



Annual Report
2008



**Lahore Stock Exchange
(Guarantee) Limited**



Contents

Company Information	03
Notice of Annual General Meeting	05
Chairman's Review	07
Governing Board of Directors	10
Management	12
Directors' Report	14
Market Highlights	20
Events	24
Auditors' Report	31
Balance Sheet	32
Income and Expenditure Accounts	34
Cash Flow Statement	35
Notes to the Financial Statements	38





COMPANY INFORMATION



Company Information

Board of Directors

- Mr. Arif Saeed (Chairman)
- Mian Shakeel Aslam (Managing Director/CEO)
- Mr. Sikandar Mustafa Khan
- Mr. Ibrar A. Mumtaz
- Mr. Walid Iqbal
- Mr. Asif Baig Mirza
- Dr. Arslan Razzaque
- Mr. Gul Abdullah Dhani
- Mr. Muhammad Nadeem Ejaz
- Mr. Ammar-ul-Haq

Chief Financial Officer

Mr. Arshad Munir Mirza

Audit Committee

Mr. Ibrar A. Mumtaz
Dr. Arslan Razzaque
Mr. Walid Iqbal
Mr. Gul Abdullah Dhani

Company Secretary

Mr. Wasim Baig

Legal Advisors

M/s. Hassan & Hassan (Advocates)
M/s. Saleem Baig & Advocates
M/s. Hamid Law Associates
M/s. Mandiwalla & Zafar

Auditors

M/s. Hameed Chaudhri & Co.
Chartered Accountants

Bankers

- Allied Bank Limited
- Arif Habib Bank Limited
- Askari Bank Limited
- Bank Alfalah Limited
- Bank Al-Habib Limited
- Faysal Bank Limited
- Habib Bank Limited
- Habib Metropolitan Bank Limited
- MCB Bank Limited

Head Office

19, Khayaban-e-Aiwan-e-Iqbal,
Lahore, 54000, Pakistan
PABX: +92(42) 636 8000
Fax: +92 (42) 636 8484-5

Faisalabad Trading Floor

5th Floor, State Life Building,
Circular Road, Faisalabad
PABX: +92(41) 262 2502, 260 4157-8
Fax: +92 (41) 260 4156

Sialkot Trading Floor

2nd Floor, Cantt Plaza,
Allama Iqbal Road, Sialkot
PABX: +92(52) 456 6262, 456 6363
Fax: +92 (52) 456 6000

E-mail Address:

secretary@lahorestock.com

Website: www.lahorestock.com



NOTICE OF ANNUAL GENERAL MEETING





Notice of Annual General Meeting

Notice is hereby given that the 38th Annual General Meeting of the **Lahore Stock Exchange (Guarantee) Limited**, is scheduled to be held on Saturday, November 29, 2008 at 1:30 p.m. in the Auditorium of the Exchange, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore to transact the following business:

AGENDA

1. To confirm the minutes of the 37th Annual General Meeting held on December 31, 2007, and Extra Ordinary General Meeting held on January 7, 2008.

Ordinary Business

1. To receive, consider and adopt the audited annual accounts of the Lahore Stock Exchange for the year ended June 30, 2008 together with the report of directors and auditors.
2. To appoint the auditors of the Lahore Stock Exchange for the year 2008-2009 and to fix their remunerations. M/s. Hameed Chaudhri & Company Chartered Accountants, have offered themselves for re-appointment as auditors of the Exchange for the financial year.

Dated: November 7, 2008

(WASIM BAIG)
Company Secretary



CHAIRMAN'S REVIEW





Chairman's Review

I am pleased to present the Annual Review as Chairman of the Lahore Stock Exchange. It has been a tumultuous year for the capital markets all over the world and serious challenges remain at the time of writing.

The Economy

FY 2007-2008 has been a difficult year for the economy. Disturbed political situation, unstable law and order, supply shocks, soaring oil, food and commodity prices, softening of external demand and turmoil in the international financial markets had an effect on the economy and as such it was unable to sustain its growth momentum of the past years and ended up at a lower growth rate of 5.8%. Growth rates for the current fiscal year are threatened by the rampant inflation and, in particular, the fast emerging global recession.

Capital Markets

During FY08, the LSE-25 index declined by 20% on a year-on-year basis. At the time of writing this review, the index has dropped by a further 27% since June 30, 2008. Unstable political conditions, higher inflation and interest rates, the rise in SBP's discount rate, exchange-rate instability, outflow of the portfolio investments, globally pervasive bearish markets, worsening law and order situation, political uncertainties, depletion of foreign-exchange reserves, lowering of the country's credit-rating, etc. are the main factors for continuation of this bearish-spell.

During FY 2007-2008, the worlds markets also showed low growth ranging from 0.4% (Singapore) to a negative 17% (Philippines). The global liquidity crunch and the rising commodity prices can be seen as the major reasons behind this performance.

The outgoing financial year has witnessed a number of M&A activities within the country, notable among them were:

- Acquisition of a 30% stake by Singtel in Warid Telecom
- Acquisition of a 65% stake and management control by Omantel in Worldcall Telecom
- Acquisition of a 15% stake in MCB Bank Limited by Maybank, Malaysia's largest financial institution

Strategy & Initiatives

The Exchange's total revenue was at Rs. 195.717m, showing a marginal decrease of 1% over last year. The surplus for the year after tax was Rs. 92.387 million showing an 18% decrease over the last year.

As a part of its strategy to run the Exchange on best practices and along corporate lines and also as a precursor to the demutualization, the Board approved a plan, which required the induction of professionals at key positions within the Exchange. The major part of this plan has been implemented subsequent to the year close and I am very positive that this would have a major impact towards running the organization on more professional and corporate lines, as well as increasing its value when the demutualization takes place.

The overall economic scenario within the financial year has not been conducive for companies to list on the stock exchanges. Out of the total 13 new listings on the LSE, only two of them were companies, while the rest were income funds and one term finance issue. LSE's total listed entries at the start of the year was at 520, whereas it has ended the year at 514 companies. I am positive that there are tremendous listing opportunities available in the economy and the Lahore Stock Exchange would continue to engage such entities. This would also require a significant effort on the part of the regulators by providing an enabling environment in addition to the Exchange's efforts to tap this potential.

The Exchange is fully aware of its regulatory role in addition to its primary role as a market provider and enabler. It is for this purpose and also acting on the proposed post demutualization model, it has established a Regulatory Division. I am happy to note that this division is functioning smoothly and coming up to speed with all pending arbitrations and regulatory matters.



Demutualization and Integration

The draft rules prepared by the SECP have been finalized and they now await a sign-off by the SECP. The Exchange, on its part in consultation with M/S. Rothschild, an investment bank from the UK, is well prepared to meet the deadlines and requirements once these rules are approved and handed over for compliance.

Strategic Investments

The Exchange has invested in certain entities that are of immense importance in the development and functioning of the capital markets. I am pleased to note that the Exchange' share of profits in these entities has increased by 107% over last year. Our Directors, as members of the Board in these entities fully participated in their growth and development.

Future Outlook

At the time of writing this review, the economic situation remains very challenging. The indices of stock markets of the country have been subjected to a floor that has seen trading dwindle to a virtual standstill and till the date of writing there is no set date for its removal. The members of the stock exchanges in conjunction with the regulatory authorities and the Government are working on the details of a recovery plan. The foreign exchange reserves are on a fast declining trend and Government has approached the International Monetary Fund for its support in overcoming its

serious balance of payments difficulties by requesting a loan of around \$7.6 billion. Inflation is high at around 25%. On a positive note, oil prices have been reduced considerably and this would greatly help in reducing the pressure on the foreign exchange reserves and the current account.

We are facing very challenging times ahead and restoring investor confidence should be, in my opinion, the primary focus of the Government. The Lahore Stock Exchange and its members rely on normal trading activities for much of their revenue and its core business is under threat in the current impasse. We look forward to an urgent resolution and subsequent resumption of trade, so that investors can find ways to salvage their positions through the market. We are confident that with the help of the highly professional team we have assembled and with continued support from our management, our members and staff, the Lahore Stock Exchange will continue to be the best run stock exchange in the country.

Thanks are also due to the continued cooperation and support extended by the Chairman, SECP, Mr Razi ur Rahman Khan and to the Commissioners throughout the year, and – I may add – under very challenging circumstances.

I would like to place on record the very positive contribution of the Board of Directors and, in particular the Management and the Staff of the LSE in maintaining and upholding the highest standards of professionalism.

ARIF SAEED
Chairman



GOVERNING BOARD OF DIRECTORS





Governing Board Of Directors



SITTING LEFT TO RIGHT

Mr. Gul Abdullah Dhami
DIRECTOR

Mr. Asif Baig Mirza
DIRECTOR

Mr. Arif Saeed
CHAIRMAN

Mr. Sikandar Mustafa Khan
DIRECTOR

Dr. Arslan Razzaque
DIRECTOR

Mr. Ibrar A. Mumtaz
DIRECTOR

STANDING LEFT TO RIGHT

Mr. Wasim Baig
COMPANY SECRETARY

Mr. Ammar-ul-Haq
DIRECTOR

Mr. Walid Iqbal
DIRECTOR

Mian Shakeel Aslam
MANAGING DIRECTOR / CEO

Mr. Muhammad Nadeem Ijaz
DIRECTOR



MANAGEMENT





Management



LEFT TO RIGHT

Mr. S.M. Azfar Uddin
Head of IT

Mr. Arshad Munir Mirza
Chief Financial Officer

Mr. Faheem Sardar
General Manager

Mr. Wasim Baig
Company Secretary

Mr. Ahmed Hasan
Chief Regulatory Officer



DIRECTORS' REPORT



Directors' Report

The Board of Directors of Lahore Stock Exchange (Guarantee) Limited (LSE) is pleased to present the Annual Report for the financial year 2007-08 along with the audited accounts for the year-ended on June 30, 2008 and the Auditors' report thereon.

The Economic Review

Pakistan's real GDP growth rate for FY08 was 5.8% as against 7.0% for FY07 and 6.6% for FY06.

The economy's growth in FY08 has decelerated owing to poor performance of agriculture and the dismal performance of the major crops such as wheat, cotton and the dismal performance of the manufacturing sector, particularly the large scale manufacturing at the back of a series of external and internal shocks.

In the current fiscal year, large scale manufacturing sector grew by 4.8% (FY07: 8.4%), services sector grew by 8.2% (FY07: 8.0%) and the agriculture sector grew by 1.5% (FY07: 5.0%).

The phenomenal upsurge in the commodity prices in the international markets, especially the crude oil and palm oil, added heavily to the import bill. The historic peak of foreign exchange reserves of U.S \$ 16.5 billion dollars could not be sustained and it had depleted by about 25 % at the close of the financial year.

Exports grew by 3.6 % to U.S \$ 17.2 billions during FY 07-08; whereas imports grew by over 32 % to U.S \$ 32.1 billions. The

policy of the government to subsidize petroleum products and agricultural inputs had its cost in the form of massive unplanned government borrowing from State Bank of Pakistan, which largely contributed in the creation of fiscal deficit of over 8.0 % of G.D.P. This lack of discipline in the macro-economic fundamentals was instrumental in causing exchange rate instability, out flow of the portfolio investments, dollarization, discouragement of FDI and lowering of the country's credit rating.

However, FBR was able to achieve its revenue collection target of over Rs. 1.00 trillion. Inward remittances did touch the peak of over U.S \$ 6.00 billions.

Headline inflation reached around 11.5 % and food inflation was over 19 %. The productivity levels were low, mainly due to prolonged and frequent power outages. SBP remained strictly on course to tighten the monetary policy, followed the policy of upward revision in the interest rates, which started affecting the profitability of the businesses. Worsening law and order situation and political uncertainty further dampened the investment climate, keeping the investors on the side lines due to pervasive negative perception

Stock Market Performance

During FY08, the LSE-25 index decreased from 4850 to close a 3869 on June 30, 2008 showing a decrease of 981 points or 20% on a year-on-year basis. The year's high was on October 18th, 2007 when the LSE-25 touched 5091. Unstable political conditions, increasing inflation and interest rates have been the negative factors.

Turnover of ready market shares was an average of 26.18 million shares per day as against 33.78 million shares traded daily on average during 2006-07. The traded value decreased to an average of Rs. 2.54 billion per day as against Rs. 3.44 billion worth of shares that were traded daily on average during 2006-07.

Unstable political conditions, higher inflation and interest rates, exchange-rate instability, stagnation of the privatization process, outflow of the portfolio investments, globally pervasive bearish markets, worsening law and order situation, political uncertainties, depletion of foreign-exchange reserves, re-emergence of dollarization psyche, lowering of the country's credit-rating, etc. are the main factors, for continuation of this bearish-spell

Listing Activity

During the period under review, 13 new securities were listed at LSE, of which 2 were new companies, 10 were open ended funds and 1 was a Term Finance Certificate issue. The total issue size of these listings was Rs.14.5 billion. Listed capital increased by 12% from Rs.595 billion to Rs.665 billion. The total listing on the LSE was 514 companies versus 520 against the previous year.

The Exchange also allowed buy-back of two companies, first through in house deliberations and finally through joint committee with K.S.E.

Significant Achievements

In the year under review the following major initiatives were implemented to strengthen the market environment and boost investors' confidence:

- Implementation of procedure for Continuous Funding System (CFS) transaction in case of corporate actions
- Implementation of methodology for executing inter-exchange trades
- Implementation of Financial Institutions (FIs) Margining System
- Revision in Eligibility Criteria for CFS, CFS MkII, Deliverable Futures Market
- Amendments in Standardized Account Opening Form in General Regulations
- Reduction in Tick Size from 5 Paisa to 1 Paisa per share
- Approval of Eligibility Criteria for Margin Eligible Securities
- Revision in position limits for all markets
- Implementation of CFS MkII replacing CFS Market at the Exchange
- Registration of UIN for Execution of Inter-Exchange Trades / Transactions

Initiatives in progress

- Contribution to the seed capital for establishment of Institute Of Security Market In Pakistan
- Automation of Pledging of Securities in Clearing House Settlement system (CHS) posted through Central Depository System (CDS) without manual entry in stock form
- Automation of reconciliation of stock in CHS with CDS holding

IT Developments

- **UltraTrade Sale to Ghana Stock Exchange (GSE)**
The first international sale of LSE's in-house developed software, UltraTrade was successfully negotiated. The Phase-I of the deployment of GSE project has been completed successfully while the trainings are under process nowadays.
- **CFS Mark II Implementation**
CFS Mark II implementation has been completed successfully.
- **Local Area Network Revamp Phase 1**
In Phase 1 of Network Revamp, the access layer switches are being replaced and updated with newer advanced technology to provide better security and service at client level.

- **Domain Control deployment**

Domain controller is being installed and all the working network segments are being brought under one Domain Control, by virtue of which the overall security and uptime of computers will be improved to a satisfactory level.

IT Developments - Initiatives in hand:

- **FIX enabled Gateway development**

The Financial Information eXchange ("FIX") Protocol is a series of standardize messaging specification for the electronic communication of trade-related messages. This project is in its research and development phase.

- **Up gradation of Anti Virus defense to Total Enterprise security**

The Antivirus system deployed in LSE core users and in its members area in being updated to TA system that includes Network access control and host intrusion protection to increase the desktop security

- **Deployment of Content management software - working towards a paperless environment.**

We are in phase of evaluating content management software's. Once the product would be selected, it would be deployed in all departments of LSE in order to improve efficiency, performance, coordination, transparency and also to encourage the concept of paperless environment within LSE.

- **Disaster recovery site planning - (Design & Technical aspects)**

The planning for the design, location and technical aspects of a DR site is under process.

- **Network & Data Centre revamp**

A full revamp of overall networks and data centre on a new location with physical security and fault tolerance is under planning.

- **Ultra trade sale**

Ultra trade sale to prospective local and international parties is in process.

- **Development of a Fault Tolerance System (FTS)**

FTS specifically relating to Ultra Trade UltraTrade & Smart Stock systems is in process. This system would enable to have a completely functional DR site in the event of any major failure in the UltraTrade and the Smart Stock System.

- **Enterprise Resource Planning (ERP)**

The Exchange has undertaken the implementation of Oracle Financials. Once implemented, this ERP would integrate all other information systems and would enable the integrity of information and, ensure accurate and timely reporting.



Corporatization & Demutualization

As a part of the Corporatization process, the Board approved the restructuring of the organization in order to induct better quality human resources, improve efficiency and to prepare the organization for future challenges.

In order to expedite the process of corporatization and demutualization and in an effort to ensure a smooth transition, the SECP has circulated to all exchanges a draft of 'The Stock Exchanges (Corporatization, Demutualization and Integration) Ordinance, 2007'. Subsequent to this, the Federal Government empowered the SECP to frame rules necessary in this regard. Draft Stock Exchanges (Corporatization, Demutualization and Integration) Rules, 2008 were prepared by the SECP and circulated among all concerned for their comments. These Rules now await a formal approval from the SECP.

The Exchange has engaged M/s. Hassan and Hassan (Advocates) to deal with all the legal matters. M/s. N.M. Rothschild (UK), a renowned international investment bank have been mandated to deal with the commercial and financial aspects of this project.

M/s A.F. Ferguson, Chartered Accountants have, also, been assigned to do the re-valuation work of the Exchange

Investor Education

As part of its mission of increasing awareness about the Capital

Market in Pakistan, Lahore Stock Exchange is conducting workshops and seminars for the awareness of general public about the Stock Market.

LSE is also providing full scholarships to Lahore University of Management Sciences (LUMS) for studies of one undergraduate and one MBA.

Members Affairs

During the period under review, of the 152 LSE members, the corporate members have increased from 103 to 110. In addition the Exchange was able to resolve through arbitration 10 investors' complaints.

The arbitration process has been over-hauled through induction of independent arbitrators and the Exchange is now better equipped to resolve the disputes, in an efficient manner

Financial Results

The financial results of the Exchange for the year ended 30 June, 2008 are summarized as follows:

The preceding year's figures have been restated due to the adjustment of profits, dividend and capital gains from the Exchange's accumulated surplus to the Members' Contribution Fund and Investors' Protection Fund.

	2008 (Rupees in thousand)	2007
Income	195,717	197,892
Expenditure	163,250	116,360
	32,467	81,532
Share of after tax profit of Associated companies-Net	74,258	35,814
Surplus for the year - Before taxation	106,725	117,346
Provision for Taxation	14,338	4,550
Surplus for the year - After taxation	92,387	112,796
Accumulated Surplus - Brought forward	420,529	343,460
Transfer from Surplus on Revaluation of Operating Fixed Assets on account of Incremental Depreciation for the year Adjustment arising due to income related to Members' Contribution Fund and Investors' Protection Fund	3,242	-
Share of actuarial losses of associated companies directly charged to equity	-	(35,637)
	-	(90)
Accumulated Surplus - Carried to balance sheet	516,158	420,529

The surplus for the year under reference before tax was Rs. 106.725 million showing a decrease of 9 % over the surplus of Rs. 117.346 million for the last year. The total income of the Exchange stood at Rs. 195.717 million for the year under review depicting a decrease of Rs. 2.175 million equal to 1% over the previous years' total income of Rs. 197.892 million.

Fee income fell by Rs. 19.704 million or 15% over last year to Rs. 113.717 million from Rs. 133.406 million.

The profit on bank deposits was Rs. 52.619 million compared to last year's profit of Rs. 43.845 million showing an increase of Rs. 8.774 million equal to 20% over last year.

The rental income has increased from Rs. 14.091 million to Rs. 21.985 million showing an increase of 56% over last year which is a result of increase in rates of rent and better space utilization.

Total expenditure of the Exchange was Rs. 163.250 million as compared Rs. 116.360 million for the last year. The reason for this increase is the expenses incurred for the ongoing demutualization process and inflationary pressures on other admin expenses.

Auditors' Observations

The Auditors have expressed an observation in their report on which the Directors wish to make the following comment:

Recoverability of Rs. 181.532 million from the defaulted / suspended Members

The management of the Exchange is hopeful that it will be able to fully recover all the payments relating to May, June 2000 crises on the following grounds:

- An amount of Rs.78.088 million has already been realized from the sale of shares and the proceeds are kept in the interest bearing account. This amount is not being utilized by the Exchange at present, pending final resolution of the Court cases.
- The Exchange, during the financial year ended 30 June, 2002 auctioned the seat of one of the defaulted / suspended Members and realized an amount of Rs.7.075 million. The Exchange has the right, under its Rules and Regulations, to sell 3 other seats belonging to the defaulted / suspended Members. At the current market price, these seats may be sold for Rs. 90 million

approximately.

- The Exchange also has the right to sell 6 rooms belonging to these Members. At the current market price, the Exchange may realize Rs. 33 million approximately from these sales. These memberships and rooms are the safest collateral, in the hands of the Exchange, as the recoverability of the Clearing House dues, has got preferential status. However, auction of these assets, is also held up due to pending Court cases.
- Additionally, sale of shares worth Rs. 1.5 billion as at 30 June, 2008 has been frozen by SECP pending resolution of the Court cases.
- In addition to the aforementioned recovery of amounts subject to the judgment of the Courts, the Civil Judge - Lahore, vide his order dated 07 July, 2003, has attached the CDC accounts of a defaulted Member and his Associates.
- Negotiations are under progress by certain defaulted/suspended members of the Exchange for settlement agreements to pay back the amounts due by them to the Exchange.
- The above amounts are in excess of amounts receivable by the Exchange, therefore, no adverse effect is expected on the financial condition of the Exchange.

Meetings and Attendance

A total of 11 meetings of the Governing Board of Directors were held from January 1st till November 6, 2008. The participation of each Director in the meeting of the Board till this date has been recorded as under:

Total Meetings held	Regular	Emergent
11	7	4

Participation of Directors in the aforesaid meetings

Sr. #	Names of Directors	Regular attended	Emergent	Total Meetings
1.	Mr. Arif Saeed: Chairman	7	2	9
2.	Mian Shakeel Aslam: MD/CEO	7	4	11
3.	Mr. Ammar-ul-Haq	7	3	10
4.	Dr. Arslan Razaque	6	2	8
5.	Mr. Asif Baig Mirza	7	4	11
6.	Mr. Gul A. Dhani	7	3	10
7.	Muhammad Nadeem Ejaz	6	3	9
8.	Mr. Ibrar A. Mumtaz	5	3	8
9.	Mr. Sikandar M. Khan	6	1	7
10.	Mr. Walid Iqbal	6	3	9



Future Outlook

LSE would continue with its efforts to increase its trading volumes through increasing its outreach and collaboration with other exchanges in this regard. It would also continue to look after the interest of all its stakeholders including the investors, issuers and intermediaries as well as fulfill its role as the front-line regulator to make LSE as the exchange of choice for all the participants.

A major challenge lying ahead for the exchange is its demutualization. This will have a major role to play in the overall reformation of the capital markets of Pakistan and through its successful implementation will enhance governance standards and transparency and ultimately investor's confidence. The Demutualization Committee and Management of the exchange through consultation with the SECP will be working tirelessly in its efforts to ensure a swift and timely transition. With LSE's voluntary adoption of the Code of Corporate Governance, its innovative strength in software development and enhancement of its geographical outreach, the new management team is well positioned to capitalize all the available opportunities with its distinct performance.

For and on behalf of the Board

Sd/-

MANAGING DIRECTOR

Lahore: September 24, 2008

Acknowledgements

The Board of Directors would like to place on record its thanks to the Chairman, Commissioners and other staff at the Securities and Exchange Commission of Pakistan, for their continued support and guidance throughout the year.

The Board also records its thanks to the Chairmen and Managing Directors of the Karachi and Islamabad Stock Exchanges, Central Depository Company and National Clearing Company and the management of PACRA and National Commodity Exchange; for their cooperation and coordination in various matters affecting the capital markets during the year.

The Board also records its appreciation for all the Conveners and Members of various committees for their contribution. As always, the Board also recognizes with gratitude the dedication and hard work put in by all the staff members of the Exchange throughout the year.

Sd/-

DIRECTOR



MARKET HIGHLIGHTS





Market Highlights

JULY TO JUNE	2007 - 08	2006 - 07	2005 - 06
Total Number of Listed Companies	514	520	518
Total Listed Capital (Rs. in billion)	664.506	594.592	469.494
New Listings during the year:-			
Companies	2	10	7
Open-end Funds	10	11	5
Term Finance Certificates	1	4	2
Preference Shares	-	-	1
Total Market Capitalization (Rs. in billion)	3,514.230	3,859.837	2,693.282
Total Share Volume – Regular Market (in million)	6,467.230	8,243.142	15,008.711
Average Daily Share Volume – Regular Market (in million)	26.183	33.783	61.260
LSE-25 Index:-			
Closing	3868.79	4849.88	4379.27
Highest during the year	5091.31	5031.21	5739.56
Lowest during the year	3511.18	4004.00	3418.52

New Listings During the Year 2007-08

S. NO.	COMPANIES	DATE OF LISTING
1	Habib Bank Ltd.	24/09/2007
2	Arif Habib Bank Ltd.	11/02/2008

S. NO.	OPEN-END FUNDS	DATE OF LISTING
1	UTP-Capital Protected Fund II	13/07/2007
2	HBL Stock Fund	07/09/2007
3	JS Capital Protected Fund III	05/10/2007
4	NAFA Islamic Income Fund	29/10/2007
5	NAFA Islamic Multi Asset Fund	29/10/2007
6	HBL-Multi Asset Fund	08/02/2008
7	JS Aggressive Income Fund	19/02/2008
8	MCB Dynamic Allocation Fund	26/03/2008
9	NAFA Income Fund	31/03/2008
10	JS Capital Protected Fund IV	08/05/2008

S. NO.	TERM FINANCE CERTIFICATES	DATE OF LISTING
1	Pace (Pakistan) Ltd.	28/03/2008



De-listings During the Year 2007-08

S. NO.	COMPANIES	REASON OF DE-LISTING	DATE OF DE-LISTING
1	Crescent Standard Investment Bank Ltd.	Merged with Innovative Investment Bank Ltd. (Formerly Innovative Housing Finance Ltd.) (1:0.005)	20/07/2007
2	Colony Textile Mills Ltd.	Merged with Colony Mills Ltd. (9.5:1)	23/07/2007
3	Sarhad Cigarette Industries Ltd.	Buy Back of Shares @ Rs. 50/- per share	06/08/2007
4	Wali Oil Mills Ltd.	Buy Back of Shares @ Rs. 40/- per share	20/09/2007
5	Suzuki Motorcycles Pakistan Ltd.	Merged with Pak Suzuki Motor Company Ltd. (21:1)	29/10/2007
6	Noon Textile Mills Ltd.	Buy Back of Shares @ Rs. 92/- per share	01/11/2007
7	PICIC Commercial Bank Ltd.	Merged with NIB Bank Ltd. (1:2.27)	02/01/2008
8	Pakistan Industrial Credit & Investment Corporation Ltd.	Merged with NIB Bank Ltd. (1:3.18)	02/01/2008
9	Kashmir Edible Oils Ltd.	Members' Voluntary Winding up	29/02/2008
10	Nagina Cotton Mills Ltd. (R.C. Preference shares 13%)	Full Redemption	29/02/2008

S. NO.	TERM FINANCE CERTIFICATES	REASON OF DE-LISTING	DATE OF DE-LISTING
1	Hira Textile Mills Ltd.	Exercise of Call Option & Full Redemption	18/07/2007
2	Dawood Leasing Company Ltd.	Final Redemption	17/08/2007
3	Jahangir Siddiqui & Company Ltd.	Final Redemption	08/05/2008
4	Gulistan Textile Mills Ltd. (2nd Issue)	Exercise of Call Option & Full Redemption	08/05/2008

Changes in Memberships During the Year 2007-08

The following memberships of the Exchange have been changed by way of nomination & conversion during the financial year July 2007 to June 2008.

NOMINATION:

SR. NO.	CODE NO.	INCOMING MEMBER/ CORPORATE MEMBER	OUTGOING MEMBER/ CORPORATE MEMBER	DATE OF CHANGE
1.	116	M/s. Universal Equities (Pvt.) Ltd.	Mr. Nadeem B. J Sheikh	11-07-2007
2.	148	M/s. AMCAP Securities (Pvt.) Ltd.	M/s. Faisal Zulfiqar Securities (Pvt.) Ltd	11-07-2007
3.	70	M/s. Q. F Securities (Pvt.) Ltd.	Mr. Ahmad Hasnain	13-08-2007
4.	17	M/s. Innovative Housing Finance Ltd.	Haji Ghani Haji Usman	15-09-2007
5.	145	M/s. Pearl Brokerage (Pvt) Ltd.	M/s. Kashif Rafiq Vohra Securities (Pvt) Ltd.	03-03-2008
6.	82	M/s. Salman Majeed Securities (SMC-Pvt) Ltd.	M/s. T& J Securities (Pvt) Ltd.	08-05-2008
7.	84	M/s. H.H. Misbah Securities (Pvt) Ltd.	Mr. Munir Khalid	08-05-2008
8.	114	M/s. Equity Master Securities (Pvt) Ltd.	M/s. A. Z. Securities (Pvt) Ltd.	09-05-2008
9.	8	M/s. RUC Securities (Pvt) Ltd.	Late Vice Admiral (Rtd.) H.M. Siddique Choudri	25-06-2008
10.	60	M/s. First Punjab Modaraba	M/s. First Fidelity Leasing Modaraba	25-06-2008
11.	65	M/s. Infinite Securities Ltd.	Auction through Exchange.	25-06-2008
12.	140	M/s. Escorts Capital Ltd.	M/s. Escorts Investment Bank Ltd.	25-06-2008
13.	42	M/s. Fort Investments (Pvt) Ltd.	Late Mr. Ayaz Mehmood	25-06-2008

CONVERSION:

SR. NO.	CODE NO.	INCOMING MEMBER	OUTGOING MEMBER	DATE OF CHANGE
1.	80	M/s. Abid Investments (Pvt) Ltd.	Sheikh Abid Hussain	16-11-2007
2.	16	M/s. Nizam Securities (Pvt) Ltd.	Mr. Naseer Ud Din	25-06-2008
3.	68	M/s. Sethi Securities (SMC-Pvt) Ltd.	Mr. Muhammad Ilyas Sethi	25-06-2008
4.	127	M/s. Gul Dhami Securities (Pvt.) Ltd.	Mr. Gul Abdullah Dhami	25-06-2008
5.	139	M/s. Khawaja Securities (Pvt.) Ltd.	Khawaja Usman Arif	25-06-2008



PICTORIAL COVERAGE OF EVENTS 2007-08





Meeting between Tom Healy (MD/CEO) Abu Dhabi Securities Exchange and Mian Shakeel Aslam (MD/CEO) LSE to discuss bilateral relation between the two Exchanges in Abu Dhabi.



Mian Shakeel Aslam MD/CEO, Lahore Stock Exchange and Mr. Peter FitzGerald Managing Director, Dubai International Financial Exchange (DIFX) during their meeting in Dubai.



Mian Shakeel Aslam (MD/CEO) LSE, with Huseyin ERKAN, Chairman & CEO Istanbul Stock Exchange, (Turkey) during the OIC meeting in Istanbul.



Mian Shakeel Aslam (MD/CEO) Lahore Stock Exchange presenting shield to Mr. M.L. Soneji (COO/Acting MD) Bombay Stock Exchange during his visit to BSE.



Visit of LSE delegation to Delhi Stock Exchange, (India) - presentation being made by Pradeep Kumar Jain, (Chairman), DSE.



H.S. Sidhu (MD/CEO) Delhi Stock Exchange briefing the LSE delegation on their visit to India.



LSE delegation visit to Bombay Stock Exchange, (India).



Independence Day Celebration at the LSE



Members, Directors and Management at Iftar Dinner hosted by Chairman LSE, Mr. Arif Saeed.



FINANCIAL STATEMENTS





Auditors' Report to the Members

We have audited the annexed balance sheet of **LAHORE STOCK EXCHANGE (GUARANTEE) LIMITED** (the Exchange) as at 30 June, 2008 and the related income and expenditure account and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Exchange'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:

Due to pending court cases, recoverability of Rs. 181.531 million due from the defaulted / suspended Members depends upon favourable judgments by the respective Courts as detailed in note 30.

- (a) in our opinion, proper books of account have been kept by the Exchange as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Exchange's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Exchange;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account and cash flow statement together with the notes forming part thereof, except for IAS 18 (Revenue), 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, except for the reservations detailed in aforementioned paragraph and the extent to which this may affect the annexed financial statements, respectively give a true and fair view of the state of the Exchange's affairs as at 30 June, 2008 and of the surplus and its cash flows for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



BALANCE SHEET

	Note	2008 (Rupees in thousand)	2007 Restated
FUNDS AND LIABILITIES			
MEMBERS' INITIAL CONTRIBUTION	7	116,102	116,102
RESERVES AND SURPLUS			
Capital reserve	8	1,342	1,342
Fair value reserve	9	2,226	6,936
Accumulated surplus		516,158	420,529
		519,726	428,807
SURPLUS ON REVALUATION OF FIXED ASSETS	10	465,008	468,250
NON-CURRENT LIABILITIES			
Staff retirement benefits - gratuity	11	16,510	14,989
Liabilities against assets subject to finance lease	12	3,296	5,627
Provision for earned leaves		4,553	3,785
Employees' welfare fund	13	500	500
Lease deposits	14	45,577	33,939
Members' deposits	15	15,426	17,117
Security deposits	16	55,784	54,847
Deferred income	17	17,371	24,747
Deferred taxation	21.10	85,885	74,170
		244,902	229,721
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance lease	12	2,534	2,288
Members' contribution fund	18	372,123	329,601
Investors' protection fund	19	172,096	144,276
Accruals and other liabilities	20	269,994	374,312
Accrued lease finance charges		47	-
Taxation	21	92,598	89,975
		909,392	940,452
CONTINGENCIES AND COMMITMENTS	22		
		2,255,130	2,183,332

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

Sd/-
MANAGING DIRECTOR



AS AT 30 JUNE, 2008

	Note	2008 (Rupees in thousand)	2007 Restated
NON-CURRENT ASSETS			
Operating fixed assets	23	574,900	592,471
Capital work-in-progress	24	29,962	25,944
Intangible assets	25	2,268	4,599
Investments	26	298,400	277,989
Loans to employees	27	5,466	3,210
Deposits and prepayments	28	2,208	2,189
		913,204	906,402
CURRENT ASSETS			
Stores		793	316
Short term investments	29	46,147	1,000
Loans and advances	30	201,486	196,264
Short term prepayments		4,724	2,679
Accrued income and mark-up	31	15,643	11,339
Other receivables	32	2,137	56,690
Tax refunds due from the Government	33	119,902	104,630
Cash and bank balances	34	951,094	904,012
		1,341,926	1,276,930
		2,255,130	2,183,332

Sd/-
CHAIRMAN



INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 JUNE, 2008

	Note	2008 (Rupees in thousand)	2007 Restated
INCOME			
Fees	35	113,702	133,406
Members' annual subscription		16	17
Rental	36	21,985	14,091
Profit on bank deposits and investments	37	52,619	43,845
Software revenues	38	4,106	2,960
Other income	39	3,289	3,573
		195,717	197,892
EXPENDITURE			
Administrative expenses	40	130,285	104,815
Finance cost	41	957	48
Donations	42	550	675
Other charges	43	31,458	10,822
		163,250	116,360
		32,467	81,532
SHARE OF AFTER TAX PROFIT / (LOSS) OF ASSOCIATED COMPANIES - Net	26.1	74,258	35,814
SURPLUS FOR THE YEAR - Before taxation		106,725	117,346
TAXATION			
Current	21	2,623	8,592
Deferred	21.10	11,715	(4,042)
		14,338	4,550
SURPLUS FOR THE YEAR - After taxation		92,387	112,796
ACCUMULATED SURPLUS - Brought forward		420,529	343,460
ADJUSTMENT ARISING DUE TO INCOME RELATED TO MEMBER'S CONTRIBUTION FUND AND INVESTORS' PROTECTION FUND	19.3	-	(35,637)
SHARE OF ACTUARIAL LOSSES ON DEFINED BENEFIT PLANS OF AN ASSOCIATED COMPANY DIRECTLY CHARGED TO EQUITY	26.1	-	(90)
TRANSFER FROM SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS ON ACCOUNT OF INCREMENTAL DEPRECIATION FOR THE YEAR	10	3,242	-
ACCUMULATED SURPLUS - Carried to balance sheet		516,158	420,529

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

Sd/-
MANAGING DIRECTOR

Sd/-
CHAIRMAN



CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE, 2008

	2008 (Rupees in thousand)	2007 Restated
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year - before taxation and share of profit / (loss) of Associated Companies	32,467	81,532
Adjustments for:		
Lease deposits (advance rentals)	(21,821)	(13,927)
Depreciation	21,529	16,491
Amortisation of intangible assets	2,331	2,789
Deferred income	(9,846)	(9,737)
Staff retirement benefits - gratuity	7,385	4,713
Provision for earned leaves	768	717
Profit / interest on bank deposits and investments	(52,619)	(43,845)
Book value of operating fixed assets written-off	-	3,206
Gain on disposal of operating fixed assets - net	(745)	(673)
Lease finance charges	925	-
	(19,626)	41,266
Increase in working capital - (note 'A')	(26,848)	(7,640)
Receipts/(payments):		
Lease deposits (advance rentals)	33,459	25,703
Members' deposits - net	(1,691)	(32,735)
Security deposits - net	937	2,205
Net-work connection fees	-	250
Internet trading fees	2,470	2,645
Loans to employees - net	(3,865)	(727)
Deposits and prepayments - net	(19)	-
Staff retirement benefits paid - gratuity	(5,864)	(908)
Taxes	(15,272)	(13,665)
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	(36,319)	16,394
- Carried Forward		



CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE, 2008

	2008 (Rupees in thousand)	2007 Restated
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	(36,319)	16,394
- Brought Forward		
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(10,781)	(25,699)
Sale proceeds of operating fixed assets	3,551	1,000
Right shares subscribed	-	(13,806)
Investments in Certificates of Deposit	1,000	(10,715)
Redemption of Unit Trust of Pakistan	-	54,423
Profit / interest received on bank deposits	75,269	67,557
Marketable treasury bills matured	-	20,000
Dividends received	17,325	11,145
NET CASH INFLOW FROM INVESTING ACTIVITIES	86,364	103,905
CASH FLOW FROM FINANCING ACTIVITIES		
Lease finances - net	(2,085)	7,915
Finance cost paid	(878)	-
Bank overdraft	-	(165)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	(2,963)	7,750
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,082	128,049
CASH AND CASH EQUIVALENTS		
- At the beginning of the year	904,012	775,963
CASH AND CASH EQUIVALENTS		
- At the end of the year	951,094	904,012

The annexed note 'A' forms an integral part of this statement.

Sd/-
MANAGING DIRECTOR

Sd/-
CHAIRMAN



2008
(Rupees in thousand)

2007

NOTE 'A'

MOVEMENT IN WORKING CAPITAL

Decrease / (Increase) in current assets

Stores	(477)	(29)
Loans and advances	(3,613)	(2,725)
Short term prepayments	(2,045)	52
Lease rentals receivable	3,272	(4,734)
Other receivables	54,553	(55,683)
	<hr/>	<hr/>
	51,690	(63,119)

Increase / (decrease) in current liabilities

Members' contribution fund	12,891	16,163
Investors' protection fund - net	12,890	16,096
Accruals and other liabilities	(104,319)	23,220
	<hr/>	<hr/>
	(78,538)	55,479
	<hr/>	<hr/>
	(26,848)	(7,640)

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

Sd/-
MANAGING DIRECTOR

Sd/-
CHAIRMAN



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2008

1. THE EXCHANGE AND ITS OPERATIONS

Lahore Stock Exchange (Guarantee) Limited (the Exchange) was incorporated under the Companies Act, 1913 (now the Companies Ordinance, 1984) on 05 October, 1970 as a Company limited by guarantee. The registered office of the Exchange is situated at 19, Khayaban-e-Aiwan-e-Iqbal, Lahore, Pakistan.

The Exchange is engaged in conducting, regulating and controlling the trade or business of buying, selling and dealing in shares, scrips, participation term certificates, modaraba certificates, pre-organisation certificates and securities, stocks, bonds, debentures, debenture stocks, Government papers, loans and any other instruments and securities of like nature including but not limited to special national fund bonds and documents of a similar nature issued by the Government of Pakistan or any institution or agency authorised by it.

2. STATEMENT OF COMPLIANCE

These financial statements, except for IAS 18 (Revenue), have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except for the following:

- modification of foreign currency translation adjustments;
- recognition of employee retirement benefits at present value;
- measurement of certain operating fixed assets at revalued amounts; and
- measurement at fair value of certain financial assets.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the Exchange's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Exchange's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) staff retirement benefits;
- b) taxation;
- c) useful life of depreciable assets and provision for impairment there against; and
- d) classification of investments.

5. NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 01 July, 2008 and are either not relevant to the Exchange's operations or are not expected to have significant impact on the Exchange's financial statements other than certain increased disclosures in certain cases:

- Revised IAS 1 - Presentation of Financial Statements;
- Revised IAS 23 - Borrowing Costs;
- IAS 29 - Financial Reporting in Hyperinflationary Economies;
- IAS 32 (amendment) - Financial Instruments: Presentation and consequential amendments to IAS 1 - Presentation of Financial Statements;
- IFRS 2 (amendment) - Share-based Payments;
- IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and Separate Financial Statements, IAS 28 - Investment in Associates and IAS 31 - Interest in Joint Ventures;
- IFRS 7 - Financial Instruments: Disclosures;
- IFRS 8 - Operating Segments;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes;
- IFRIC 14 - IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- IFRIC 15 - Agreement for the Construction of Real Estate; and
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Staff retirement benefits (defined benefit plan)

The Exchange operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 June, 2008 on the basis of projected unit credit method by an independent Actuary.

6.2 Earned leaves

The Exchange, during the financial year ended 30 June, 2005, had introduced new Human Resource Policy under which employees are entitled to accumulation of earned leaves upto maximum of sixty days. The accumulated leaves are encashable on retirement / resignation. Provision for employees' earned leaves is made on the basis of last drawn salaries in the year in which the leaves are earned. Effective from the preceding financial year ended 30 June, 2007, employees drawing gross monthly salary of maximum of Rs. 15,000/- may encash upto maximum 10 days earned leaves during the year.

6.3 Taxation

(a) Current

Provision for current taxation is based on current rates of tax after taking into account available tax credits, if any.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Deferred tax liability is based on the expected tax rates applicable at the time of reversal.



6.4 Provisions

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

6.5 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing on the balance sheet date. Translation gains and losses are taken to income and expenditure account.

6.6 Operating fixed assets

These are stated at cost or revalued amounts less accumulated depreciation and any accumulated impairment losses. Depreciation, except on leasehold improvements, is charged to income applying reducing balance method to write-off the cost or revalued amount of assets over their estimated remaining useful life; depreciation on leasehold improvements is charged to income applying straight-line method. Current rates of depreciation are stated in note 23.

Depreciation on additions is charged from the month in which the assets are available for use while on disposals, depreciation is charged upto the month of disposal.

The carrying values of tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Normal repairs and maintenance are taken to income and expenditure account as and when incurred.

Gain / loss on disposal of fixed assets, if any, is taken to income and expenditure account.

6.7 Capital work-in-progress

This is stated at cost.

6.8 Intangible assets and amortisation

These are stated at cost less accumulated amortisation except assets-in-progress which are stated at cost. Amortisation is charged to income applying straight-line method to amortise the cost of intangible assets over their estimated useful life. Rate of amortisation is stated in note 25.

Subsequent expenditure relating to an intangible asset that has already been recognised are added to the carrying amount of the asset to the extent that it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Exchange. All other subsequent expenditure are recognised as expense in the year of incurrence.

Gain / loss on retirement / disposal of intangible assets is taken to income and expenditure account.

6.9 Assets subject to finance lease

Assets held under finance lease arrangements are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of leased assets. The related obligations under the leases less finance cost allocated to future periods are shown as liability. Depreciation on leased assets is charged to income applying the reducing balance method at the rates used for similar owned assets so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of assets at the end of lease term.

Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

6.10 Investments

(a) Investments in Associated Companies

Investments in Associated Companies are accounted for by using the equity method of accounting and are initially recognised at cost. The Exchange's share of its Associated Companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The accumulated post acquisition movements are adjusted against the carrying amounts of the investments. When the Exchange's share of losses in an Associated Company equals or exceeds its interest in the Associated Company, including any other unsecured receivables, the Exchange does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Associated Company.

(b) Other investments

These are classified, for the purpose of measurement, into the following categories:

Held to maturity

Investments with fixed maturity, where the management has both the intent and the ability to hold the investments to maturity, are classified as held-to-maturity.

Subsequent to initial recognition at cost, these investments are measured at amortised cost less any accumulated impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition by using the effective interest rate method.

Available-for-sale

Investments classified as available-for-sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. Fair value of the units of mutual funds is determined on the basis of redemption price of the respective units. Gains or losses on available-for-sale investments are recognised directly in reserves until the investments are sold or disposed-off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in reserves is included in the current year's income and expenditure account.

6.11 Stores

These are valued at cost (FIFO). Transfers, if any, from fixed assets are taken at book value.

6.12 Loans and advances

These are stated at cost.

6.13 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash-in-hand and balances at banks.

6.14 Revenue recognition

- Income from trading, initial listing and other similar activities are accounted for on 'receipt basis'.
- Profit / interest on bank deposits and investments are accounted for on 'accrual basis'.
- Investments purchased at premium or discount, are amortised through the income and expenditure account using the effective interest rate method.
- Dividend income is accounted for when the right of receipt is established.

6.15 Financial instruments

All the financial assets and liabilities are recognised at the time when the Exchange becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the Exchange loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they



are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and liabilities are taken to income and expenditure account currently.

All regular way purchases of financial assets are recognised on the settlement date, i.e. the date the Exchange receives the financial assets. All regular way sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to the counter-party.

6.16 Off-setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

7. MEMBERS' INITIAL CONTRIBUTION

	2008 (Rupees in thousand)	2007
Balance as at 30 June,	<u>116,102</u>	<u>116,102</u>
	Number	Number
Number of members	<u>152</u>	<u>152</u>

7.1 The year-end balance includes Rs. 30,000 (2007: Rs. 30,000) representing fees received from four expelled members.

8. CAPITAL RESERVE

This represents gain on land and building of the Exchange disposed-off in the year 1983.

9. FAIR VALUE RESERVE

Exchange's share of unrealised gain on investments in Associated Companies	<u>2,226</u>	<u>6,936</u>
---	--------------	--------------

10. SURPLUS ON REVALUATION OF FIXED ASSETS

The Exchange had revalued its freehold land and buildings on freehold land on 30 June, 2007. The revaluation exercise was carried-out by the independent Valuers [UNIT - 3 Consultants - Architects, Engineers, Surveyors & Valuation Consultants, Lahore] to replace the carrying amounts of these assets with their replacement costs. The aggregated net appraisal surplus arisen on the revaluation amounting Rs. 503.161 million was credited to 'Surplus on Revaluation of Fixed Assets Account' to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

Opening balance	468,250	-
Net surplus arisen on revaluation carried-out during the preceding year	-	503,161
Less: related deferred taxation	-	34,911
	-	468,250
Less: transferred to accumulated surplus on account of incremental depreciation for the year - net of deferred taxation	3,242	-
Closing balance	<u>465,008</u>	<u>468,250</u>

11. STAFF RETIREMENT BENEFITS - Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

	2008	2007
- discount rate	12%	10%
- expected rate of growth per annum in future salaries	11%	9%
- average expected remaining working life time of employees	14 years	14 years

	2008 (Rupees in thousand)	2007
The amount recognised in the balance sheet is as follows:		
Present value of defined benefit obligation	20,502	18,202
Unrecognised actuarial loss	(3,992)	(3,213)
Net liability as at 30 June,	16,510	14,989
Net liability as at 01 July,	14,989	11,184
Charge to income and expenditure account	7,385	4,713
Payments during the year	(5,864)	(908)
Net liability as at 30 June,	16,510	14,989

The movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation	18,202	13,544
Current service cost	5,465	3,422
Interest cost	1,821	1,219
Benefits paid	(5,864)	(908)
Actuarial loss	878	925
Present value of defined benefit obligation	20,502	18,202

Comparison of present value of defined benefit obligation and the deficit of gratuity fund for five years is as follows:

	2008	2007	2006	2005	2004
	..... (Rupees in thousand)				
Present value of defined benefit obligation	20,502	18,202	13,544	11,398	8,817
	..... Percentage				
Experience adjustment on obligation	-4%	-5%	-5%	-6%	-9%

The Exchange's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).



12. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

P a r t i c u l a r s	Upto one year	From one year to five years	2008	Upto one year	From one year to five years	2007
..... (R u p e e s i n t h o u s a n d)						
Minimum lease payments	3,363	4,525	7,888	3,232	7,345	10,577
Less: finance cost allocated to future periods	829	349	1,178	944	838	1,782
	<u>2,534</u>	<u>4,176</u>	<u>6,710</u>	2,288	6,507	8,795
Less: security deposits adjustable on expiry of lease term	-	880	880	-	880	880
Present value of minimum lease payments	<u>2,534</u>	<u>3,296</u>	<u>5,830</u>	<u>2,288</u>	<u>5,627</u>	7,915
Less: current portion grouped under current liabilities			<u>2,534</u>			<u>2,288</u>
			<u>3,296</u>			<u>5,627</u>

12.1 The Exchange, during the preceding year, had entered into a lease agreement with The Bank of Punjab (BoP) for lease of computers & accessories and a vehicle. The liabilities under the lease agreement are payable in monthly instalments by July, 2010 and during the current financial year were subject to finance cost at the rates ranging from 13.67% to 17.63% per annum. The Exchange intends to exercise its option to purchase the leased assets upon completion of the lease term. The lease liabilities are secured against demand promissory note, registered charge on leased equipment and registration of vehicle in the name of BoP.

13. EMPLOYEES' WELFARE FUND

This Fund was created during the year 1992 in accordance with the decision of the Board of Directors for welfare of the Exchange's employees. Movement in this account during the year was as follows:

	2008	2007
	(Rupees in thousand)	
Opening balance	500	500
Add: amount allocated during the year	409	437
Less: payments made during the year	(409)	(437)
	<u>500</u>	<u>500</u>

14. LEASE DEPOSITS (Advance rentals)

	Members	Tenants	Total	
			2008	2007
..... (R u p e e s i n t h o u s a n d)				
Opening balance	19,026	14,913	33,939	22,163
Received during the year	-	33,459	33,459	25,703
	<u>19,026</u>	<u>48,372</u>	<u>67,398</u>	<u>47,866</u>
Less: credited to income & expenditure account	218	21,603	21,821	13,927
	<u>18,808</u>	<u>26,769</u>	<u>45,577</u>	<u>33,939</u>
Lease term	99 years	1 to 3 years		

15. MEMBERS' DEPOSITS

These deposits have been obtained from the Exchange's Members for construction of the Second Tower. The Exchange's Members, in the extra-ordinary general meeting held on 19 May, 2006, have resolved to scrap the Second Tower project and approved a project of car parking facilities for the Members / Investors in its place.

The policy regarding advances received from Members for construction of Second Tower is still under management's consideration whereby these advances may be fully or partially refunded to the respective Members or treated as advances against construction of car parking facilities.

As authorised by the Board of Directors, Building Committee of the Exchange has decided in its meeting held on 06 February, 2007 to refund the third instalment of second tower project along with profit on bank deposits earned thereon. The Exchange, during the preceding year, has made payment to 104 Members at the rate of Rs. 300,000/- each plus profit of Rs. 38,079/- each earned on bank deposits. Movement in this account during the year was as follows:

Note	2008 (Rupees in thousand)	2007
Opening balance	17,117	49,852
Add: profit earned on bank deposits credited during the preceding year	-	2,425
Less: payments made during the preceding year inclusive of profit earned on bank deposits aggregating Rs. 3.960 million	-	(35,160)
Less: cheques held by the Exchange due to transfer of memberships - grouped under the head of Due to Members' (note 20)	(1,691)	-
	15,426	17,117

16. SECURITY DEPOSITS

Deposits received against:

- clearing house	16.1	52,172	51,547
- furnished rooms	16.3	3,300	3,300
- others		312	-
		55,784	54,847

16.1 These interest free deposits have been received from Members of the Exchange for Clearing House Operations and are repayable on demand. However, keeping in view their nature, these have been grouped with non-current liabilities.

16.2 Total value of securities, pledged as margins against the exposures taken by the Members, was Rs. 1.693 billion as at 30 June, 2008 (2007: Rs. 4.171 billion).

16.3 These interest free deposits have been received from Members of the Exchange as security against furnished rooms provided to them at Faisalabad and Sialkot Trading Floors.

17. DEFERRED INCOME

	Network Connection Fees	Internet Trading Fees	Furnished Rooms Fees	Total	
				2008	2007
..... (Rupees)					
Opening balance	1,353	4,613	18,781	24,747	31,589
Received from Members during the year	-	2,470	-	2,470	2,895
	1,353	7,083	18,781	27,217	34,484
Less: credited to income & expenditure account	684	2,214	6,948	9,846	9,737
	669	4,869	11,833	17,371	24,747



17.1 These represent computer network connection fees, internet trading fees and furnished rooms fees received from Members of the Exchange. Computer networking and internet trading facilities have been provided to the Exchange's Members for automated trading of securities at the Exchange. Furnished rooms fees have been received against rooms provided to the Exchange's Members at Faisalabad and Sialkot Trading Floors. These fees are being credited to income and expenditure account over the period of five years.

18. MEMBERS' CONTRIBUTION FUND

	2008 (Rupees in thousand)	2007 Restated
Opening balance	329,601	269,137
Add:		
profit / interest accrued on bank deposit	29,631	24,107
gain on redemption of Unit Trust of Pakistan	-	20,194
receipts during the year	12,891	16,163
	42,522	60,464
	372,123	329,601

18.1 This represents Members' contribution towards Clearing House Members' Contribution Fund (MCF) made on the value of transactions routed through the Exchange's Clearing House at various rates approved by Securities & Exchange Commission of Pakistan (SECP) over the years.

As approved by SECP, the following rates have been implemented with effect from 28 September, 2005:

- Service charges (Automated Trading Fee) at the rate of 0.001785% of the turnover value. There is no cap on service charges with effect from 28 September, 2005.
- MCF at the rate of 0.0008925% of the turnover value.
- IPF at the rate of 0.0008925% of the turnover value.
- 1/7th of the aforementioned rates apply on Continuous Funding System (CFS) transactions.

18.2 The Board of Directors, in their meeting held on 22 March, 2002, had decided to cap MCF at Rs.120 million with effect from 31 March, 2002.

18.3 The Exchange, during the financial year ended 30 June, 2000, had made payments aggregating Rs. 72.485 million to its Clearing House on behalf of the defaulted Members. These payments were made out of the funds kept in the bank accounts earmarked for MCF. Payments made on behalf of the defaulted Members have been accounted for as due from them (note 30).

The Exchange, during the financial year ended 30 June, 2002, in addition to the aforementioned payments, also withdrew the following amounts:

- amounts aggregating Rs. 11.940 million out of the funds kept in the bank accounts earmarked for MCF for general purpose / Clearing House payments; and
- amounts aggregating Rs. 2.814 million for making transaction fee payments to SECP.

The Exchange, on 21 April, 2001, had deposited amounts aggregating Rs. 34.824 million in the bank account earmarked for MCF; however, the Exchange during the financial year ended 30 June, 2002 had transferred amounts aggregating Rs. 22.830 million to deposit accounts out of the amounts deposited in the bank account earmarked for MCF during the financial year ended 30 June, 2001. There have been no utilisations / withdrawals from MCF by the Exchange after 30 June, 2002.

18.4 SECP, with effect from 02 April, 2001, had levied Transactions Fee @ 0.0009% of the value of securities traded on all the Stock Exchanges of Pakistan. These fees aggregated Rs. 3.472 million till 20 February, 2002 and were paid by the Exchange to SECP; the Exchange accounted for these payments as receivable from the relevant Members. The Board of



Directors in their meeting held on 28 February, 2002, under Rule 2(1) of the MCF Rules, approved that these fees be adjusted against MCF balance. Accordingly, MCF balance was adjusted to the tune of Rs. 2.951 million and IPF to the tune of Rs. 0.521 million during the financial year ended 30 June, 2002.

18.5 Total receipts / payments made out of the funds of MCF are as follows:

	2008	2007
	(Rupees in thousand)	
Balance of MCF as at 01 July,	292,777	234,692
Add:		
- Members' contribution for the year	12,891	16,163
- Gain on redemption of Unit Trust of Pakistan	-	20,194
- Profit credited during the year	23,326	21,729
	36,217	58,086
	328,994	292,778
Less: Bank charges	1	1
Balance of MCF as at 30 June,	328,993	292,777
Balance of MCF as at 30 June comprised of:		
Term deposit receipts:		
- Habib Metropolitan Bank Limited	39,913	37,479
- Faysal Bank Limited	-	47,106
- Habib Bank Limited	-	20,000
- The Bank of Punjab	-	62,919
- Bank Alfalah Limited	3,000	30,829
- Askari Bank Limited	52,935	49,731
- Bank Al-Habib Limited	86,843	-
- MCB Bank Limited	64,328	-
	247,019	248,064
Saving / PLS accounts at:		
- Askari Bank Limited	1	1
- Habib Bank Limited	17	17
- NIB Bank Limited	1	1
- MCB Bank Limited	12	11
- Bank Alfalah Limited	761	5,448
	792	5,478
Current accounts at:		
- The Bank of Punjab	10	16
- Habib Bank Limited	-	5
- United Bank Limited	81,172	-
	81,182	21
Balance Carried Forward	328,993	253,563



	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Balance Brought Forward	328,993	253,563
Receivable from JS ABAMCO against redemption of Unit Trust of Pakistan - proceeds realised on 05 July, 2007		
	-	39,214
Mutual Fund - Unit Trust of Pakistan:		
1,616 units of Rs. 7,965 each	-	12,871
496 units of Rs. 8,509 each	-	4,221
269 units of Rs. 7,145 each	-	1,922
913 units received as stock dividend		
901 units received as stock dividend		
1 unit received against fractional stock dividend	-	6
(4,196) units redeemed during the preceding year	-	(19,020)
	-	-
<u>-</u>	<u>328,993</u>	<u>292,777</u>

18.6 As per the MCF Procedures, MCF funds should have been utilised only to satisfy the claims of any Member; the payments from MCF in such a case should not have exceeded Rs. 3 million per default. However, the Exchange, during the financial year ended 30 June, 2002, utilised MCF funds aggregating Rs. 37.584 million as stated in note 18.3 in order to protect working Members / Investors.

The Auditors are of the view that to comply with the relevant procedures of MCF and rules of IPF, the aforementioned fees as detailed in note 18.4 should have been recovered from the relevant Members.

However, the Exchange's management has the following grounds in respect of the aforementioned payments / adjustments:

- the Board of Directors, in the best interest of the investing public and Members of the Exchange vide resolution dated 02 June, 2000, had unanimously resolved to go for internal financing arrangements during a period of severe crisis at the Exchange instead of hurting any market participant at the Exchange;
- the MCF was established by the Exchange on 03 October, 1995 and prior SECP approval was not required regarding MCF contribution till 08 July, 2002;
- SECP, during April, 2001, had levied transaction fee @ 0.0009% on the traded value; the Exchange made these payments to SECP from its own sources from April, 2001 to 20 February, 2002 when it was clarified that these charges were on Members' account. Upon this clarification, the Exchange's Board decided to reduce MCF contribution from 0.005% to 0.0041% with 0.0009% being paid to SECP. The said reduction was made with retrospective effect, i.e. 02 April, 2001. Accordingly, the aforementioned adjustments were effected from MCF balance instead of recovering the same from the relevant Members; and
- these payments were made under the authority of the aforementioned Board of Directors' resolution dated 02 June, 2000 who were fully competent to authorise such type of utilisations / withdrawals during the period of severe crisis at the Exchange.

Further, the Exchange upto 30 June, 2007, has deposited amounts aggregating Rs. 59.002 million in MCF and has also fully funded the MCF during the preceding financial year as required by SECP vide its letter references 2(44)SE/97 & 2(23)SE/99 dated 26 February, 2002.

The Exchange, on 14 April, 2006, had made a Deed of Trust to convert its existing MCF into a Trust; the Trust Deed was duly registered on 01 June, 2006 by the Sub-Registrar, Lahore.

19. INVESTORS' PROTECTION FUND

	2008 (Rupees in thousand)	2007 Restated
Opening balance	144,276	109,813
Add:		
profit / interest accrued on bank deposit	14,930	10,731
gain on redemption of Unit Trust of Pakistan	-	7,636
receipts during the year	12,890	16,163
	27,820	34,530
	172,096	144,343
Less: investors' claims	-	67
	172,096	144,276

19.1 This represents Members' contributions, with effect from 08 October, 1997, towards Investors' Protection Fund (IPF). The contributions have been made at the following rates:

- upto 05 March, 2003 @15% of the amounts collected by the Exchange's Clearing House on account of MCF;
- after 05 March, 2003 to 27 September, 2005 @ 0.001% of the turnover value; and
- after 27 September, 2005 to 30 June, 2008 @ 0.0008925% of the turnover value.

19.2 Total receipts / payments made out of the funds of IPF are as follows:

Balance of IPF as at 01 July,	142,059	109,067
Add:		
- Members' contribution for the year	12,890	16,163
- Profit credited during the year	10,941	9,260
- Gain on redemption of Unit Trust of Pakistan	-	7,636
	23,831	33,059
	165,890	142,126
Less:		
- Investors' claims	-	67
- Bank charges	1	-
	1	67
Balance of IPF as at 30 June,	165,889	142,059

Balance of IPF as at 30 June comprised of:

Term deposit receipts:

- Faysal Bank Limited	-	44,483
- Habib Metropolitan Bank Limited	41,044	38,541
- The Bank of Punjab	-	10,000
- Innovative Investment Bank Limited [formerly Innovative Housing Finance Limited (IHFL)]	9,716	9,716
- Askari Bank Limited	15,400	14,468
- Bank Alfalah Limited	7,000	5,000
- Bank Al-Habib Limited	11,958	-
- MCB Bank Limited	28,500	-
- United Bank Limited	40,000	-
	153,618	122,208



2008 **2007**
(Rupees in thousand)

PLS bank accounts:

- MCB Bank Ltd.
- Bank Alfalah Limited

	10,886	11
	1,385	3,631
	12,271	3,642

Receivable from JS ABAMCO against redemption of Unit Trust of Pakistan - proceeds

realised on 05 July, 2007
Receivable from IHFL

	-	15,209
	-	1,000

Mutual Fund - Unit Trust of Pakistan:

- 373 units of Rs. 7,965 each
- 488 units of Rs. 8,509 each
- 62 units of Rs. 7,145 each
- 354 units received as stock dividend
- 350 units received as stock dividend
- 1 unit received against fractional stock dividend
- (1,628) units redeemed during the preceding year

	-	2,971
	-	4,152
	-	443
	-	7
	-	(7,573)
	-	-

	165,889	142,059
--	----------------	----------------

- 19.3 (a)** Profits earned on the funds invested out of MCF and IPF aggregating Rs. 47.027 million and Rs. 20.962 million respectively pertaining to prior years, which had been included in the Exchange's income has now been transferred to the credit of respective funds.
- (b)** Dividends received on funds invested out of MCF and IPF aggregating Rs. 2.020 million and Rs. 0.466 million respectively were treated as the Exchange's income during the financial year ended 30 June, 2004, which has now been transferred to the credit of respective funds.
- (c)** Gain arisen on redemption of available-for-sale investments, made in Unit Trust of Pakistan out of the funds pertaining to MCF and IPF, aggregating Rs. 27.830 million was credited to the Exchange's income for the preceding year, which has now been transferred to the credit of respective funds.

19.4 The Exchange, during the financial year ended 30 June, 2000, had made payments aggregating Rs. 12.089 million to its Clearing House on behalf of the defaulted Members. These payments were made out of the funds kept in the bank accounts earmarked for IPF. Payments made on behalf of the defaulted Members were accounted for as due from them (note 30).

20. ACCRUALS AND OTHER LIABILITIES

Due to Members		8,608	5,009
Advance payments:			
- Members	20.1	82,477	233,460
- Companies / others		3,589	3,823
Defaulted Members' membership sale proceeds	20.2	44,210	7,483
Due to suspended and defaulted Members	20.3	3,171	3,171
Defaulted Members' securities sale proceeds	20.4	78,088	78,088
Defaulted Member's room sale proceeds retained to settle his claim liabilities - net of expenses		619	1,086
Accrued expenses		41,193	13,451
Security deposit of ex-Members		2,965	-
Retention money		75	75
Registration fee payable		109	109
Income tax deducted at source		459	1
Members' deposits against net capital balance		-	26,000
Members' cash deposits for settlement of future trading		150	150
Other payables		4,281	2,406
		269,994	374,312

- 20.1** These represent margins received from Members against their exposures.
- 20.2** These represent amounts realised through auctions of the defaulted Members' memberships and have been retained by the Exchange for settlement of claims against these Members.

- 20.3** This represents amount payable to suspended and defaulted Members on account of trading in the Clearing House of the Exchange.
- 20.4** SECP carried-out an investigation of May-June, 2000 crisis at the Exchange, where a number of Members made default in payment to the Exchange's Clearing House. As per the SECP's order dated 09 April, 2001, certain Members and investors were identified as being responsible for the crisis. Two Members were removed from their membership of the Exchange.

Pursuant to the SECP's order, the Exchange had sold the shares pledged by one of the Members and realised amounts aggregating Rs. 78.088 million. The defaulted Members / investors challenged the SECP's order before the Lahore High Court (the LHC), which remanded the case back to SECP for hearing afresh. SECP challenged the LHC's order before the Supreme Court of Pakistan, which set aside the LHC's order. The Supreme Court directed the defaulted Members / investors to approach SECP for filing appeals as per relevant proviso of the Securities and Exchange Commission of Pakistan Act, 1997 being the only appropriate forum as per the Securities and Exchange Ordinance, 1969.

The Appellate Bench of SECP, in its order dated 30 July, 2002, upheld the earlier order of SECP. The Bench further held, inter alia, that the Exchange be allowed to obtain the securities lying in the CDC accounts of Members / investors in satisfaction of their defaulted amounts to the Exchange. However, the proceeds, already realised from the sale of pledged shares, cannot be utilised by the Exchange until the final determination of losses through the Courts.

The Exchange has filed a review petition before the SECP's Bench for rectification of the following areas of the Order:

- (a) sale proceeds from the sale of securities of defaulted Members are lying in the 'Deposit Accounts' of the Exchange and not in the 'Escrow Accounts'; and
- (b) the Exchange, as per its Default Regulations, has already determined quantum of the default obligations.

The Exchange has also filed an appeal before the LHC by partially challenging the SECP Appellate Bench's order to enforce recovery of the defaulted amounts. The Members / investors, who were held responsible by SECP, had also filed appeals against the Appellate Bench's order before the LHC. These cases are pending adjudication.

21. TAXATION

	2008 (Rupees in thousand)	2007
Opening balance:		
- income tax	86,247	77,655
- wealth tax	3,728	3,728
	<u>89,975</u>	<u>81,383</u>
Provision for income tax made for:		
- current year	2,322	8,600
- prior year	301	(8)
	<u>2,623</u>	<u>8,592</u>
	<u>92,598</u>	<u>89,975</u>

Income tax

- 21.1** Income tax assessments of the Exchange have been completed upto the Tax Year 2007.
- 21.2** The Exchange, for the Income Year ended 30 June, 1993 (Assessment Year 1993-94), filed an appeal with the Income Tax Appellate Tribunal (ITAT) against dismissal of its appeal by the Commissioner of Income Tax (Appeals) - CIT (A). Provision for the demands raised by the Tax Department, however, exists in the books of account.
- 21.3** The Assessing Officer, for the Income Year ended 30 June, 1994 (Assessment Year 1994-95), assessed the Exchange's income at Rs. 87.337 million against the returned income of Rs. 0.575 million and raised total tax demands of Rs. 42.842 million. On an appeal filed by the Exchange with the CIT (A) against the said assessment, the CIT (A) dismissed the appeal for want of sufficient merit. The Exchange filed second appeal with the ITAT against dismissal of its appeal by the CIT (A). Provision amounting Rs. 1.757 million exists in the books of account against these demands.
- 21.4** The ITAT, vide its orders dated 13 February, 1998, set-aside the assessments for the Assessment Years 1993-94 and 1994-95 and the cases were remanded back to the Assessing Officer to record his findings on the objections raised by the Exchange against taxability of the receipts under different heads.
- The Exchange has filed reference application with the Lahore High Court under section 136 of the repealed Income Tax Ordinance, 1979 (the repealed Ordinance) against the orders passed by the ITAT for the Assessment Years 1993-94 and 1994-95. The reference application is pending adjudication.
- 21.5** The ITAT, vide its order dated 25 October, 2005, dismissed all the five departmental appeals filed for the Assessment Years 1996-97 to 2000-01 against the order of the CIT(A) in toto. The CIT(A), vide his order dated 02 January, 2003, has allowed relief aggregating Rs. 81.979 million to the Exchange for the aforementioned years. The CIT(A) has also deleted the additions made under the head of Members' Contribution Fund (MCF) in all the years.



- 21.6** The Taxation Officer has completed the assessment for the Assessment Year 2001-02 assessing the income at Rs. 48.735 million against the declared income of Rs. 11.910 million. The Taxation Officer raised total tax demands aggregating Rs. 22.004 million. The Exchange filed an appeal before the CIT(A) against the said assessment order, who, vide his order dated 12 July, 2005, accepted the Exchange's contentions in respect of the issues involved including the major issue of MCF. The Department, against the CIT(A)'s order, has filed second appeal before the ITAT, which dismissed the said appeal.
- 21.7** The Assessing Officer for the Assessment Year 2002-03, vide his order dated 30 June, 2005, taxed the contribution made during the year to MCF, added the bank interest towards total income and made profit and loss additions of Rs. 2.037 million under various heads. The Exchange filed an appeal before the CIT(A) against the said assessment order, who, vide his order dated 31 January, 2006, partially accepted the Exchange's contentions in respect of the issues involved including the major issue of MCF. The Department, against the CIT(A)'s order, has filed second appeal before the ITAT, which dismissed the said appeal. Relief amounting Rs. 1.997 million has been provided to the Exchange.

21.8 Relationship between tax expense and accounting profit

	2007 (Rupees in thousand)
Surplus for the year before taxation	180,014
Tax at the applicable rate of 35%	<u>63,005</u>
Tax effect of share of profit from Associated Companies taken in income and expenditure account, which is not included in income for tax purpose	(12,535)
Tax effect of adjustment due to lower rate on dividend income	557
Tax effect of expenses, which are not deductible for tax purposes and are taken to income and expenditure account	7,405
Tax effect of expenses, which are deductible for tax purposes but are not taken to income and expenditure account	(7,865)
Tax effect of income, which is not included in income for tax purposes but is taken to income and expenditure account	(41,967)
Adjustments in respect of current income tax of prior years	(8)
Deferred tax expense for the preceding year	(4,042)
	<u><u>4,550</u></u>

- 21.9** No numeric tax rate reconciliation for the current financial year ended 30 June, 2008 has been presented in these financial statements as the Company is only liable for minimum tax under section 113 and tax on dividends under section 150 of the Income Tax Ordinance, 2001.

- 21.10** Deferred taxation comprises of temporary differences arising due to accelerated tax depreciation allowances amounting Rs. 35.451 million (2007:Rs. 4.002 million), investments in Associated Companies amounting Rs. 48.688 million (2007: 35.257 million) and surplus on revaluation of buildings on freehold land amounting Rs. 1.746 million (2007: Rs. 34.911 million).

Wealth tax

- 21.11** Wealth tax assessments of the Exchange have been completed upto the Income Year ended 30 June, 2000 (Assessment Year 2000-01).

- 21.12** The ITAT, vide its order dated 03 June, 2003, for the Assessment Years 1992-93 and 1994-95 to 2000-01 accepted the contention that the Exchange qualifies for exemption under section 5(1)(i)/clause 22 of the Second Schedule to the Wealth Tax Act, 1963 in all the years under consideration. Amounts aggregating Rs.10.063 million paid under protest have been grouped under 'tax refunds due from the Government' (note 33).

21.13 The Department has filed a writ petition before the Lahore High Court, Lahore against the order of the ITAT that the Exchange qualifies for exemption under the aforementioned clause of the repealed Wealth Tax Act, 1963 for the Assessment Years 1992-93, 1994-95 to 2000-01. The petition is pending adjudication.

22. CONTINGENCIES AND COMMITMENTS

22.1 (a) The Excise and Taxation Department, Lahore (the Department), during the financial year ended 30 June, 2003, had raised property tax demand amounting Rs. 1.704 million against which the Exchange has filed a writ petition under article 199 of the Constitution of Pakistan. The Lahore High Court, vide its order dated 08 March, 2004, has dismissed the Exchange's petition and has held that section 5-A of the Urban Immovable Property Tax Act of 1958 is *intra vires* the legislative power of the Provincial Legislature, and neither it offends against any existing provision of the Act nor is violative of any of the fundamental rights of the petitioner as guaranteed by the Constitution. The Exchange has filed a civil petition before the Supreme Court of Pakistan, which has been disposed of with the direction that the Department shall prepare fresh valuation tables / valuation lists after conducting proper survey and following the procedures in accordance with the law.

(b) The Department, during April, 2004, had raised property tax demand of Rs.2.824 million for the period from 01 January, 2002 to 30 June, 2004 after adjusting payment of Rs.1.682 million made by the Exchange. The Department, during July, 2005, had also raised annual property tax demand of Rs.1.572 million. The Exchange has filed an appeal before the Collector, Excise & Taxation Department, Lahore, who vide his order dated 30 June, 2005 has held that as the fresh survey in the light of Supreme Court of Pakistan's order is being conducted in respect of the Exchange's property and a new valuation table / valuation list is being prepared by the Department; the Exchange can avail the departmental remedies on finalisation of fresh assessment by way of objection / appeal.

(c) In pursuance of the Supreme Court of Pakistan's order, the Department assessed annual rental value of the Exchange's property at Rs. 6.987 million and fixed annual tax at Rs. 1.572 million. The Exchange raised objections in respect of the said proposed assessment of the property and after hearing the objections, the Assessing Authority assessed gross annual rental value of the property at Rs. 5.781 million vide order dated 22 November, 2005. The said order was challenged before the Appellate Authority, which is currently sub-judice. During pendency of the appeal, the Department has raised demands aggregating Rs. 5.195 million; the Exchange has deposited the alleged tax liability under protest and has charged this amount to the respective Members.

22.2 Frederic J. Whyte Group (Pak) Limited had filed suit for settlement of their claim of Rs.1.790 million through arbitration. The claim was made on account of 'architectural services' alleged to have been provided by them to the Exchange. The case is pending for arbitration with the Lahore Chamber of Commerce and Industries. However, no provision in this regard has been made in the books of account as the Exchange expects a favourable outcome of the case.

22.3 The Lahore High Court, Lahore, vide its judgment and decree dated 18 December, 2006, has decreed the Civil Original Suit against the Exchange and Central Depository Company, jointly and severally, which was filed by Mian Nisar Elahi against disposal of the pledged shares. The said shares, as per the Exchange's point of view, were disposed-off pursuant to the order dated 09 April, 2001 of the Securities and Exchange Commission of Pakistan (SECP), which was subsequently upheld by the Appellate Bench of SECP.

The Exchange has challenged the said order by filing ICA No.1 of 2007 whereby the Appellate Court has suspended the order dated 18 December, 2006 of the learned single Judge subject to freezing of Rs. 120 million for payment of the awarded amount and furnishing of corporate guarantee. The Intra Court Appeal is still pending.

22.4 Mr. Aslam Motiwala (the Appellant) has filed a civil suit in the Court of Senior Civil Judge, Lahore seeking damages in the amount of Rs.109.363 million against the Exchange. The Appellant seeks directions to the Exchange for settling trades, which the Exchange had cancelled. No provision in this regard has been made in the books of account as the Exchange expects a favourable outcome of the case.

22.5 Also refer notes of taxation.

22.6 Commitments for capital expenditure outstanding as at 30 June, 2008 were for Rs. 4.458 million (2007:Rs. Nil).

22.7 Commitments for funding to a Scholarship & Research Fund amounted to Rs. 1.023 million as at 30 June, 2008 (2007:Rs. Nil).



23. OPERATING FIXED ASSETS

Particulars	2008								Book value as at 30 June, 2008
	C O S T / R E V A L U A T I O N			D E P R E C I A T I O N					
	As at 30 June, 2007	Additions/ (disposals)	As at 30 June, 2008	Rate %	To 30 June, 2007	For the year / (on disposals)	To 30 June, 2008		
	..... (Rupees in thousand) .....			..... (Rupees in thousand)				
OWNED									
Land - Freehold	407,000	-	407,000	-	-	-	-	407,000	
Buildings on freehold land	122,974	96	123,070	5	-	6,152	6,152	116,918	
Generators	4,875	178	5,053	10	1,954	300	2,254	2,799	
Furniture and fixtures	14,598	359 (44)	14,913	10	4,151	1,071 (18)	5,204	9,709	
Office equipment	3,505	163	3,668	20	2,461	219	2,680	988	
Computers and accessories	51,403	1,035	52,438	30	32,254	5,910	38,164	14,274	
Electric fittings and appliances	16,544	770	17,314	20	10,851	1,221	12,072	5,242	
Elevators	5,471	-	5,471	20	2,670	560	3,230	2,241	
Vehicles and bicycles	7,346	- (6,368)	978	20	3,763	511 (3,588)	686	292	
Library books	273	9	282	25	203	19	222	60	
Arms and security equipment	3,204	234	3,438	10	1,573	181	1,754	1,684	
Leasehold improvements	17,656	-	17,656	20	7,207	3,531	10,738	6,918	
	654,849	2,844 (6,412)	651,281		67,087	19,675 (3,606)	83,156	568,125	
LEASED									
Office equipment	-	2,800	2,800	20	-	280	280	2,520	
Computers and accessories	4,260	-	4,260	30	180	1,224	1,404	2,856	
Electric fittings and appliances	-	1,120	1,120	20	-	224	224	896	
Vehicle	640	-	640	20	11	126	137	503	
	4,900	3,920	8,820		191	1,854	2,045	6,775	
	659,749	6,764 (6,412)	660,101		67,278	21,529 (3,606)	85,201	574,900	

Particulars	2007											Book value as at 30 June, 2007	
	C O S T / R E V A L U A T I O N					D E P R E C I A T I O N							
	As at 30 June, 2006	Additions / (disposals)	Write offs	transfer ins / (transfer outs)	Revaluation surplus net of accumulated depreciation	As at 30 June, 2007	Rate %	To 30 June, 2006	For the year / (on disposals)	On write-offs / elimination against revaluation surplus	On transfer ins / (transfer outs)		To 30 June, 2007
	..... (Rupees in thousand) .....					..... (Rupees in thousand)							
OWNED													
Land - Freehold	3,586	-	-	-	403,414	407,000	-	-	-	-	-	-	407,000
Buildings on freehold land	49,628	43	-	-	73,303	122,974	5	25,223	1,221	26,444	-	-	122,974
Generators	4,559	-	-	316	-	4,875	10	1,494	325	-	135	1,954	2,921
Furniture and fixtures	15,028	285 (108)	674	283 (216)	-	14,598	10	3,312	1,152 (43)	391	215 (94)	4,151	10,447
Office equipment	7,258	469 (1,489)	2,529	6 (210)	-	3,505	20	5,802	210 (1,227)	2,186	3 (141)	2,461	1,044
Computers and accessories	63,569	8,241	15,401	64 (5,070)	-	51,403	30	42,292	6,789	13,373	12 (3,466)	32,254	19,149
Electric fittings and appliances	15,146	744	1,860	3,765 (1,251)	-	16,544	20	9,521	1,331	1,554	2,314 (761)	10,851	5,693
Elevators	5,471	-	-	-	-	5,471	20	1,970	700	-	-	2,670	2,801
Hot-line installations	426	-	426	-	-	-	10	337	-	337	-	-	-
Vehicles and bicycles	7,348	-	2	-	-	7,346	20	2,869	896	2	-	3,763	3,583
Library books	421	40	188	-	-	273	25	350	15	162	-	203	70
Arms and security equipment	1,585	642	403	1,380	-	3,204	10	555	130	269	1,157	1,573	1,631
Leasehold improvements	17,656	-	-	-	-	17,656	20	3,676	3,531	-	-	7,207	10,449
	191,681	10,464 (1,597)	21,483	5,814 (6,747)	476,717	654,849		97,401	16,300 (1,270)	44,718	3,836 (4,462)	67,087	587,762
LEASED													
Computers and accessories	-	4,260	-	-	-	4,260	30	-	180	-	-	180	4,080
Vehicle	-	640	-	-	-	640	20	-	11	-	-	11	629
	-	4,900	-	-	-	4,900		-	191	-	-	191	4,709
	191,681	15,364 (1,597)	21,483	5,814 (6,747)	476,717	659,749		97,401	16,491 (1,270)	44,718	3,836 (4,462)	67,278	592,471

23.1 Disposals of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Sold to
..... (Rupees in thousand)							
Furniture and fixtures							
Carpet	44	18	26	9	(17)	Negotiation	Mrs. Uzma Saleem - employee.
Vehicles							
Honda Civic	803	440	363	356	(7)	---do---	Mr. Hamid Mustahsin Imtiaz, Ex - Managing Director.
Honda Civic	1,469	805	664	652	(12)	---do---	-----do-----
Honda City	1,041	370	671	698	27	---do---	Dr. Shahid A. Zia - Ex-employee.
Honda City	806	469	337	564	227	---do---	Mr. Amir Raza Khan - Ex-employee.
Honda City	849	494	355	446	91	---do---	Mr. Amir Zareef Khan - Ex-employee.
Suzuki Cultus	560	383	177	330	153	Auction	Mr. Rashid Mehmood.
Toyota Corolla	840	627	213	496	283	---do---	Mr. Wasi Ullah Khan, LSE Building.
	6,368	3,588	2,780	3,542	762		
	6,412	3,606	2,806	3,551	745		

24. CAPITAL WORK-IN-PROGRESS

	Note	2008 (Rupees in thousand)	2007
Buildings (Lahore Stock Exchange second tower):			
- mobilisation advance	24.1	7,724	7,724
- materials and other costs	24.2	14,257	13,867
		<u>21,981</u>	<u>21,591</u>
Tubewell installations		301	301
Advance payments for:			
Owned:			
- computer accessories and softwares		2,557	132
- vehicles		2,639	-
- generators		2,484	-
Leased:			
- electric fittings and appliances		-	1,120
- office equipment		-	2,800
		<u>7,680</u>	<u>4,052</u>
		<u>29,962</u>	<u>25,944</u>

24.1 This was advanced to Mughals Pakistan (Pvt.) Ltd. (the Contractor) for construction of Lahore Stock Exchange second tower. This advance was secured against an irrevocable bank guarantee arranged by the Contractor, which had expired on 17 September, 2004. The Contractor has submitted an undertaking to furnish a new bank guarantee in place of the expired bank guarantee.

24.2 To prevent the existing structure and provide sufficient parking space, a parking structure consisting of four to five basements will be constructed in place of the scrapped Second Tower site. Negotiations for the design and construction of parking structure is in process with NESPAK. Accordingly, the Exchange's Members, in the extra-ordinary general meeting held on 19 May, 2006, have resolved to scrap and abolish the construction of Second Tower project.



Construction work undertaken as well as cost incurred so far on the Second Tower site shall become part of the proposed parking structure. An evaluation of existing infrastructure and excavated earth with respect to its validity / usefulness and cost has been carried out by M/s Premier Consultants (Engineers and Architects, Faisal Town, Lahore), who have confirmed that infrastructure and excavated earth is still valid / useful and value of infrastructure and excavated earth is approximately Rs.25 million in terms of the recent prices. Hence, no provision against the cost incurred so far has been made in the books of account.

The Exchange, during the current financial year, has awarded Car Parking Facility Project consisting of four to five basements in place of the scrapped Second Tower to M/s Zaheer A. Sheikh & Associates (Architects and Engineers).

25. INTANGIBLE ASSETS

Particulars	2008							Book value as at 30 June, 2008
	C O S T			A M O R T I S A T I O N				
	As at 30 June, 2007	Additions	As at 30 June, 2008	Rate %	To 30 June, 2007	For the year	To 30 June, 2008	
	..... (Rupees in thousand) .....			..... (Rupees in thousand)				
Computer software licenses	15,164	-	15,164	33	10,565	2,331	12,896	2,268

Particulars	2007							Book value as at 30 June, 2007
	C O S T			A M O R T I S A T I O N				
	As at 30 June, 2006	Additions	As at 30 June, 2007	Rate %	To 30 June, 2006	For the year	To 30 June, 2007	
	..... (Rupees in thousand) .....			..... (Rupees in thousand)				
Computer software licenses	8,361	6,803	15,164	33	7,776	2,789	10,565	4,599

26. INVESTMENTS

	Note	2008 (Rupees in thousand)	2007
These investments comprise of the following:			
Equity instruments of un-quoted Associated Companies	26.1	244,809	192,586
Held-to-maturity	26.3	53,591	85,403
		298,400	277,989

26.1 Equity instruments of un-quoted Associated Companies - equity method

No. of shares		Face value	Name of Company	2008	2007
2008	2007				
540,000	540,000	Rs. 10	The Pakistan Credit Rating Agency (Pvt.) Ltd. (PACRA)		
				..... (Rupees in thousand)	
Equity held 36% (2007:36%)					
Opening balance				9,646	7,991
Share of income for the year - net of tax				5,313	3,950
Dividend received				(3,780)	(2,295)
				11,179	9,646
Balance Carried Forward				11,179	9,646

No. of shares		Face value	Name of Company	2008	2007
2008	2007				
Rs.			..... (Rupees in thousand)		
			Balance Brought Forward	11,179	9,646
3,022,500	2,015,000	10	Central Depository Company of Pakistan Ltd. (CDC)		
			Equity held 10% (2007:10%) Opening balance	110,908	91,284
			Share of income for the year - net of tax	39,788	26,367
			Change in fair value reserve on account of available -for-sale investments	(3,755)	(803)
			Actuarial losses on defined benefit plans directly charged to equity	-	(90)
			Dividend received	(6,045)	(5,850)
				140,896	110,908
1,499,999	1,499,999	10	National Clearing Company of Pakistan Ltd. (NCCPL)		
			Equity held 23.53% (2007:23.53%) Opening balance	70,317	54,872
			Share of income for the year - net of tax	30,872	17,588
			Change in fair value reserve on account of available -for-sale investments	(955)	857
			Dividend received	(7,500)	(3,000)
				92,734	70,317
2,272,727	2,272,727	10	National Commodity Exchange Ltd. (NCEL)		
			Equity held 22.73% (2007:22.73%) Opening balance	1,715	-
			Right shares subscribed during the preceding year	-	13,806
			Share of loss for the year - net of tax; 2008 recognised to the extent of carrying value of investment	(1,715)	(288)
			Share of unrecognised losses recognised during the preceding year	-	(11,803)
				-	1,715
				244,809	192,586



26.2 (a) Summarised financial information of the Associated Companies based on the un-audited, except for CDC, (2007: audited) financial statements are as follows:

Name of the Associated Company	Assets	Liabilities	Operating revenues	Profit / (loss) after tax
	As at 30 June, 2008		From 01 July, 2007 to 30 June, 2008	

..... (Rupees in thousand)

PACRA	44,757	13,704	86,061	14,758
CDC	1,691,994	283,032	1,008,156	397,875
NCCPL	1,957,164	1,563,054	254,230	131,202
NCEL	254,838	269,348	108,546	22,059

Name of the Associated Company	Assets	Liabilities	Operating revenues	Profit / (loss) after tax
	As at 30 June, 2007		From 01 July, 2006 to 30 June, 2007	

..... (Rupees in thousand)

PACRA	37,737	10,942	61,284	10,917
CDC	1,379,510	270,424	779,294	263,670
NCCPL	500,304	201,469	205,692	74,745
NCEL	896,245	888,697	81,250	(1,269)

- (b) The Exchange holds 10% equity of CDC and has one common director on its Board; hence, the management presumes to have significant influence over CDC.
- (c) The unrecognised share of losses of NCEL for the current financial year ended 30 June, 2008 amounted to Rs.3.299 million.
- (d) To achieve broad basing of the shareholding in NCEL, undertakings have been entered into by the Exchange to keep the equity stakes and associated voting rights of the Exchange in NCEL upto the extent of 10% of NCEL's Paid-up Capital. In the meantime, to divest itself of control over the excess shares held by the Exchange, the Exchange has entered into an agreement with the proxy holder in respect of 12.73% shares out of total of 22.73% shares held by the Exchange, to cast the said votes and act solely and exclusively in accordance with the directions given to him by the Board of Directors of NCEL.

26.3 Held-to-maturity

	Note	2008 (Rupees in thousand)	2007
Defence Savings Certificates			
10 (2007: 20) certificates of Rs. 1,000,000 each [including accrued interest aggregating Rs. 33.192 million (2007: Rs. 55.687 million)] - Face value Rs. 10.000 million (2007: Rs. 20.00 million)		43,192	75,687
3 Certificates of deposit			
[including accrued interest aggregating Rs. 0.683 million (2007: Rs.Nil)]	(a)	10,399	9,716
		53,591	85,403

- (a) Crescent Standard Investment Bank Limited (CSIBL), which was merged into Innovative Investment Bank Limited [formerly Innovative Housing Finance Limited (IHFL)] during the preceding year, vide its letter dated 12 April, 2007 had offered a revised repayment plan of the Exchange IPF deposits amounting Rs. 10.716 million lying with CSIBL. As per the revised repayment plan, IHFL has repaid principal Rupees one million during the current financial year and has issued three Certificates of Deposit (CoDs). First CoD amounting Rs. 2.429 million will mature on 29 July, 2009, second CoD amounting Rs. 2.429 million will mature on 29 July, 2010 and the third CoD amounting Rs. 4.858 million will mature on 29 July, 2011. The CoDs carry profit at the rate of 7% per annum receivable at maturity of the respective CoDs.

27. LOANS TO EMPLOYEES - Secured - Considered good

	Note	2008 (Rupees in thousand)	2007
Vehicles' loans	27.1	1,036	342
Other loans	27.2	9,247	6,076
		<u>10,283</u>	<u>6,418</u>
Less: current portion grouped under current assets		4,817	3,208
		<u>5,466</u>	<u>3,210</u>

27.1 These vehicle loans are secured against demand promissory notes and registration of vehicles in the name of Exchange. These loans are recoverable in monthly instalments and during the current financial year carried mark-up at the rates ranging from 9.60% to 9.76% per annum.

27.2 These interest free loans to employees have been advanced for various purposes and are recoverable in monthly instalments which vary from case to case.

28. DEPOSITS AND PREPAYMENTS

Security deposits	2,135	2,189
Prepayments	73	-
	<u>2,208</u>	<u>2,189</u>

29. SHORT TERM INVESTMENTS - Held to maturity

Treasury bills	-	19,971
Add: interest accrued during the preceding year	-	29
Less: treasury bills matured during the preceding year	-	(20,000)
	-	-
Principal balance of deposit with IHFL [refer note 26.3(a)]	-	1,000
Defence Savings Certificates		
10 certificates of Rs. 1,000,000 each (including accrued interest aggregating Rs. 36.147 million) - Face value Rs. 10.000 million	29.1	46,147
		<u>46,147</u>
		<u>1,000</u>

29.1 The maturity date of these certificates is 15 April, 2009.



30. LOANS AND ADVANCES

	Note	2008 (Rupees in thousand)	2007
Due from defaulted / suspended Members			
- unsecured	30.1 & 30.2	181,531	181,531
Due from Associated Companies:			
- National Clearing Company of Pakistan Ltd.		314	10
- Central Depository Company of Pakistan Ltd.		49	63
- National Commodity Exchange Ltd.		-	218
		363	291
Due from:			
Members	30.4	8,254	5,453
Others		4,441	4,339
Advances to employees - including current portion of loans to employees		4,939	3,339
Advance payments - considered good		2,206	1,559
		<u>201,734</u>	<u>196,512</u>
Less: provision for doubtful advances and receivables		248	248
		<u>201,486</u>	<u>196,264</u>

30.1 These represent amounts due from the defaulted / suspended Members who could not settle their Exchange's Clearing House Liabilities. The Exchange had recovered amounts aggregating Rs. 78.088 million (note 20) from these defaulted Members by sale of their pledged shares. The Appellate Bench of SECP vide its order dated 30 July, 2002, as detailed in note 20.4, had directed the Exchange's management not to utilise these amounts till the determination of final liabilities quantum by the respective Courts.

30.2 Amounts realised by the Exchange against sale of memberships of two defaulted members aggregating Rs. 7.795 million were adjusted against 'Due from Defaulted Members' during the financial year ended 30 June, 2002. The Exchange's Legal Advisor, vide his letter dated 25 September, 2002, had also advised that adjustment of amounts realised through sale of Defaulted Members' memberships against 'Due from Defaulted Members' was valid.

30.3 (a) The Exchange, during the financial year 2000-01, recovered Rs. 78.088 million from the sale of shares pledged by the defaulted / suspended Members. This amount is not being utilised by the Exchange, pending final resolution of the Court cases. The Exchange, during the financial year ended 30 June, 2002, auctioned the seat of one of the defaulted / suspended Members and realised an amount of Rs. 7.075 million. The Exchange has the right, under its Rules and Regulations, to sell 3 other seats belonging to the defaulted / suspended Members. At the current market price, these seats may be sold for Rs. 112.800 million approximately.

(b) The Exchange also has the right to sell 6 rooms belonging to these Members. At the current market price, the Exchange may realise Rs. 33 million approximately from these sales. However, auction of these memberships and rooms is also held up due to pending Court cases. Further, sale of shares worth Rs. 1.510 billion as at 30 June, 2008 has been frozen by SECP pending resolution of the Court cases.

(c) In addition to the aforementioned recovery of amount subject to the judgment of the respective Courts, the Civil Judge - Lahore, vide his order dated 07 July, 2003, had attached the CDC accounts of a defaulted Member and his Associates.

(d) Against the sale of pledged shares, Mian Nisar Elahi filed a suit for damages against SECP, CDC and the Exchange under section 11 of the Central Depositories Act, 1997. Refer contents of note 22.3.

30.4 The balance includes Rs. 681 thousand (2007: Rs. 681 thousand) on account of provisional trading of Kohat Cement Limited outstanding since the year 1995.

31. ACCRUED INCOME AND MARK-UP

	Note	2008 (Rupees in thousand)	2007
Lease rentals		662	3,934
Profit / interest accrued on bank deposits		14,981	7,405
		<u>15,643</u>	<u>11,339</u>

31.1 This includes balance amounting Rs. 6.304 million (2007: 2.380) and Rs. 3.989 million (2007: 1.471 million) pertaining to MCF and IPF respectively.

32. OTHER RECEIVABLES

Receivable from Karachi and Islamabad Stock Exchanges		1,080	1,260
Receivable from JS ABAMCO against redemption of Unit Trust of Pakistan - realisation proceeds were effected on 05 July, 2007		-	54,423
Others		1,057	1,007
		<u>2,137</u>	<u>56,690</u>

33. TAX REFUNDS DUE FROM THE GOVERNMENT

Wealth tax paid:			
- under protest	21.12	10,063	10,063
- with returns		461	461
		<u>10,524</u>	<u>10,524</u>
Tax deducted at source / advance tax		109,378	94,106
		<u>119,902</u>	<u>104,630</u>

34. CASH AND BANK BALANCES

Cash-in-hand		3	9
Cash at banks on:			
- current accounts		101,229	19,476
- PLS accounts	34.1	153,098	328,245
- deposit accounts [refer contents of note 20.4]		696,735	556,242
- foreign currency accounts	34.2	4	3
		<u>951,066</u>	<u>903,966</u>
Share transfer stamps		25	37
		<u>951,094</u>	<u>904,012</u>

34.1 These include Clearing House balances aggregating Rs. 107.696 million (2007:Rs. 251.121 million).

34.2 This represents balance of U.S.\$57 (2007:U.S.\$57), which has been translated into Pak Rupees at the exchange rate prevailing on the balance sheet date, i.e. U.S.\$ 1 = Rs. 68.00 (2007: Rs. 60.60).

34.3 PLS accounts include Defaulters' Committee deposits aggregating Rs. 1.015 million (2007: Rs. 0.983 million).

34.4 PLS and deposit accounts, during the current year, carried mark-up at the rates ranging from 1.00% to 12.50% per annum (2007:1.5% to 11.00% per annum).

34.5 Also refer contents of note 22.3.



35. FEES

	Note	2008 (Rupees in thousand)	2007
Annual listing		17,263	15,584
Initial listing		2,710	11,400
Additional listing		56,191	62,435
Extension - Annual General Meetings		223	144
Listing service charges		130	220
Accredited agents		18	9
Membership transfers		1,200	920
Automated trading fee - collected from Members	35.1	25,821	32,456
Net-work connection fees	17	684	870
Internet trading fees	17	2,214	1,920
Furnished rooms fees	17	6,948	6,948
De-listing fee		300	500
		113,702	133,406

35.1 The Exchange, during the year, has paid Transaction Fees to SECP aggregating Rs. 9.387 million (2007: Rs. 11.767 million).

35.2 Fees income has been recognised on 'receipt basis'. The Deputy Director of Securities and Exchange Commission of Pakistan, upon the Exchange's query, vide her letter no.EMD/Misc./34/2003-2217 dated 10 September, 2003 had clarified that no notification was issued extending application of International Accounting Standards to Companies limited by guarantee like the Lahore Stock Exchange.

36. RENTAL INCOME

Building rent from:

- banks	17,299	11,545
- an Associated Company	1,248	957

Members:

- ground rent	164	164
- lease rentals	218	218
Others	3,056	1,207

21,985	14,091
---------------	---------------

37. PROFIT ON BANK DEPOSITS AND INVESTMENTS

	2008 (Rupees in thousand)	2007 Restated
Bank deposits	38,968	32,251
Defence Savings Certificates	13,651	11,565
Profit on marketable treasury bills	-	29
	52,619	43,845

38. SOFTWARE REVENUES

Income for the current year comprised of rental income of Rs. 2.075 million against trading terminal facilities provided to Islamabad Stock Exchange, license fee of Rs. 0.912 million against grant of 'Broker Net' (different software components developed by the Exchange) and installation & maintenance fees of 'Back Office Software' aggregating Rs. 1.119 million.

39. OTHER INCOME

	Note	2008 (Rupees in thousand)	2007
Room transfer fees		125	415
Booth charges		183	163
Room maintenance fees		1,439	1,433
Gain on disposal of operating fixed assets - net	23.1	745	673
Anti-virus installation / dial-up connection fees		107	257
Fees from the Training Institute of the Exchange		55	165
Mark-up on loans advanced to employees		30	-
Miscellaneous		605	467
		3,289	3,573

40. ADMINISTRATIVE EXPENSES

Salaries and benefits		68,948	56,591
Scholarships - staff children		1,510	1,015
Insurance - net		1,055	862
Travelling and conveyance:			
- directors		1,019	1,736
- staff and others		1,888	1,586
Printing and stationery		1,746	1,753
Communication		4,952	5,044
Electricity, gas and water		5,735	5,276
Entertainment		1,436	1,405
Public relations and receptions - net		175	570
Repair and maintenance		4,281	2,191
Depreciation		21,529	16,491
Amortisation		2,331	2,789
Fees and subscription	40.1	3,108	658
Newspapers, books and periodicals		81	61
Rent and taxes		895	181
Security expenses		1,925	1,182
Advertisement		408	749
Janitorial services		1,116	1,042
Auditor's remuneration:			
- statutory audit		300	200
- half-yearly review		75	75
- out-of-pocket expenses		40	72
		415	347
General charges		932	587
Employees' training and courses		2,724	802
Software maintenance and other related expenses		2,076	1,897
		130,285	104,815

40.1 Current year expense includes an amount of Rs. 2.200 million paid against membership of Royal Palm Golf and Country Club.

41. FINANCE COST

Lease finance charges		925	-
Bank charges		32	48
		957	48



42. DONATIONS (without Directors' interest)

	Note	2008 (Rupees in thousand)	2007
Lahore University of Management Sciences		550	550
World Wide Fund for Nature		-	10
Shalamar Hospital		-	115
		550	675

43. OTHER CHARGES

Legal and professional charges (other than Auditors')			
- legal expenses		3,024	6,141
- retainership fees		276	276
		3,300	6,417
Consultancy charges	43.1	28,158	465
Book value of operating fixed assets written-off		-	3,206
RSA security expenses		-	734
		31,458	10,822

43.1 Expense for the current year includes fees aggregating Rs. 24.510 million paid / payable to the legal and financial advisers of the Exchange in relation to its demutualisation.

44. MEMORANDUM ITEM - FEES

These represent fees receivable from listed Companies, which have been booked for memoranda purposes. Age-wise analysis are as follows:

Particulars	Outstanding for the years ended			Total
	30 June, 2006 and prior to the said date	30 June, 2007	30 June, 2008	
..... (Rupees in thousand)				
- Additional listing fee	17,885	2,240	4,507	24,632
- Annual listing fee	53,066	4,483	4,525	62,074
- Extension fee:				
annual general meetings	1,573	35	16	1,624
dividend warrants	4	-	-	4
- Listing service charges	10	-	-	10
	72,538	6,758	9,048	88,344

45. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

Particulars	Managing Director		Executives	
	2008	2007	2008	2007
..... (Rupees in thousand)				
Managerial remuneration	1,646	4,455	18,531	12,873
House rent	658	-	7,413	5,149
Utilities	165	445	1,853	1,288
Staff retirement benefits	1,421	297	3,230	1,803
Others	144	240	-	-
	4,034	5,437	31,027	21,113
No. of persons	1	1	18	16

45.1 One (2007: six) of the executives have been provided with the Exchange's maintained cars.

45.2 Meeting fees aggregating Rs. 230 thousand (2007:Rs. 70 thousand) were paid to three (2007: four) of the directors during the year.

46. TRANSACTIONS WITH ASSOCIATED COMPANIES

Aggregate transactions made during the year with the Associated Companies were as follows:

	2008	2007
	(Rupees in thousand)	
The Bank of Punjab (upto 08 December, 2007)		
- balance at current accounts	16	16
- balance at deposit accounts	-	108,272
- balance of lease finances	7,000	7,915
- annual listing fee	-	55
- additional listing fee	-	979
Others		
- dividend income	17,325	11,145
- electricity, ground rent and other expenses debited	860	1,955
- Nil shares (2007: 1,022,727 right shares of National Commodity Exchange Limited were subscribed for Rs. 13.807 million); and-		
- 1,007,500 (2007: 715,000) bonus shares were received from Central Depository Company of Pakistan Ltd.		

Transactions with the Associated Companies were in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Exchange's management.

47. FINANCIAL INSTRUMENTS

Particulars	Interest / mark-up bearing				Non-interest / mark-up bearing				Total	
	Maturity upto one year	Maturity after one year	Sub-total 2008	Sub-total 2007	Maturity upto one year	Maturity after one year	Sub-total 2008	Sub-total 2007	2008	2007
..... (Rupees in thousand)										
Financial assets:										
Investments	46,147	53,591	99,738	85,403	-	-	-	1,000	99,738	86,403
Loans to employees	155	881	1,036	-	3,626	5,621	9,247	6,418	10,283	6,418
Deposits	-	-	-	-	-	2,135	2,135	2,189	2,135	2,189
Loans and advances	-	-	-	-	194,226	-	194,226	191,323	194,226	191,323
Accrued income and mark-up	-	-	-	-	15,643	-	15,643	11,339	15,643	11,339
Other receivables	-	-	-	-	2,137	-	2,137	56,690	2,137	56,690
Cash and bank balances	849,833	-	849,833	884,487	101,261	-	101,261	19,525	951,094	904,012
Total	896,135	54,472	950,607	969,890	316,893	7,756	324,649	288,484	1,275,256	1,258,374
Financial liabilities:										
Liabilities against assets subject to finance lease	2,534	3,296	5,830	7,915	-	-	-	-	5,830	7,915
Security deposits	-	-	-	-	-	55,784	55,784	54,847	55,784	54,847
Accruals and other liabilities	-	-	-	-	265,946	-	265,946	370,488	265,946	370,488
Accrued lease finance charges	-	-	-	-	47	-	47	-	47	-
Total	2,534	3,296	5,830	7,915	265,993	55,784	321,777	425,335	327,607	433,250
Net financial assets / (liabilities)	893,601	51,176	944,777	961,975	50,900	(48,028)	2,872	(136,851)	947,649	825,124
Off balance sheet items:										
Commitments	-	-	-	-	5,481	-	5,481	-	5,481	-



47.1 The effective mark-up / interest rates for the monetary financial assets and liabilities have been mentioned in the respective notes to the financial statements.

47.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. The Exchange believes that it is not exposed to any credit risk in respect of investments made in Defence Savings Certificates as well as balances lying with commercial / investment banks as these represent major banks of the country having reasonably high credit ratings.

47.3 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for amounts due from the defaulted / suspended Members aggregating Rs. 181.531 million (2007: Rs.181.531 million).

48. DATE OF AUTHORISATION

These financial statements have been authorised for issue by the Board of Directors of the Exchange in their meeting held on 04 October, 2008.

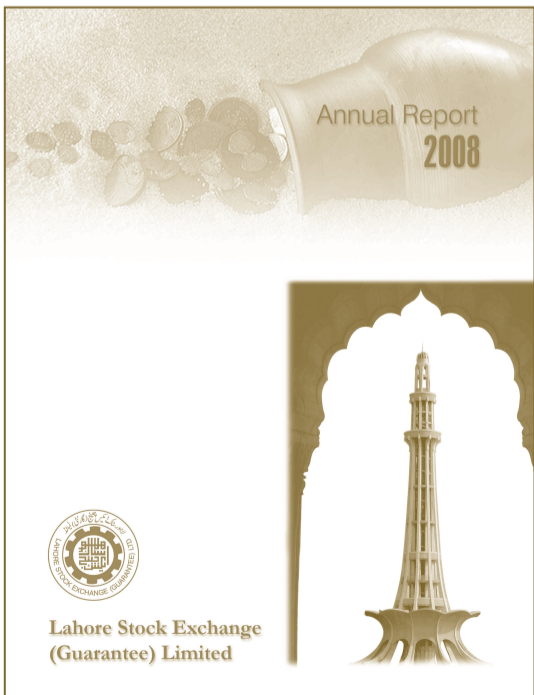
49. GENERAL

- Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.
- To comply with requirements of the Companies Ordinance, 1984, following heads of account, which were grouped under the head of 'Advances, Prepayments and Other Receivables' in the financial statements for the year ended 30 June, 2007, have been shown as separate line items in the balance sheet:
 - loans and advances;
 - short term prepayments;
 - accrued income and mark-up;
 - other receivables; and
 - tax refunds due from the Government.



Lahore Stock Exchange (Guarantee) Limited

19-Khayaban-e-Aiwan-e-Iqbal
Lahore - 54000, Pakistan
Website: www.lahorestock.com



If undelivered please return to sender

Lahore Stock Exchange (Guarantee) Limited

19-Khayaban-e-Aiwan-e-Iqbal Lahore - 54000, Pakistan