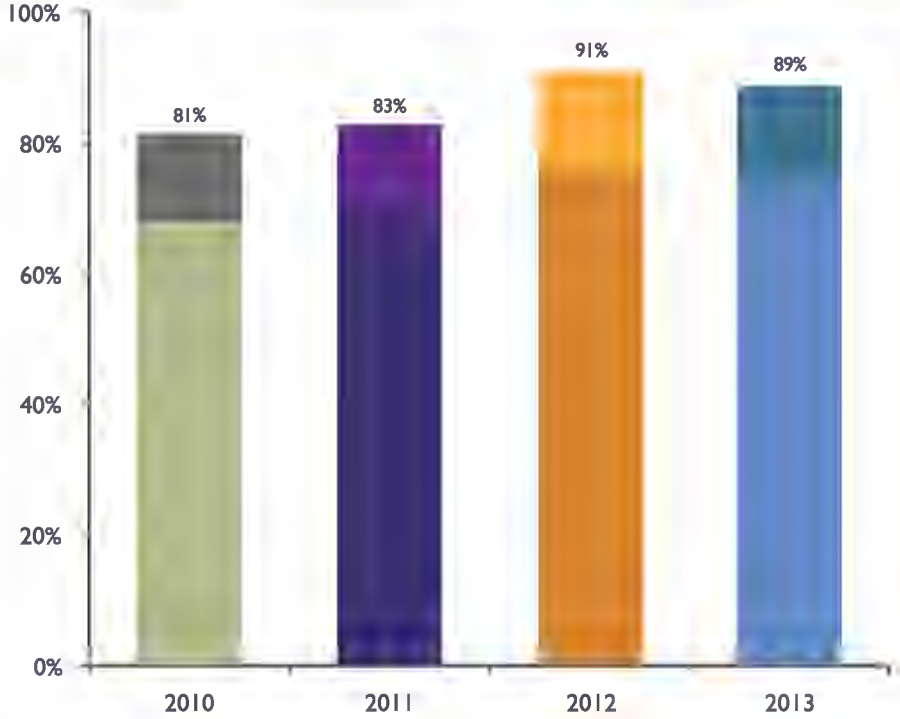
2 Companies omitted dividends are those companies, which have shown profit during the year but not declared dividend.

3 Dividend includes Cash / Stock Dividend.

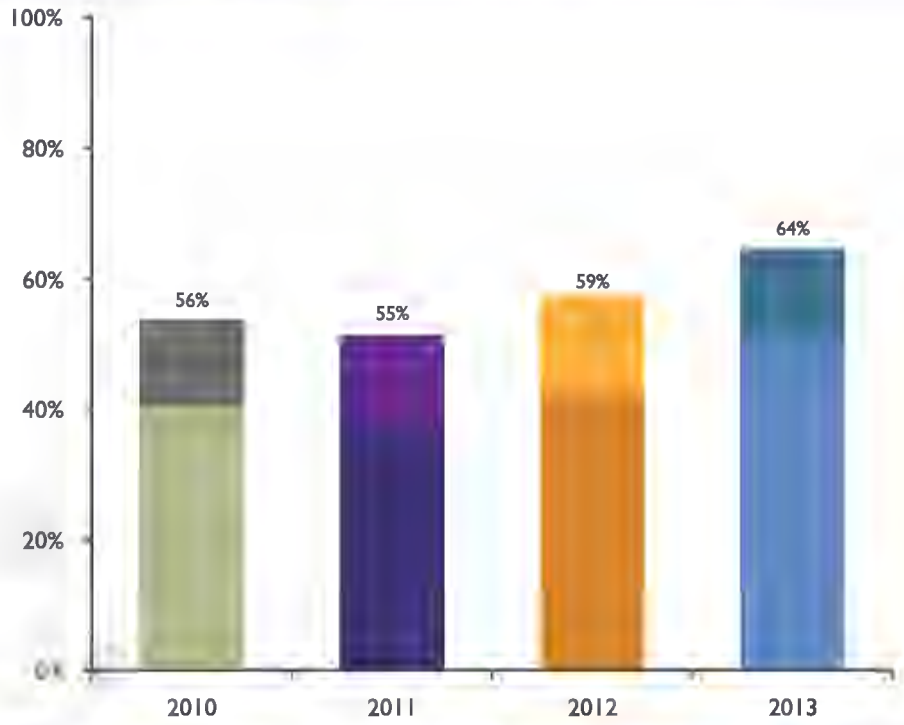
NUMBER OF LISTED COMPANIES - June 2014



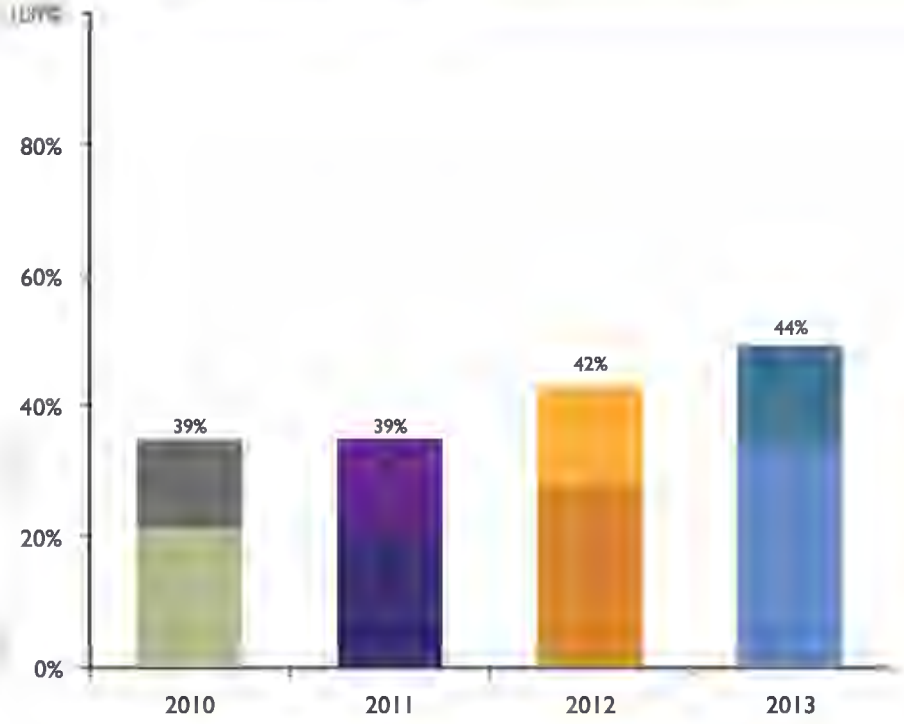
PERCENTAGE OF COMPANIES THAT ANNOUNCED ANNUAL RESULTS



PERCENTAGE OF COMPANIES MAKING PROFIT



PERCENTAGE OF COMPANIES PAYING DIVIDENDS



FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Karachi Stock Exchange Limited (the Company) as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we 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 profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 to the 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, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the profit, its comprehensive income, its cash flows and its changes in equity for the year then ended; and

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

We draw attention to the contents of note 26 to the accompanying financial statements in respect of Contingencies. The ultimate outcome of the matters referred therein cannot presently be determined with certainty and, hence, no provision for any liability that may arise from such matters has been made in the financial statements. Our opinion is not qualified in respect of this matter.

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: September 11, 2014

Karachi

BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014	2013	2012
ASSETS			-----(Restated)-----	
		---------- (Rupees in '000) ----------		
NON-CURRENT ASSETS				
Property and equipment	7	**3,480,698**	3,557,923	3,613,539
Intangibles	8	**85,044**	110,204	137,800
Investment property	9	**680,729**	671,145	740,115
Investment in associates	10	**1,166,771**	1,086,313	1,058,871
Long term investments	11	**1,850,471**	24,591	24,591
Long term deposits	12	**37,184**	37,160	37,160
Long term loans	13	**835**	1,333	5,643
Deferred tax asset	14	**62,850**	70,790	-
		7,364,582	5,559,459	5,617,719
CURRENT ASSETS				
Trade debts	15	**27,127**	20,936	17,326
Loans and advances	16	**13,699**	15,054	13,655
Prepayments	17	**9,665**	7,902	11,956
Other receivables	18	**106,721**	95,507	48,375
Short term investments	19	**162,286**	1,862,449	1,678,291
Taxation – net		**436,989**	532,344	621,574
Cash and bank balances	20	**4,015,160**	2,842,524	1,516,009
		4,771,647	5,376,716	3,907,186
TOTAL ASSETS		**12,136,229**	10,936,175	9,524,905
EQUITY AND LIABILITIES				
Share capital	21	**8,014,766**	8,014,766	-
General entrance fee fund		**-**	-	140,295
Reserves		**60,764**	42,081	4,526,379
Total equity		**8,075,530**	8,056,847	4,666,674
Surplus on revaluation of assets - net		**-**	-	3,288,222
NON-CURRENT LIABILITIES				
Deferred liability – agent welfare fund		**1,319**	1,249	1,178
Dara F. Dastoor scholarship fund		**2,000**	2,000	2,213
Long term deposits	22	**39,003**	52,971	41,112
		42,322	56,220	44,503
CURRENT LIABILITIES				
Provision for wealth tax	23	**1,684**	1,684	1,684
Deposits from members against exposures and losses	24	**3,573,591**	2,398,190	1,096,147
Trade and other liabilities	25	**443,102**	423,234	427,675
		4,018,377	2,823,108	1,525,506
CONTINGENCIES AND COMMITMENTS	26			
TOTAL EQUITY AND LIABILITIES		**12,136,229**	10,936,175	9,524,905

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

sd/-
Chairman

sd/-
Managing Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
Revenue		-------- (Rupees in '000) --------	
Listing fee	27	**236,731**	199,788
Income from exchange operations	28	**244,238**	151,491
Management fee	29	**105,463**	65,856
Mark-up / interest income	30	**359,855**	278,494
Rental income from investment property		**47,619**	41,999
		993,906	737,628
Operating cost			
Administrative expenses	31	**(810,012)**	(732,129)
Financial and other charges	32	**(149,139)**	(76,371)
		(959,151)	(808,500)
Operating Income/(loss)		**34,755**	(70,872)
Other income	33	**16,511**	22,492
Share of profit from associates	10	**172,314**	117,482
Net profit before taxation		**223,580**	69,102
Taxation	34	**(44,031)**	51,521
Net profit after taxation		**179,549**	120,623

		2014	2013
		-------- (Rupees) --------	
Basic and diluted earnings per share	35	**0.22**	0.17

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

sd/-
Chairman

sd/-
Managing Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 (Restated)
		-------- (Rupees in '000) --------	
Net profit for the year		**179,549**	120,623
Other comprehensive loss			
Items not to be reclassified to profit and loss in subsequent periods:			
Actuarial loss on employees' gratuity fund			
- Company		**(11,715)**	(15,388)
- Associates		**(4,594)**	(8,266)
		(16,309)	(23,654)
Tax effect on Actuarial loss on employees' gratuity fund			
- Company		**3,983**	5,386
- Associates		**1,562**	2,893
		5,545	8,279
		(10,764)	(15,375)
Items to be reclassified to profit and loss in subsequent periods:			
Share of other comprehensive loss from associates' in respect of deficit on revaluation of available-for-sale investments	10.1	**(1,829)**	(3,297)
Total comprehensive income for the year		**166,956**	101,951

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

sd/-
Chairman

sd/-
Managing Director

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	-------- (Rupees in '000) --------	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**223,580**	69,102
Non-cash adjustments to reconcile income before tax to net cash flows		
Depreciation on tangible assets	**181,305**	178,786
Amortisation of intangible assets	**52,348**	59,487
Dividend	**(969)**	(125)
Provision for gratuity	**13,738**	14,063
Mark-up / interest income	**(359,509)**	(278,494)
Discount on Pakistan Investment Bonds	**(346)**	-
Provision for trade debts considered doubtful	**4,579**	1,045
Bad debts directly written off	**2,094**	-
Loss on disposal of fixed assets	**401**	710
Reversal of provision against receivables on recovery	**-**	(3,683)
Fair value gain on investment property	**(9,584)**	(19,613)
Share of profit of associates	**(172,314)**	(117,482)
	(288,257)	(165,306)
	(64,677)	(96,204)
Working capital adjustments:		
(Increase) / decrease in current assets		
Trade debts	**(12,864)**	(972)
Loans and advances	**1,355**	(9,609)
Prepayments	**(1,763)**	4,054
Other receivables	**(5,172)**	(42,892)
	(18,444)	(49,419)
(Decrease) / Increase in current liabilities		
Deposits from members against exposures and losses	**1,175,401**	1,302,043
Trade and other liabilities	**18,879**	(23,167)
	1,111,159	1,133,253
Income tax refund	**89,422**	97,439
Income tax paid	**(26,174)**	(18,117)
Dividend paid	**(148,273)**	-
	(85,025)	79,322
Gratuity paid	**(24,464)**	(14,857)
Decrease in Dara F. Dastoor scholarship fund	**-**	(40)
Increase in deferred liability	**70**	71
Decrease in long term deposits	**(13,968)**	11,859
Mark-up / interest received	**377,427**	301,384
	339,065	298,417
Net cash generated from operating activities	**1,365,199**	1,510,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	**(101,881)**	(46,140)
Capital work-in-progress	**(34,051)**	(14,582)
Proceeds from sale of fixed assets	**4,263**	1,699
Purchase of right issue	**(52,727)**	-
Dividend received	**87,964**	81,495
Increase in long term deposits	**(24)**	-
Investments matured	**6,353,612**	3,246,125
Investments purchased	**(6,450,217)**	(3,457,384)
Decrease in long term loans	**498**	4,310
Net cash utilised in investing activities	**(192,563)**	(184,477)
Net increase in cash and cash equivalents	**1,172,636**	1,326,515
Cash and cash equivalents at the beginning of the year	**2,842,524**	1,516,009
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**4,015,160**	2,842,524

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

sd/-	sd/-
Chairman	**Managing Director**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

		Reserves				
	Share Capital	General Entrance Fee Fund	General Reserves	Un- appro-priated profit	Share of Associates' Reserves	Total
		(Rupees in '000)				
Balance as at July 01, 2012 - as previously reported	-	140,295	62,781	4,465,617	4,013	4,672,706
Effect of retrospective application of change in accounting policy referred in note 4.1 - net of tax	-	-	-	(7,353)	-	(7,353)
Effect of change in accounting policy of associates	-	-	-	-	1,321	1,321
Balance as at July 01, 2012 - restated	-	140,295	62,781	4,458,264	5,334	4,666,674
Issuance of shares from:						
- available reserves	4,726,544	(140,295)	(62,781)	(4,519,455)	(4,013)	-
- surplus on revaluation of assets	3,288,222	-	-	-	-	3,288,222
	8,014,766	(140,295)	(62,781)	(4,519,455)	(4,013)	3,288,222
Profit for the year	-	-	-	120,623	-	120,623
Other comprehensive loss -restated	-	-	-	(10,002)	(8,670)	(18,672)
Total comprehensive income	-	-	-	110,621	(8,670)	101,951
Balance as at June 30, 2013 - restated	8,014,766	-	-	49,430	(7,349)	8,056,847
Profit for the year	-	-	-	179,549	-	179,549
Other comprehensive loss	-	-	-	(7,732)	(4,861)	(12,593)
Total comprehensive income	-	-	-	171,817	(4,861)	166,956
Dividend for the year ended June 30, 2013 @ Rs. 0.125 per share	-	-	-	(100,184)	-	(100,184)
Interim dividend for the period ended December 31, 2013 @ Rs. 0.06 per share	-	-	-	(48,089)	-	(48,089)
Balance as at June 30, 2014	**8,014,766**	**-**	**-**	**72,974**	**(12,210)**	**8,075,530**

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

sd/-
Chairman

sd/-
Managing Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. LEGAL STATUS AND NATURE OF OPERATIONS

1.1 Karachi Stock Exchange Limited (the Company or KSE) was incorporated under the Companies Act, 1913 on March 10, 1949 as a Company Limited by Guarantee. However, on August 27, 2012 the Company was re-registered as public company limited by shares under the Stock Exchanges (Corporatisation, Demutialisation and Integration) Act 2012 (XV of 2012).

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.

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. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for operating fixed assets, investment property and certain investments which are valued on a fair value basis as stated in notes 4.2, 4.5 and 4.6 below.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

4.1.1 During the year, the Company has adopted Revised IAS 19 - 'Employee Benefits'. As per revised standard, actuarial gains and losses for defined benefit plans are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss account .

The adoption of above revised standard has resulted in change in accounting policy of the Company related to recognition of actuarial gains and losses to recognize total actuarial gains and losses as other comprehensive income in the period in which they occur. Previously, actuarial gains or losses in excess of 10% of the defined benefit obligation or plan assets were recognised in profit and loss account over the expected weighted average working life of the employees. The impact of the said changes on these financial statements is as under:

	Rupees in '000
Net increase in defined benefit liability as at 30 June 2012	11,313
Net increase in deferred tax asset as at 30 June 2012	3,960
Net decrease in unappropriated profit as at 30 June 2012	7,353
Net increase in defined benefit liability as at 30 June 2013	26,700
Net increase in deferred tax asset as at 30 June 2013	9,345
Net decrease in unappropriated profit as at 30 June 2013	17,355

	2014	2013
	----- (Rupees in '000) -----	
Impact on comprehensive income for the year	**(10,764)**	(15,375)

4.1.2 New and amended standards and interpretations

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IFRS 7 – Financial Instruments : Disclosures – (Amendments)
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

The adoption of the above amendments did not have any effect on the financial statements.

4.2 Operating fixed assets - tangible

4.2.1 All categories of operating fixed assets are carried at revalued amount, being its fair value at the date of its revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

4.2.2 The surplus arising on revaluation of operating fixed assets is credited to the 'surplus on revaluation of assets' account shown below reserves. A revaluation deficit is recognised in the profit and loss account, except that the deficit offsets a previous surplus on any fixed asset, in which case, the deficit is charged to the balance of surplus on revaluation.

4.2.3 The depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year (net of deferred taxation) is transferred from surplus on revaluation of assets to retained earnings through statement of changes in funds and reserves to record realisation of surplus to the extent of the incremental depreciation charge for the year. Upon disposal, any balance of revaluation surplus is transferred to retained earnings.

4.2.4 The depreciation is charged to profit and loss account applying the diminishing balance method over its estimated useful life of the respective assets, except for "Computers and related accessories" which are depreciated using straight-line method. 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 derecognised 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.

4.2.5 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.

4.2.6 An item of property, plant and equipment is derecognised 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 profit and loss account in the year the asset is derecognised.

4.3 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.

4.4 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 8 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.

4.5 Investment property

According to the new accounting policy, investment property is stated at fair value, which reflects market conditions at the reporting date. Gain or loss on remeasurement of investment property at fair value is recognised in profit and loss account. Fair value is evaluated annually by an independent professional valuer on the basis of professional assessment of present market value. Previously, investment property of the Company was carried at cost less accumulated depreciation and accumulated impairment losses.

Investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised as income in the period of derecognition.

Maintenance and normal repairs are charged to the profit and loss 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.

4.6 Investments

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

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

Available for sale investments

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

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 profit and loss account 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

Investments in associates are accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Company's share of the net assets of the associate. The profit and loss account reflects the Company's share of the results of the operations of the associate. Where there has been a change recognised in the other comprehensive income or surplus on revaluation of assets of the associate, the Company recognises its share in its comprehensive income or surplus on revaluation of assets, as the case may be.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the same in the profit and loss account.

4.7 Trade debts 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.

4.8 Loans, advances and deposits

These are stated at cost.

4.9 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.

4.10 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.

4.11 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;
- 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 profit and loss 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; and
- Management fee from KSE Clearing House Protection Fund and KSE Investors Protection Fund is recognised on accrual basis as disclosed in note 29 to the financial statements.

4.12 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 recognised, using the balance sheet 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 tax liabilities are recognised for all taxable temporary differences except for taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit or taxable temporary differences will be available against which the deductible temporary differences and / or carry-forward of unused tax losses

can be utilised. 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 or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

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

4.13 Staff retirement benefits

The Company operates an approved gratuity fund (defined benefit plan) for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The Company's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit or loss in subsequent periods.

4.14 Impairment

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

4.15 Foreign currency translation

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.

4.16 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 profit and loss 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.

4.17 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.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making, judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

	Notes
- Operating assets	4.2, 4.3, 4.4,7 and 8
- Investment property	4.5 and 9
- Classification of investments	4.6, 10, 11 and 19
- Provisions and contingencie	4.10, 23 and 26
- Deferred tax	4.12 and 14
- Post employment benefits	4.13 and 25.3

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTVE

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

6.1 Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	January 01, 2014
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015

6.2 Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015

7. PROPERTY AND EQUIPMENT

	Note	2014	2013
		------ (Rupees in '000) ------	
Operating fixed assets - Tangible	7.1	**3,427,995**	3,537,677
Capital work-in-progress	7.2	**52,703**	20,246
		3,480,698	3,557,923

7.1 OPERATING FIXED ASSETS – Tangible

	2014								
	Cost/Revalued Amount					Accumulated depreciation			Written Down Value
	As at July 01, 2013	Additions / (Disposals)	Transfer from investment property net	As at June 30, 2013	Rate / period	As at July 01, 2013	Charge / (deletions)	As at June 30, 2014	As at June 30, 2014
	---------- (Rupees in '000) ----------				%	---------- (Rupees in '000) ----------			
Leasehold land	2,677,882	-	-	2,677,882	99 years	118,141	78,761	196,902	2,480,980
Building on leasehold land	833,227	839	-	834,066	5	56,125	38,863	94,988	739,078
Lift, generators and electric installation	51,359	45,609 (3,394)	-	93,574	25	17,330	12,968 (1,353)	28,945	64,629
Furniture and fixtures	7,182	450 (68)	-	7,564	20	1,976	1,069 (26)	3,019	4,545
Office equipment	28,809	2,184 (6)	-	30,987	20	7,672	4,373 (2)	12,043	18,944
Computers and related accessories	192,104	25,884 (1,456)	-	216,532	20 & 33.33	58,855	43,923 (699)	102,079	114,453
Vehicles	9,265	1,321 (2,415)	- -	8,171	20	2,052	1,348 (595)	2,805	5,366
	3,799,828	76,287 (7,339)	-	3,868,776		262,151	181,305 (2,675)	440,781	3,427,995

	2013								
	Cost/Revalued Amount					Accumulated depreciation			Written Down Value
	As at July 01, 2012	Additions / (Disposals)	Transfer from investment property net	As at June 30, 2013	Rate / period	As at July 01, 2012	Charge / (deletions) transfer *	As at June 30, 2012	As at June 30, 2013
	---------- (Rupees in '000) ----------				%	---------- (Rupees in '000) ----------			
Leasehold land	2,677,882	-	-	2,677,882	99 years	39,380	78,761	118,141	2,559,741
Building on leasehold land	741,244	3,400	88,583	833,227	5	18,531	37,594 (1,983)*	56,125	777,102
Lift, generators and electric installation	50,439	920	-	51,359	25	6,268	11,062	17,330	34,029
Furniture and fixtures	7,096	86	-	7,182	20	675	1,301	1,976	5,206
Office equipment	26,999	1,810	-	28,809	20	2,672	5,000	7,672	21,137
Computers and related accessories	184,220	7,884	-	192,104	20 & 33.33	15,425	43,430	58,855	133,249
Vehicles	9,410	2,650 (2,795)	-	9,265	20	800	1,638 (386)	2,052	7,213
	3,697,290	16,750 (2,795)	88,583	3,799,828		83,751	178,786 (2,369)	262,151	3,537,677

7.1.1 In accordance with the Company's accounting policy, operating fixed assets were revalued in year 2012. The revaluation was carried out by an independent valuer, FAMCO Associates (Private) Limited on the basis of professional assessment of present market values and resulted in a surplus of Rs. 3,390.421 million over the book value of the respective assets as at the year end.

Had there been no revaluation, the net book value of the assets would have been as follows:

	Note	2014	2013
		-------- (Rupees in '000) --------	
Leasehold land		**28**	29
Building on leasehold land		**63,541**	66,010
Lift, generators and electric installation		**64,279**	31,336
Furniture and fixtures		**4,499**	5,147
Office equipment		**17,047**	18,658
Computers and related accessories		**64,253**	75,328
Vehicles		**4,926**	5,722
		218,573	202,230

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

Building on leasehold land	**839**	3,400
Lift, generators and electric installation	**39,556**	537
Office equipment	**598**	-
Advance against computers and related accessories	**19,511**	5,099
Advance against vehicles	**1,278**	2,636
	61,782	11,672

7.1.3 Cost of fully depreciated assets is Rs. 211.384 (2013: Rs. 149.377) million as at the year end.

7.2 Capital work-in-progress

Advances against:		
- Computer hardware	**-**	11,493
- Construction of building	**48,714**	8,210
- Vehicle	**-**	423
- Office equipment	**800**	-
- Civil works	**221**	-
- Lift, generator and electric installation	**2,968**	120
	52,703	20,246

8. INTANGIBLES

Operating intangibles	8.1	**71,446**	98,200
Intangibles under development	8.2	**13,598**	12,004
		85,044	110,204

8.1 Operating Intangible

	2014							
	COST				ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
	As at July 01, 2013	Additions	As at June 30, 2014	Rate	As at July 01, 2013	Charge for the year	As at June 30, 2014	As at June 30, 2014
	(Rupees in '000)			%	(Rupees in '000)			
Computer software	220,904	1,284	222,188	25	188,604	19,107	207,711	14,477
Internally developed software and market products	160,130	24,310	184,440	25	94,230	33,241	127,471	56,969
	381,034	**25,594**	**406,628**		**282,834**	**52,348**	**335,182**	**71,446**

	2013							
	COST				ACCUMULATED AMORTISATION			WRITTEN DOWN VALUE
	As at July 01, 2012	Additions	As at June 30, 2013	Rate	As at July 01, 2012	Charge for the year	As at June 30, 2013	As at June 30, 2013
	(Rupees in '000)			%	(Rupees in '000)			
Computer software	220,475	429	220,904	25	159,996	28,608	188,604	32,300
Internally developed software and market products	131,169	28,961	160,130	25	63,351	30,879	94,230	65,900
	351,644	29,390	381,034		223,347	59,487	282,834	98,200

8.2 Intangibles under development

	Note	2014	2013
		(Rupees in '000)	
Internally developed software		**6,044**	4,450
Internally developed market products		**6,554**	6,554
Computer software		**11,150**	11,150
		23,748	22,154
Less: Provision for impairment	8.2.1	**(10,150)**	(10,150)
		13,598	12,004

8.2.1 This represents provision for impairment against the a software which failed to operate and consequently, the Company terminated the agreement and raised demand for the refund from the supplier, which is currently pending settlement.

9. INVESTMENT PROPERTY

Balance as at 1 July		**671,145**	740,115
Transfers:			
- transfer from investment property to operating fixed assets		**-**	(120,600)
- transfer from operating fixed assets to investment property		**-**	32,017
		-	(88,583)
Gain from changes in fair value	9.1	**9,584**	19,613
Balance as at 30 June		**680,729**	671,145

9.1 Represents office spaces in the KSE's building, the fair value of this property as at June 30, 2014 has been arrived at on the basis of a valuation carried out by Iqbal A. Nanji & Co., independent valuers. The valuation was carried out in accordance with the commercial rates for sale of office spaces prevailing in the market. This resulted in gain from changes in the fair value of investment property over the previous fair value of investment property of Rs. 9.584 (2013: Rs 19.613) million.

9.2 The rental income for the year from the investment property amounted to Rs. 47.619 (2013: Rs.41.999) million.

10. INVESTMENT IN ASSOCIATES - under equity method of accounting

	Note	2014	2013 (Restated)
		-------- (Rupees in '000) --------	
Unquoted companies			
Central Depository Company of Pakistan Limited [(CDC) (25,875,200 shares having face value Rs. 258,752,000)]		**935,754**	887,816
National Clearing Company of Pakistan Limited [(NCCPL) (4,687,500 shares having face value Rs. 46,875,000)]		**231,017**	198,497
	10.1	**1,166,771**	1,086,313

10.1 Reconciliation of changes in carrying value of investment in associate

	2014		
	CDC	NCCPL	Total
	---------- (Rupees in '000) ----------		
Opening Balance - restated	**887,816**	**198,497**	**1,086,313**
Share of profit for the year	**129,938**	**42,376**	**172,314**
Deficit on revaluation of associates' available-for-sale investments	**(1,803)**	**(26)**	**(1,829)**
Actuarial loss on employees' gratuity fund	**(2,577)**	**(455)**	**(3,032)**
Dividend received during the year	**(77,620)**	**(9,375)**	**(86,995)**
Closing balance	**935,754**	**231,017**	**1,166,771**

	2013		
	CDC	NCCPL	Total
	---------- (Restated) ----------		
	---------- (Rupees in '000) ----------		
Opening Balance - as previously reported	873,000	184,550	1,057,550
Effect of change in accounting policy	1,847	(526)	1,321
Opening Balance - restated	874,847	184,024	1,058,871
Share of profit for the year	97,086	20,396	117,482
Deficit on revaluation of associates' available-for-sale investments	(2,461)	(836)	(3,297)
Actuarial loss on employees' gratuity fund	(4,036)	(1,337)	(5,373)
Dividend received during the year	(77,620)	(3,750)	(81,370)
Closing balance	887,816	198,497	1,086,313

10.2 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 %
	2014						
		--------- (Rupees in '000) ---------					
Central Depository Company of Pakistan Limited Break-up value of each ordinary share of Rs.10 is Rs.36.16 based on the latest audited accounts available for the year ended June 30, 2014.	Pakistan	2,810,159	459,608	2,350,551	935,754	1,105,460	39.81
National Clearing Company of Pakistan Limited Break-up value of each ordinary share of Rs.10 is Rs 32.85 based on the latest audited accounts available for the year ended June 30, 2014.	Pakistan	3,269,334	2,778,435	490,899	231,017	232,170	47.06
		6,079,493	**3,238,043**	**2,841,450**	**1,166,771**	**1,337,630**	

Name of associate	Country of incorporation	Total assets	Total liabilities	Net assets	Share of net assets	Revenues	Interest held %
	2013						
		--------- (Restated) --------- --------- (Rupees in '000) ---------					
Central Depository Company of Pakistan Limited Break-up value of each ordinary share of Rs.10 is (restated) Rs. 34.31 based on the latest audited accounts available for the year ended June 30, 2013.	Pakistan	2,639,436	409,304	2,230,132	887,816	929,528	39.81
National Clearing Company of Pakistan Limited Break-up value of each ordinary share of Rs.10 is (restated) Rs. 42.35 based on the latest audited accounts available for the year ended June 30, 2013.	Pakistan	2,143,879	1,722,084	421,795	198,497	232,170	47.06
		4,783,315	2,131,388	2,651,927	1,086,312	1,161,698	

	Note	2014	2013
		-------- (Rupees in '000) --------	
11. LONG TERM INVESTMENTS			
Available for sale - unquoted			
JCR VIS Credit Rating Company Limited, a related party		**2,500**	2,500
250,000 (2013: 250,000) ordinary shares of Rs.10 each, representing 12.50% (2013: 12.50%) shareholding.			
Pakistan Mercantile Exchange Limited (PMEX), a related party		**22,091**	22,091
3,636,356 (2013: 3,636,356) ordinary shares of Rs.10 each, representing 19.14% (2013: 19.14%) shareholding. The original cost of investment in PMEX is Rs.42.091 million.			
Advance against further issue of shares	11.1	**52,727**	-
		74,818	22,091
Held to maturity			
Pakistan Investment Bonds (PIBs)	11.2	**1,773,153**	-
		1,850,471	24,591

11.1 During the year, the Company made a further investment of Rs.52,727,949 in Pakistan Mercantile Exchange Limited (PMEX) by accepting the offer of 145% right issue of PMEX and accordingly subscribing to 5,272,704 ordinary shares of Rs.10 each at par, which shall rank pari passu with existing ordinary shares of PMEX in all respects as approved under special resolution passed at Extra Ordinary General Meeting held on March 25, 2014.

As of the year end, the process of allotment of shares by PMEX was not completed and therefore, the subscription paid by the Company is disclosed as ' Advance against further issue of shares'. The cumulative shareholding of the Company in PMEX after taking into account the latest right issue, subject to the completion of allotment of shares, will be 32.32%.

11.2 These represent Pakistan Investment Bonds (PIBs) having cost of Rs. 1,758.187 (2013: Nil) million and interest accrued thereon of Rs. 14.619 (2013: Nil) million and amortization of discount of Rs. 0.346 (2013:Nil) million. The effective rate of return 11.78% per annum. These will mature latest by July 18, 2016.

	Note	2014	2013
		-------- (Rupees in '000) --------	
12. LONG TERM DEPOSITS			
Earnest money	12.1	**33,819**	33,819
Utilities		**1,914**	1,914
Others		**1,451**	1,427
		37,184	37,160

12.1 This includes 10% of the bid amount, amounting to Rs.32.999 (2013: 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 initiation of certain legal proceedings by one of the bidders, further action for purchase of land could not take place. Subsequently, 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. Recently, the Court has dismissed the suit on merit, which was filed by above-referred bidder.

During the year ended June 30, 2002, based upon the legal advice obtained, the Company filed a counter suit against Pakistan Railways for 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 (2013: Rs.296.995) million. The said case is pending adjudication in High Court of Sindh.

	Note	2014	2013
		-------- (Rupees in '000) --------	

13. LONG TERM LOANS

Employees - Considered good, secured	13.1	**2,929**	7,014
Recoverable within one year shown under current assets		**(2,094)**	(5,681)
		835	1,333

13.1 These personal loans are sanctioned for the purchase of motorcycles, performing Hajj and other domestic purposes. These are secured against the outstanding balances in the Employees' Gratuity Fund. These are recoverable in monthly instalments over a period, with original maturity between 2 and 6 (2013: 2 and 6) years and are interest free. All outstanding long term loans at the year end will mature within one to three years.

	Note	2014	2013 (Restated)
		-------- (Rupees in '000) --------	

14. DEFERRED TAX ASSET

Deductible temporary differences arising from:			
Provision for other receivables		**728**	224
Provision for debts considered doubtful		**7,765**	7,432
Carry forward tax losses		**401,260**	452,101
Provision for defined benefit liability		**13,062**	9,345
Minimum tax paid		**17,316**	11,123
		440,131	480,225
Taxable temporary differences arising from:			
Differences between written down values and tax base of assets		**(368,581)**	(401,285)
Share of profit from associate		**(8,700)**	(8,150)
		(377,281)	(409,435)
	14.1	**62,850**	70,790

14.1 The management, based on the current year results and the future years projections, estimates that sufficient taxable profits would be available in the future against which the deferred tax asset of Rs. 62.85 million as at the year end could be realized. Accordingly, the deferred tax asset has been fully recognised in these financial statements in accordance with the accounting policy of the Company as disclosed in note 4.12.

15. TRADE DEBTS

	Note	2014	2013
		-------- (Rupees in '000) --------	
Unsecured Considered good			
Due from members	15.1	**3,635**	3,162
Due from companies		**23,492**	17,774
		27,127	20,936
Considered doubtful			
Due from companies		**22,837**	22,279
		49,964	43,215
Provision for doubtful debts	15.2	**(22,837)**	(22,279)
		27,127	20,936

15.1 Included herein is a sum of Rs. 0.263 (2013: Rs. 0.287) million due from related parties.

	Note	2014	2013
		-------- (Rupees in '000) --------	
15.2 Reconciliation of provision for trade debts			
Opening balance		**22,279**	24,917
Provision for the year	31	**4,579**	1,045
Amount recovered	33	**(3,738)**	(3,683)
Bad debts written off		**(283)**	-
Closing balance		**22,837**	22,279

16. LOANS AND ADVANCES

Loans - secured, considered good			
- Current portion of long term loans to employees		**2,094**	5,681
Advances, considered good			
- Employees		**5,940**	6,103
- Suppliers		**3,655**	3,270
- Managing Director	16.1	**2,010**	-
		11,605	9,373
		13,699	15,054

16.1 This amount represents deposit in the Honorable High Court of Sindh on behalf of the Managing Director in connection with his official travel for KSE outside Pakistan.

Subsequently, the Honorable High Court of Sindh vide order CMA no.10048/2014 dated August 20, 2014 has discharged the surety and ordered that the amount of deposit be refunded.

17. PREPAYMENTS

Maintenance of information technology equipment / software	**8,514**	6,849
Insurance	**485**	400
Others	**666**	653
	9,665	7,902

18. OTHER RECEIVABLES

Due from members		**5,387**	5,005
Due from non-members	18.1	**13,356**	20,567
Management fee receivable		**38,623**	41,466
Interest / profit accrued on PLS savings accounts		**12,005**	5,963
Due from an ex-member	18.2	**6,574**	6,574
Others	18.3	**32,917**	18,073
		108,862	97,648
Less: Provision for doubtful receivable		**(2,141)**	(2,141)
		106,721	95,507

18.1 This represents amount due on account of license fee, data vending fee, advertisement and reimbursement of electricity charges, etc. incurred by the Company.

18.2 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 26.5, 26.6 and 26.7). The market value of these shares (including bonus shares) as at June 30, 2014 amounted to Rs. 17.336 (2013: Rs.15.441) million. Further, as disclosed in note 20.6 included in bank balances Rs. 8.824 and Rs. 5.653 (2013: Rs. 7.984 and Rs. 4.849) million received as dividends and bank profit respectively.

18.3 This includes receivable from NCCPL amounting to Rs.15.986 (2013: Rs. 9.836) million.

	Note	2014	2013
		-------- (Rupees in '000) --------	
19. SHORT TERM INVESTMENTS			
Held to maturity			
Market Treasury Bills	19.1	**162,286**	1,862,449

19.1 These represent Market Treasury Bills having cost of Rs. 157.179 (2013: Rs. 1,819.109) million and interest accrued thereon of Rs. 5.107 (2013: Rs. 43.34) million. The effective rate of return 9.97% (2013: 8.91 % to 10.23 %) per annum. These will mature latest by September 18, 2014.

20. CASH AND BANK BALANCES

In hand		**59**	52
With banks on:			
Current accounts	20.1& 20.3	**104**	2,454
PLS accounts in:			
foreign currency		**48,519**	40,674
local currency	20.1 to 20.6	**3,966,478**	2,799,344
		4,015,160	2,842,524

20.1 Included in 'current accounts' and 'PLS accounts' are Rs. 0.06 (2013: Rs.0.06) million and Rs. 3,573.531 (June 30, 2013: Rs.2,398.130) million, respectively, aggregating to Rs. 3,573.591 (2013: Rs.2,398.190) million, representing deposits from members against exposures and losses refer note 24. These deposits are utilised by the Company in the event of default of members to recover losses there from, as provided for in the relevant regulations of the Company. Rate of return on PLS accounts varies from 3.5% to 8.75% (2013: 3.50 % to 8.50 %). However, the effective rate for the year is 7.97% (2013: 7.8%).

20.2 Included herein are funds earmarked by the Company against the outstanding balance in the Dara F. Dastoor Scholarship Fund, amounting to Rs. 2.152 (2013: Rs. 2.173) million .

20.3 Included herein are balances, aggregating to Rs. 9.326 (2013: Rs. 8.392) million, deposited with the Company by members and an ex-member with respect to certain arbitration cases pending settlement (note 25.1).

20.4 Included herein is Rs. 258.242 (2013: Rs. 254.912) million held by the Company on account of disposal of membership cards of defaulting / expelled members (note 25.2).

20.5 Included herein Rs. 111.050 and Rs. 244.222 (2013: Rs. 127.587 and Rs. 239.721) million deposited with related parties KASB Bank Limited and Barclays Bank PLC, Pakistan respectively.

20.6 Included herein Rs. 14.477 (2013: Rs. 12.833) million related to bank profit and dividends received on the shares of an ex-member as disclosed in note 18.2.

21. SHARE CAPITAL

2014	2013		2014	2013
-----Number of shares------			------ (Rupees in '000) ------	
		Authorised capital		
1,000,000,000	1,000,000,000	Ordinary shares of Rs.10/- each	**10,000,000**	10,000,000
		Issued, subscribed and paid-up capital		
801,476,600	801,476,600	Ordinary shares of Rs. 10/- each (see note 1.1)	**8,014,766**	8,014,766

	Note	2014	2013
		------ (Rupees in '000) ------	
22. LONG TERM DEPOSITS			
Clearing house deposits from members		**35,513**	49,481
Other security deposits		**3,490**	3,490
		39,003	52,971
23. PROVISION FOR WEALTH TAX	23.1	**1,684**	1,684

23.1 Included herein are (a) a sum of Rs. 0.500 (2013: 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 (2013: 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 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 Income Tax Appellate Tribunal (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 (2013: Rs.19.184) million (note 26.2).

24. DEPOSITS FROM MEMBERS AGAINST EXPOSURES AND LOSSES

Deposits from members against exposures and losses	24.1 to 24.3	**3,573,591**	2,398,190

24.1 Included herein is a sum of Rs. 368.433 (2013: Rs. 179.445) million of deposits against exposures and losses from related parties.

24.2 In addition to the amount deposited by members against their exposures and losses, the members have also (a) pledged their shares, amounting to Rs. 8,027.722 (2013: Rs. 5,123.476) million, in the CDC account of the Company and (b) provided bank guarantees amounting to Rs. 625.2 (2013: Rs. 556.4) million and (c) pledged government securities amounting to Rs 101.452 (2013: 107.953) million.

24.3 This amount (2013: Rs. 2,398.190 million) is placed in saving accounts on which interest is paid to members at the rate ranging from 2.50% to 7.75% (2013: 2.50% to 7.50%).

	Note	2014	2013
		---- (Rupees in '000) ----	
25. TRADE AND OTHER LIABILITIES			
Deposits against Arbitration	25.1	**9,326**	8,392
Accrued expenses		**26,019**	30,596
Provision for staff bonus		**18,999**	9,224
		54,344	48,212
Other liabilities			
Due to members		**261**	148
Due to non-members		**304**	259
Retention money		**535**	535
Fees and rent received in advance		**12,844**	16,323
Amount held against defaulted members	25.2	**258,242**	254,912
Amount received in respect of employees' motorcycle instalments		**655**	809
Employees' Gratuity Fund	25.3	**41,608**	40,619
Tax deducted at source		**-**	48
Tax collected from members		**16,749**	23,001
SECP supervision fee		**1,205**	-
SECP transaction fee		**457**	667
Payable to members against return on cash margins on future contracts	32.1	**41,465**	26,387
Workers' Welfare Fund payable		**6,164**	1,596
Others		**8,269**	9,718
		388,758	375,022
		443,102	423,234

25.1 This represents amount deposited with the Company by members with respect to certain arbitration cases pending settlement (note 20.3).

25.2 This represents amount obtained on disposal of membership cards of defaulting / expelled members, including profit accrued thereon and dividends received, deposited in a separate bank account to be utilised for the settlement of dues of the defaulting members, including investors claim, if any (note 20.4 and 20.6).

	2014	2013
	---- (Rupees in '000) ----	
25.3 Employees' Gratuity Fund	**41,608**	40,619

25.3.1 Principal actuarial assumptions

Significant actuarial assumptions used in the valuation are as follows:

	2014	2013
	---- % Per annum ----	
Discount rate	**13.25%**	11.50%
Increase in salaries	**9.75%**	8.50%
Expected return on plan assets	**13.25%**	11.50%
Demographic Assumptions		
Mortality rates	**Adjusted SLIC 2001-05**	Adjusted EFU 1961-66
Rate of employee turnover	**Moderate**	Moderate

25.3.2 Liability recognised in the balance sheet:

Present value of obligation	**144,428**	162,870
Fair value of plan assets	**(102,820)**	(122,251)
	41,608	40,619

25.3.3 Expense recognised in profit and loss account:

Current service cost	**10,194**	10,076
Interest cost	**16,261**	16,179
Expected return on plan assets	**(12,717)**	(12,192)
	13,738	14,063

25.3.4 Movement in the liability recognised in the balance sheet:

Opening balance	**40,619**	26,026
Charge for the year	**13,738**	14,063
Other comprehensive income	**11,715**	15,387
Contribution	**(24,464)**	(14,857)
Closing balance	**41,608**	40,619

	2014	2013
	---- % Per annum ----	
25.3.5 Actual return on plan assets	**8.00%**	**9.35%**

25.3.6 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.

	2014	2013
	---- (Rupees in '000) ----	

25.3.6.1 Movement of present value of defined benefit obligation

Opening balance	**162,870**	135,697
Current service cost	**10,194**	10,076
Interest cost	**16,261**	16,179
Total benefits paid	**(53,672)**	(12,532)
Actuarial loss on obligation	**8,775**	13,450
Closing balance	**144,428**	162,870

25.3.6.2 Movement of fair value of plan assets

Opening balance	**122,251**	109,671
Return on plan assets	**12,717**	12,192
Contributions	**24,464**	14,857
Benefits paid by the fund	**(53,672)**	(12,532)
Actuarial gain or (loss) on assets	**(2,940)**	(1,937)
Closing balance	**102,820**	122,251

25.3.7 Remeasurements recognised in Other Comprehensive (Income) / expense during the year

Actuarial loss on obligation	**(8,775)**	(13,450)
Actuarial gain or (loss) on assets	**(2,940)**	(1,937)
	(11,715)	(15,387)

25.3.8 Constituents of plan assets

	Fair Value as at June 30, 2014		Fair Value as at June 30, 2013	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Government securities	**101,872**	**99.14%**	113,671	92.98%
Cash and Net Current Assets	**882**	**0.86%**	8,580	7.02%
	102,754	**100%**	122,251	100%

25.3.9 Historical Information

	2014	2013	2012	2011	2010
	---------- (Rupees in '000) ----------				
Present value of defined benefit obligation	**144,428**	162,870	135,697	113,976	-
Fair value of plan assets	**(102,820)**	(122,251)	(109,671)	(63,588)	-
Funding surplus	**41,608**	40,619	26,026	50,388	-
Experience adjustment on plan liabilities	**(8,775)**	(13,450)	9,461	16,266	11,762
Experience adjustment on plan assets	**(2,940)**	(1,937)	(2,142)	(4,561)	(13,610)

25.3.10 Maturity profile of the defined benefit obligation

	2014 (Rupees in '000)
Distribution of timing of benefit payments	
within the next 12 months (next annual reporting period)	**26,040**
between 2 and 5 years	**55,500**
between 6 and10 years	**91,464**
Beyond 10 years	**448,935**

25.3.11 Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability

	Persent value of Defined Benefit Obligation	Percentage change
	---(Rupees in '000)---	
Discount Rate +1%	**133,777**	(7.37%)
Discount Rate -1%	**156,530**	8.38%
Long Term Salary Increases +1%	**154,534**	7%
Long Term Salary Increases -1%	**135,317**	(6.31%)

26. CONTINGENCIES AND COMMITMENTS

Income tax related contingencies

26.1 The income tax assessments of the Company have been finalized up to and including the tax year 2012, corresponding to the income year ended June 30, 2012. 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 (2013: Rs.15.731) million has not been made in the financial statements of the current year.

26.2 Contingency relating to wealth tax amounts to Rs.19.184 (2013: Rs.19.184) million is discussed in detail in note 23. 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.

Contingencies relating to KSE's operations

26.3 A lawsuit was filed by a commercial bank against the Company for the recovery of Rs.500 (2013: Rs.500) 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. The management believes that, 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.

26.4 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 (2013: Rs.70.00) million together with interest thereon @ 22% (2013: 22%) per annum with quarterly interests, 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.

26.5 An ex-member filed a lawsuit during the year ended June 30, 2000 against the Company, Central Depository Company of Pakistan Limited and the 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 (2013: 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 (2013: Rs.351.392) million. A sum of Rs.302.882 (2013: Rs.302.882) million including receivables amounting to Rs.6.574 (2013: 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 (2013: 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.

26.6 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 26.5 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 (2013: Rs.500) 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 (refer note 18.2).

26.7 In addition to the lawsuits disclosed in note 26.5 & 26.6 above, five law suits in prior years, involving the ex-members' default were filed against several other defendants and the Company in the Honourable High Court of Sindh for the recovery of damages of Rs.5,606.612 (2013: Rs.5,606.612) million, Rs.428.440 (2013: Rs.428.440) million, Rs.49.777 (2013: Rs.49.777) million, Rs.743.026 (2013: Rs.743.026) million, and Rs. 23.419 (2013: 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.

26.8 The Islamabad Stock Exchange 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 Lahore Stock Exchange and Islamabad Stock Exchange. In case of failure to comply with the direction of the Commission, the Company will be liable to pay a penalty of Rs.50 (2013: 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.

26.9 The single bench of the Competition Commission (the Commission) of Pakistan passed an order on March 18, 2009, thereby penalizing the Company for a sum of Rs.6 (2013: Rs. 6) million for placement of floor. The Company filed an appeal before the Appellate Bench of the Commission . 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 Honourable 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 Commission undertook on behalf of the Commission 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.

26.10 As a result of a dispute between the Company and a member (suspended), whereby the member (suspended) was not sharing certain information relating to trading of shares, the Company complained to the SECP and the member (suspended) fearing about any coercive action by the Company and SECP, filed a suit against the Company in the Honourable High Court of Sindh. However, the SECP before filing the law suit by the member , had already suspended the license of the brokerage of the member. The member (suspended) has filed the above law suit for declaration, permanent injunction, mandatory injunction and damages of Rs. 2,000 (2013: Rs 2,000) million against the Company. The member (suspended) sought direction against the Company to restore its membership and registration to its original position. However, the management believes that, it is unlikely that the Court would award damages in favour of the investor. 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.

26.11 An investor was using the services of an expelled member for trading of securities of listed companies. However, the investor claimed that the expelled member with malafide intentions misappropriated funds and trading profit and fictitiously transferred them in the names of his relatives. In March, 2010, the investor requested the expelled member to liquidate his shares, however, the expelled member kept on delaying the matter which created doubts. In view of various complaints against the expelled member, The Company under its Notice dated August 26, 2010 expelled its membership. The investor alleged that the Company despite various objections and in violation of provision / regulations conveniently permitted the expelled member to function (prior to August 26, 2010). Accordingly, during the year, the investor filed a lawsuit in the High Court of Sindh of Rs. 20 million against the Company and other parties for the award of damages. However, the management believes that, it is unlikely that the Court would award damages in favour of the investor. 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.

26.12 A member filed a suit in the Honourable High Court of Sindh against the SECP, the Company and others whereby the member pleaded that it has suffered losses on account of trades executed by one of its client/investor. Further, the SECP asks the Company to initiate any inquiry against the member and thereafter requiring the member to maintain status qou in respect of the securities retained by the Company. The member has therefore sought judgment in decree of the Court, among others to:

- declare that the show cause notice issued by SECP and the directions issued by SECP to the Company are unlawful and without jurisdiction.
- declare that the inquiry being conducted by the Company on SECP's direction is void and without any lawful justification.
- restrain the SECP and the Company from cancelling the member's license/membership or from taking any coercive action against them.
- award damages of Rs. 50 million in favour of the member and against all the defendants (jointly and severally liable) for harassing and damaging the member's reputation.

The management of the Company believes that no provision against the above matter is required to be made in these financial statements. The said matter is dealt with by the in house legal department of the Company.

26.13 A customer of the member of the Company has filed a case against the Company in Honourable High Court of Sindh, wherein, an amount of Rs. 91 (2013: Rs. 91) million has been claimed by the customer of the member from the Company on account of alleged loss of investment and damages said to have been arisen due to fixation of a floor price and closure of the exchange in the year 2008. The legal advisor the Company anticipate a positive outcome to the matter from the standpoint of the Company and accordingly no provision against the above matter has been made by the management in these financial statements.

26.14 The plaintiff ,who has purchased office within the premises of the Company from the ex-member, has alleged that the Company is unlawfully imposing restrictions on him for operating in the newly purchased office despite the fact that he has paid all outstanding dues relating to such purchase. In the circumstances, the Plaintiff prayed the Court to declare that he is the lawful owner of the subject office and has all legal rights to use and occupy the same without any hindrance on part of the Company. The plaintiff has launched a claim of Rs. 5 (2013 : Rs. 5) million from the Company in this regard. The legal advisor the Company is optimistic that the matter will be decided in favour of the Company and accordingly no provision against the above matter has been made by the management in these financial statements.

26.15 "As provided under section 4 of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 [the Act], the Board of Directors of KSE, which at the time of promulgation of the Act was a company limited by guarantee without having share capital, was required to propose, among other matters, the authorized and paid-up capital of the Exchange with which it was to be corporatized. Under the same section, SECP was also required to accord its approval to the same. Accordingly, KSE's Board proposed the authorized capital of the Exchange at Rs.10 billion and SECP also accorded its approval on the same. Subsequently, under the requirements of section 5 of the Act, KSE completed other requirements and submitted documents with Registrar of Companies (RoC). However, RoC, indicated that KSE was required to submit additional documents with respect to increase in authorized capital, allotment of shares and alteration of Memorandum & Articles of Association along with the evidence for payment of 'Registration Fee' prescribed in the Companies Ordinance, 1984, enabling RoC to issue the Certificate of Re-registration. The registration fee demanded by the RoC works out to around Rs. 50 million. The KSE was of the view that such fee is not applicable as the authorized capital of KSE was newly created due to corporatization under a special Act, whereas, the fee demanded is under the Companies Ordinance, 1984. The legal advisor of KSE is also of the same view and accordingly, KSE held discussions with the SECP and the RoC then issued the certificate of re-registration. However, again after sometime, RoC issued notice for the fee demand which is not yet paid by the Company. No provision against the above referred fee demand has been made in these financial statements as the Company expects favorable outcome.

26.16 The SECP, vide SRO dated October 25, 2012, prescribed 'Stock Exchanges' Supervision Fee' to be levied @ 1% of operating revenue of the stock exchange. The matter was discussed at various meetings of the Board and finally vide a circular resolution dated January 08, 2014, the Board approved payment of such fee. However, the Company, for the purpose of determination of Supervision Fee, interpreted 'Operating Income in the relevant context and re-calculated on certain analysis. As SECP is charging 'Trading Fee' on TRE Certificate holders, charging of Supervision Fee for the same activity on KSE was viewed to tantamount to duplicity. Moreover, the remaining revenues are generated from other sources out of huge capital expenditure made on infrastructure developed by the KSE for providing these facilities to market participants and other users, as such KSE charges fees for the same as a commercial venture and no supervisory/ regulatory role is involved in it. Consequently, the fee on this account was not made part of the operating revenue for the computation of supervision fee. Therefore, the management as per the Board's approval has started paying the supervision fee to SECP at the rate of 1% of Listing Fee only. The differential supervision fee on other revenues amounting to Rs.3.472 million is not provided for in these financial statements as the Company expects that it's stance will be agreeable to SECP.

26.17 A customer of the member of the Company has filed a case against the member and the Company in Court of first Senior Civil Judge(South), Karachi wherein, an amount of Rs. 11.386 (2013: Rs. 11.386) million has been claimed by the customer from the Company on account of certain activities of the member which as per the customer has resulted in financial losses to him. As per the legal advisor of the Company, the Company apparently has a reasonable defence in respect of the claim in the suit, accordingly no provision against the above matter has been made by the management in these financial statements.

26.18 One of the then member of the Company ceased to perform its function in the year 2012 and the Company gave ninety days period to the said then member to settle all its obligations towards its customers. In this regard, as alleged in plaint, (one of the common director and shareholder of another Trading Rights Entitlement Certificate Holder of the Company and the aforementioned then member) gave an undertaking to the Company that he will ensure that all claims lodged by customers of the said then outgoing member within the stipulated time will be settled by him. However, some investors filed a complaint with the SECP against such Director and shareholder of the then member that the claims lodged by them were not paid. In view of the same, SECP suspended the registration of the brokerage house of such Director. The Director is of the view that all claims lodged by investors were fully settled within the stipulated time and the suspension of his brokerage house is not justified. Accordingly, during the year, the plaintiff has filed the present case in the Honorable High Court of Sindh against suspension order of SECP and claimed Rs. 50 million against the Company jointly and severally with the main Defendant i.e. SECP. As per the legal advisor of the Company, the Company apparently has a reasonable defence in respect of the claim in the suit. Accordingly, no provision against the above matter has been made by the management in these financial statements.

26.19 During the year , a customer of then member of the Company has filed a case against the member and the Company in the Honorable High Court of Sindh wherein, an amount of Rs. 1.371 million has been claimed by the customer from the Company jointly and severally with other defendants on account of certain activities of the then member which as per the customer has resulted in financial losses to him. The matter is currently being dealt with by in-house legal department of the Company and as per the Company, it apparently has a reasonable defence in respect of the claim in the suit. Accordingly no provision against the above matter has been made by the management in these financial statements.

26.20 During the year, SECP issued show cause notices to the Company in respect of certain alleged violations relating to the System Audit Regulations. The SECP vide its subsequent orders imposed a penalty of Rs.1 million on the Company. The Company has filed an appeal with the appellate bench of SECP against the penalties imposed which are pending for decisions. No provision against the above referred penalty has been made in these financial statements as the Company expects favorable outcome.

Commitments

Aggregate commitments for capital expenditure at the end of the year were Rs. 63.667 (2013: Rs. 8.46) million.

	Note	2014	2013
		-------- (Rupees in '000) --------	
27. LISTING FEE			
Annual fees		**160,662**	142,646
Initial fees		**76,069**	57,142
		236,731	199,788
28. INCOME FROM EXCHANGE OPERATIONS			
Trading fee	28.1	**171,234**	83,041
Facilities and equipment fee		**41,111**	36,744
Income from non-trading facilities		**21,713**	21,175
Membership fee		**1,960**	2,100
Other fee		**8,220**	8,431
		244,238	151,491

28.1 During the previous year, the Board of Directors of the Company in their meeting held on April 23,2013 has approved increase in the transaction (LAGA) charges applicable on all markets of the Exchange by Rs.1. The said increase was effective in phased manner i.e 50% (Rs.0.5) increase was effective from July 1,2013 and the remaining 50% from January 1 ,2014.

29. MANAGEMENT FEE

The Company manages KSE Clearing House Protection Fund (CHPF) and KSE Investors Protection Fund (IPF) which includes provision of services related to finance & investment, risk management and customers services and investors complaints. The management fee is charged based on the following rates as approved by the Board of Directors of the Company in its meeting held on April 23, 2014:

	CHPF		IPF	
	2014	2013	2014	2013
	----------%		----------	
On fund size of CHPF				
For the period from July 01, 2013 to March 31, 2014	**2%**	2%	**-**	-
For the period from April 01, 2014 to June 30, 2014	**4%**	2%	**-**	-
On fund size of IPF				
For the period from July 01, 2013 to June 30, 2014	**-**	-	**2%**	2%

	Note	2014	2013
		-------- (Rupees in '000) --------	

30. MARK-UP / INTEREST INCOME

Return on:			
Short term investments		**179,246**	181,396
PLS saving accounts		**180,609**	97,098
		359,855	278,494

31. ADMINISTRATIVE EXPENSES

Salaries and other benefits	31.1	**326,925**	298,395
Cost of Voluntary Separation Scheme		**16,143**	-
Rent, rates and taxes		**1,294**	1,294
Fuel and power		**58,975**	37,511
Repairs and maintenance		**27,085**	19,271
Computer maintenance and related expenses		**54,908**	57,165
Insurance		**8,079**	5,927
Telephone, courier and postage		**3,279**	3,192
Printing and stationery		**7,926**	6,903
Donations	31.2	**400**	400
Audit fee	31.3	**1,025**	1,055
Legal and professional charges		**14,761**	12,517
Demutualisation expense		**-**	12,077
Depreciation - operating fixed assets	7.1	**181,305**	178,786
Amortisation of intangible assets	8.1	**52,348**	59,487
Travelling and conveyance		**6,519**	5,358
Entertainment expense		**4,797**	3,914
Reception meetings and functions		**13,119**	9,299
Advertisement, marketing and development		**8,003**	6,034
SECP supervision fee		**3,724**	-
Provision for trade debts considered doubtful - net		**2,935**	-
Security expenses		**11,771**	9,499
Subscription fee		**2,659**	2,482
Exchange loss		**448**	-
Loss on sale of fixed assets		**401**	710
Other expenses		**1,183**	853
		810,012	732,129

31.1 Included herein is a sum of Rs.13.738 (2013: Rs.14.063) million in respect of retirement benefits.

31.2 Donations are paid to a Medical Institution, as per the policy approved by Board of Directors, in which none of the directors of the Company is interested in any capacity.

31.3 Audit fee

Annual audit	**650**	650
Half yearly review	**225**	225
Review of code of corporate governance	**50**	50
Other certifications	**-**	30
Out of pocket expenses	**100**	100
	1,025	1,055

32. FINANCIAL AND OTHER CHARGES

	Note	2014	2013
		-------- (Rupees in '000) --------	
Return on cash margin against ready and future exposure and loses	32.1	**143,604**	73,249
Bank charges		**972**	1,669
Workers' Welfare Fund		**4,563**	1,453
		149,139	76,371

32.1 This represents return on cash margins deposited by members against future contracts at various rates ranging between 2.5% and 7.75% (2013: 2% and 10%) per annum, after deducting 1% service charge, as per the Directive issued by the Securities and Exchange Commission of Pakistan.

33. OTHER INCOME

	Note	2014	2013
		-------- (Rupees in '000) --------	
Fair value gain on investment property	9 & 33.1	**9,584**	19,613
Reversal of provision against trade debts - net		**-**	2,638
Gain on settlement of insurance claim		**4,458**	-
Sponsorship income		**1,500**	-
Exchange gain		**-**	116
Dividend on long term investment		**969**	125
		16,511	22,492

33.1 In accordance with the requirements of section 248 of the Companies Ordinance, 1984, dividend shall not be declared or paid out of unrealized gain on investment property credited to profit and loss account. Accordingly, the fair value gain on investment property is not available for dividend distribution.

34. TAXATION

	Note	2014	2013
		-------- (Rupees in '000) --------	
Current	34.1	**27,613**	9,924
Prior		**4,494**	-
Deferred		**11,924**	(61,445)
	34.2	**44,031**	(51,521)

34.1 This represents minimum tax and tax at reduced rates under relevant sections of Income Tax Ordinance 2001.

34.2 Reconciliation between tax and accounting profit

	2014	2013
	-------- (Rupees in '000) --------	
Profit before taxation	**223,580**	69,102
Tax expense applicable at the rate of 34% (2013: 35%)	**(76,017)**	(24,186)
Tax effects of:		
- Income exempt from tax	**3,106**	6,905
- Expenses not deductible for tax purpose	**(315)**	(204)
- Income taxed at reduced rate / effect of change in tax rate and other temporary differences	**20,941**	68,670
- Prior year taxation	**4,494**	-
- Others	**3,760**	336
	(44,031)	51,521

35. BASIC AND DILUTED EARNINGS PER SHARE

	2014	2013
	-------- (Rupees in '000) --------	
Profit after taxation	**179,549**	120,623
	(Numbers in '000)	
Weighted average number of ordinary shares outstanding during the year	**801,476**	702,664
	(Rupees)	
Basic and diluted earnings per share	**0.22**	0.17

36. REMUNERATION OF MANAGING DIRECTOR AND DIRECTORS

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

	2014		
	Managing Director	Director	Total
	--------- (Rupees in '000) ---------		
Managerial remuneration	**13,932**	**-**	**13,932**
Annual performance payout	**-**	**-**	**-**
Reimbursement of expenses	**1,224**	**-**	**1,224**
Fees	**-**	**8,775**	**8,775**
	15,156	**8,775**	**23,931**
Number	**1**	**10**	

	2013		
	Managing Director	Director	Total
	--------- (Rupees in '000) ---------		
Managerial remuneration	12,672	-	12,672
Annual performance payout	4,224	-	4,224
Reimbursement of expenses	1,186	-	1,186
Fees	-	5,780	5,780
	18,082	5,780	23,862
Number	1	12	

36.1 The Managing Director of the Company is also provided with the free use of Company owned and maintained car.

37. RELATED PARTY TRANSACTIONS

The related parties comprise of associates, companies with common directorship, staff gratuity fund, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties.

The balances with related parties are disclosed in respective notes to the financial statements. Following are the details of transactions with related parties during the year ended June 30, 2014 and June 30, 2013.

	2014	2013
	-------- (Rupees in '000) --------	
Management fee		
KSE Clearing House Protection Fund	**87,327**	50,824
KSE investors Protection Fund	**18,137**	15,032
	105,464	65,856
Dividend income		
Central Depository Company of Pakistan	**77,620**	77,620
JCR-VIS Credit Rating Company Limited	**969**	125
National Clearing Company of Pakistan Limited (NCCPL)	**9,375**	3,750
	87,964	81,495
Income from investment property		
Central Depository Company of Pakistan	**5,025**	4,810
National Clearing Company of Pakistan Limited	**11,615**	9,891
	16,640	14,701
Income from Marginal Trading System - NCCPL	**15,511**	9,556
CDC fees		
Central Depository Company of Pakistan	**590**	2,453
Trading fees		
Aba Ali Habib Securities (Private) Limited	**5,699**	2,264
Adam Securities (Private) Limited	**7,605**	2,053
Dawood Equity Limited	**-**	15
Ghani Osman Securities (Private) Limited	**-**	70
Lakhani Securities (Private) Limited	**210**	109
Topline Securities (Private) Limited	**1,795**	947
Trade-In Securities (Private) Limited	**-**	13
Y.H. Securities (Private) Limited	**-**	29
	15,309	5,500
Profit on PLS account		
Barclays Bank PLC, Pakistan	**20,621**	2,586
KASB Bank Limited	**8,113**	2,618
	28,734	5,204
Facilities and equipment fees		
Aba Ali Habib Securities (Private) Limited	**342**	262
Adam Securities (Private) Limited	**919**	709
Dawood Equity Limited	**-**	30
Ghani Osman Securities (Private) Limited	**-**	54
Lakhani Securities (Private) Limited	**12**	12
Topline Securities (Private) Limited	**224**	165
Trade-In Securities (Private) Limited	**-**	30
	1,497	1,262
Listing fees		
National Bank of Pakistan	**840**	807
Tri-Pack Films Limited	**470**	464
Thal Limited	**561**	488
Descon Oxychem Limited	**256**	250
KASB Bank Limited	**434**	438
Engro Corporation Limited	**-**	726
Engro Polymer & Chemicals Limited	**-**	515
	2,561	3,688
Retirement benefit plan		
Payment made to gratuity fund during the year	**24,464**	14,857

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 government securities, cash at bank, trade debts, loans and advances, long term deposits and other receivables.

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 bank deposits in saving accounts. At the balance sheet date, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	2014			
	Interest / mark-up bearing			
	Effective yield / mark-up rate %	Upto six months	More than six months and upto one year	Total
		--------- (Rupees in '000) ---------		
Financial assets				
Government securities	9.97 - 11.78	**162,286**	**1,773,153**	**1,935,439**
Cash and bank balances	3.5 - 8.75	**4,014,997**	**-**	**4,014,997**
		4,177,283	**1,773,153**	**5,950,436**
Financial liabilities				
Deposits from members against exposures and losses	2.5 - 7.75	**3,573,591**	**-**	**3,573,591**

	2013			
	Interest / mark-up bearing			
	Effective yield / mark-up rate %	Upto six months	More than six months and upto one year	Total
		--------- (Rupees in '000) ---------		
Financial assets				
Short term investments	8.9 - 10.2	1,706,039	156,410	1,862,449
Cash and bank balances	3.5 - 8.5	2,840,018	-	2,840,018
		4,546,057	156,410	4,702,467
Financial liabilities				
Deposits from members against exposures and losses	2.5 - 7.5	2,398,190	-	2,398,190

The following table demonstrates the sensitivity of Company's income for the year to a reasonably possible change in interest rates, with all other variables held constant.

Change in basis point	Effect on income 2014	2013
	--------- (Rupees in '000) ---------	
+ 100	**23,768**	23,043
- 100	**(23,768)**	(23,043)

38.3 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of change in foreign exchange rates relates only to the bank balance in saving accounts maintained in US dollars amounting to Rs. 48.519 (2013:Rs. 40.674) million [US dollars 0.492 (2013: US dollars 0.413) million].

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before tax and reserves.

	Change in US dollar rate	Effect on income befor tax	Effect on reserves
		--------- (Rupees in '000) ---------	
2014	+10%	**4,893**	**4,893**
	-10%	**(4,818)**	**(4,818)**
2013	+10%	4,067	4,067
	-10%	(4,067)	(4,067)

38.4 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 short term investments, deposits, trade debts, loans and advances, cash at bank and other receivables. The table below shows the maximum exposure to credit risk for the components of the balance sheet.

	2014	2013
	-------- (Rupees in '000) --------	
Financial assets		
Government securities		
- Market treasury bills	**162,286**	1,862,449
- Pakistan Investment Bonds (PIBs)	**1,773,153**	-
Cash at bank	**4,015,101**	2,842,472
Trade debts	**27,127**	20,936
Loans and advances	**13,699**	23,264
Long term deposits	**37,184**	37,160
Other receivables	**106,721**	95,507
	6,135,271	4,881,788

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 with respect to cash at bank only:

	2014	2013
	-------- % --------	
Ratings *		
AAA	**25.32**	-
AA+	**30.16**	54.44
AA	**8.32**	9.49
AA-	**2.62**	3.94
A+	**14.41**	11.09
A	**7.06**	9.62
A-	**9.34**	6.93
BBB	**2.77**	4.49
	100.00	100.00

* Ratings are performed by PACRA and JCR-VIS

38.5 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 table below summarizes the maturity profile of Company's financial liability:

	2014			
	On demand	Upto three months	More than one year	Total
		--------- (Rupees in '000) ---------		
Long term deposits	**-**	**-**	**39,003**	**39,003**
Deposits from members against exposures and losses	**3,573,591**	**-**	**-**	**3,573,591**
Trade and other liabilities	**401,637**	**41,465**	**-**	**443,102**
Total	**3,975,228**	**41,465**	**39,003**	**4,055,696**

	2013			
	On demand	Upto three months	More than one year	Total
		--------- (Rupees in '000) ---------		
Long term deposits	-	-	52,971	52,971
Deposits from members against exposures and losses	2,398,190	-	-	2,398,190
Trade and other liabilities	369,974	26,387	-	396,361
Total	2,768,164	26,387	52,971	2,847,522

39. NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in their meeting held on September 11, 2014 proposed a final cash dividend at the rate of 1.5 % (2013:1.25%) i.e. Rs. 0.15 (2013:Rs. 0.125) per share, for the financial year ended on June 30,2014, amounting to Rs.120.221 (2013: Rs.100.185) million for the approval of the shareholders in the Annual General Meeting to be held on October 20, 2014.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on **September 11, 2014** by the Board of Directors of the Company.

41. NUMBER OF EMPLOYEES

The number of employees as at June 30, 2014 were 213 (2013: 241).

42. GENERAL

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

42.2 Certain prior year's figures have been reclassified for the purpose of comparison. Major reclassification during the year is as follows:

Statement	Components	Reclassification from	Reclassification to	2013 Rupees in '000
Balance sheet	Advance against construction of building	Loans and advances	Capital work in progress	8,210

sd/-
Chairman

sd/-
Managing Director

Pattern of Shareholding as at June 30, 2014

Number of Shareholders	Shareholdings			Total Shares Held
6	1	to	100	600
2	101	to	500	1,000
1	501	to	1,000	1,000
1	15,001	to	20,000	17,000
2	20,001	to	25,000	50,000
1	45,001	to	50,000	50,000
1	55,001	to	60,000	60,000
1	95,001	to	100,000	100,000
1	105,001	to	110,000	106,000
4	115,001	to	120,000	467,528
1	185,001	to	190,000	190,000
1	195,001	to	200,000	200,000
1	200,001	to	205,000	200,369
1	210,001	to	215,000	214,000
1	225,001	to	230,000	230,000
4	230,001	to	235,000	935,056
1	245,001	to	250,000	250,000
1	485,001	to	490,000	485,500
1	550,001	to	555,000	552,953
6	1,600,001	to	1,605,000	9,617,718
8	2,400,001	to	2,405,000	19,235,893
1	3,200,001	to	3,205,000	3,204,430
1	3,905,001	to	3,910,000	3,907,383
190	4,005,001	to	4,010,000	761,400,170
238				801,476,600

Categories of Shareholders as at June 30, 2014

	Number of shareholders	Number of shares held	Percentage
Directors and their spouse(s) and minor children			
Mr. Abdul Majeed Adam	1	100	0.00
Mr. Mohammed Sohail	1	100	0.00
Mr. Muhammad Yasin Lakhani	1	100	0.00
Mr. Muhammad Abid Ali Habib	1	100	0.00
	4	400	0.00
Associated Companies, undertakings and related parties			
Abid Ali Habib Securities (Private) Limited	1	4,007,283	0.50
Adam Securities (Private) Limited	1	4,007,283	0.50
Lakhani Securities (Private) Limited	1	4,007,283	0.50
Topline Securities (Private) Limited	1	4,007,283	0.50
	4	16,029,132	2.00
Executives	-	-	-
Public Sector Companies and Corporations			
Pak Libya Holding Company (Private) Limited	1	4,007,383	0.50
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds			
First Equity Modaraba	1	4,007,383	0.50
Orix Leasing Pakistan Limited	1	4,007,383	0.50
Security Investment Bank Limited	1	4,007,383	0.50
	3	12,022,149	1.50
Mutual Funds	-	-	-
General Public	-	-	-
Others			
Joint Stock Companies	188	734,850,818	91.69
Individuals	38	34,566,718	4.31
	226	769,4174,536	96.00
	238	801,476,600	100.00
Shareholders holding 5% shares or more	-	-	-

FORM OF PROXY

67th Annual General Meeting

I/We, _____ of _____ , holding Computerized National Identity Card No. _____ and being a member of Karachi Stock Exchange Limited, hereby appoint _____ of _____ , holding Computerized National Identity Card No. _____ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Exchange, to be held on 20th day of October 2014 and at any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ , 2014

WITNESSES:

1. Signature _____
   Name _____
   Address _____
   _____
   CNIC No _____

2. Signature _____
   Name _____
   Address _____
   _____
   CNIC No. _____

CDC Account No. [ ]

Revenue Stamp
of Rs.5/-

To be signed by above-named shareholder

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Exchange, not less than 48 hours before the time of holding the meeting.
2. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
3. Attested copies of CNIC of the appointer and the proxy-holder shall be furnished with the Proxy Form.
4. The proxy-holder shall produce his original CNIC at the time of the meeting.
5. In case of corporate entity, the Board of Directors' resolution / Power of Attorney with specimen signature shall be submitted along with Proxy Form.

SERVING INVESTORS AND INDUSTRY

111-001-122

Karachi Stock Exchange

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