

**Pakistan Mercantile Exchange Limited**  
**Financial Statements**  
**For the half year ended December 31, 2017**

**Pakistan Mercantile Exchange Limited**  
**Directors' Review**  
**For the half year ended December 31, 2017**

**Global Environment**

During first half of the current financial year (1HFY18), the global economy continued to show strong resilience and is expected to expand at a faster pace in the second half. Developed, developing and emerging economies were stronger due to low inflation. Crude oil prices mostly remained on upward trajectory. Russia also joined Saudi-Arabia led OPEC efforts to contain glut and propped up price but turmoil in Iran and Nigeria kept oil prices volatile. Gold prices also inched higher due to weak USD as investors preferred to invest in gold, enjoying safe haven perception.

**Pakistan Overview**

During the period under review, the key macro indicators suggested strong growth momentum, which are likely to provide further impetus in the second half. Indicators like enhanced investment and higher credit offtake exhibited an encouraging picture of the economy. While imports were on the rise, subdued exports and decline in remittances remained a cause of concern.

Agriculture posted higher growth as other major Kharif crops achieved or surpassed targets, with the exception of cotton crop. The large scale manufacturing also posted robust growth that can be attributed to improved energy supplies, higher consumer demand on the back of higher purchasing power and access to affordable credit facilities.

The low inflation environment enabled the central bank to keep the policy rate below 6 percent. The accommodative monetary policy coupled with improvement in overall business environment also boosted credit offtake. Pakistan's import bill increased due to the hike in import of oil and machinery, both for CPEC and non CPEC energy and infrastructure projects. The completion of these projects is expected to further accelerate GDP growth momentum, along with generating exportable surplus.

**Business Review**

***New Products***

During the period under review, several new products were introduced to provide an enriched product suite to market participants. These products included futures contracts of US Equity Indices, new COTS order types and higher denomination for ICotton, silver, crude oil and copper. Moreover, a Shariah Compliant Trading Platform was launched to facilitate Islamic financial institutions to manage their liquidity. In this regard, the first electronic commodity Murabaha transaction was conducted between Meezan Bank Limited (MBL) and Dubai Islamic Bank Pakistan Limited (DIBPL) on December 26, 2017.

***Subsidy on Red Chilli Trade***

The Exchange once again brought on board Sindh Enterprise Development Fund (SEDF) to continue with the payment of subsidy on PMEX Trading Fee to the red chilli farmers selling their produce at PMEX Platform.

***New Membership***

During the period under review, PMEX welcomed three new members from Lahore and two from Karachi.

## Technology

To offer the market participants upgraded trading experience, the Exchange initiated an overhaul of its technology infrastructure which includes front end application, back end application and migration of core technology infrastructure to cloud. In this regard, the Exchange has successfully completed the migration of its core technology architecture to cloud. State of the art front end application is expected to be in place by February 2018 and the back end application is planned to be deployed by June 2018.

## Financial Results

Following is the summary of results for the current and last period:

	Half year ended	
	31-Dec-17	31-Dec-16
	(Rs.in million)	
Operating Income	118.73	102.04
Administrative expenses	107.11	110.52
Net (loss) / profit after taxation	12.34	(7.63)
	Rupees	
Earnings per share – basic	0.39	(0.24)

The half year has ended with profit after tax of Rs.12.34 million. The same has been achieved because of higher trading volume, revision of trading fee rates w.e.f. November 01, 2017, aggressive business development activities on newly added products and membership sales. On the expenses side, market making fee has been reduced from October 01, 2017. Remaining expenses side have been generally kept under control.

## Future Outlook

Going forward, under the able guidance of the SECP and Board of Directors, PMEX remains committed to offer new products to cater to the needs of investors and further upgrade its technology driven platform by introducing state-of-the-art front and back end electronic trading system. Moreover, the Exchange is working towards developing and implementing a Global Trading Platform (GTP) to showcase local agricultural commodities to potential global customers. It is expected that with continued improving operating cash flows, the financial situation of the Exchange will significantly improve in coming days.



Chairman



Managing Director

Karachi: February 27, 2018

## **AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of **PAKISTAN MERCANTILE EXCHANGE LIMITED** (the Exchange) as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures for the condensed interim profit and loss account for the three months period ended December 31, 2017 in the interim financial information have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2017.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### **Emphasis of matter**

We draw attention to:

- i. note 1.3 of the condensed interim financial information which explains the financial and operating measures being taken by the Exchange to improve profitability and financial position of the Exchange; and
- ii. note 6.1.1 to the condensed interim financial information regarding tax implication relating to security deposits of members on the Exchange for the tax year 2003. The ultimate outcome of the matter cannot presently be determined.

Our conclusion is not qualified in respect of the above matters.

  
Chartered Accountants

**Engagement Partner:**  
Nadeem Yousuf Adil

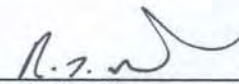
**Dated: February 27, 2018**  
Karachi

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT DECEMBER 31, 2017**


		(Unaudited) December 31, 2017	(Audited) June 30, 2017		(Unaudited) December 31, 2017	(Audited) June 30, 2017
	Note	Rupees	Rupees		Note	Rupees
<b>EQUITY AND LIABILITIES</b>				<b>ASSETS</b>		
<b>Share capital and reserves</b>				<b>Non-current assets</b>		
Authorised capital 50,000,000 (June 30, 2017: 50,000,000) ordinary shares of Rs. 10 each		<u>500,000,000</u>	<u>500,000,000</u>	Property and equipment	7	19,591,634
				Intangible assets		7,349,465
Issued, subscribed and paid-up capital 31,355,162 (June 30, 2017: 31,355,162) ordinary shares of Rs. 10 each		313,551,620	313,551,620	Investment in associates		20
Capital reserve - premium on issue of ordinary shares		22,250,000	22,250,000			20
Accumulated loss		<u>(402,286,826)</u>	<u>(414,629,571)</u>			
		<u>(66,485,206)</u>	<u>(78,827,951)</u>			
<b>Non-current liabilities</b>				<b>Current assets</b>		
Long-term deposits		196,900,000	198,400,000	Supplies and consumables		628,166
				Annual subscription receivable - considered good		32,300,000
<b>Current liabilities</b>				Advances, deposits and prepayments		9,095,997
Staff gratuity payable		44,382,483	43,432,994	Other receivables		34,778,236
Margins and deposits	4	1,272,012,692	1,299,354,277	Short term investments	8	1,312,270,275
Payable to SGF trust	5	1,712,167	1,667,326	Gold held on behalf of brokers/ clients		599,471,160
Gold held on behalf of brokers/clients		599,471,160	500,274,511	Taxation - net		42,485,040
Advance annual subscription fee and other fees		6,669,998	14,914,165	Cash and bank balances		34,052,297
Advance member admission fee		2,500,000	-			<u>2,065,081,161</u>
Creditors, accrued and other liabilities		34,858,996	41,178,305			1,986,678,087
		<u>1,961,607,486</u>	<u>1,900,821,578</u>			
Contingencies and commitments	6					
		<u>2,092,022,280</u>	<u>2,020,393,627</u>			<u>2,092,022,280</u>
						<u>2,020,393,627</u>


The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

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 CHAIRMAN

  
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 CHIEF FINANCIAL OFFICER

  
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 MANAGING DIRECTOR

  
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 MANAGING DIRECTOR


**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017**


	Note	Six months period ended		Three months period ended	
		December 31,	December 31,	December 31,	December 31,
		2017	2016	2017	2016
----- Rupees -----					
Operating income	9	118,732,916	102,041,908	69,307,707	48,874,306
Administrative and operating expenses	10	<u>(107,112,311)</u>	<u>(110,517,926)</u>	<u>(53,516,346)</u>	<u>(57,217,547)</u>
		11,620,605	(8,476,018)	15,791,361	(8,343,241)
Other income	11	4,269,451	3,471,270	3,011,344	1,957,063
Finance costs	12	(1,037,462)	(1,073,364)	(511,586)	(533,918)
Other charges		<u>(22,436)</u>	<u>(82,465)</u>	<u>322</u>	<u>(60,641)</u>
Profit / (loss) before taxation		14,830,158	(6,160,577)	18,291,441	(6,980,737)
Taxation	13	<u>(2,487,413)</u>	<u>(1,478,745)</u>	<u>(1,853,872)</u>	<u>(947,069)</u>
<b>Net profit / (loss) after taxation</b>		<b>12,342,745</b>	<b>(7,639,322)</b>	<b>16,437,569</b>	<b>(7,927,806)</b>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>12,342,745</b>	<b>(7,639,322)</b>	<b>16,437,569</b>	<b>(7,927,806)</b>
Earnings per share - basic	14	<u>0.39</u>	<u>(0.24)</u>	<u>0.52</u>	<u>(0.25)</u>


The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

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 CHAIRMAN

  
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 MANAGING DIRECTOR

  
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 CHIEF FINANCIAL OFFICER


  
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 MANAGING DIRECTOR


**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017**


	Issued, subscribed and paid-up share capital	Capital reserve Premium on issue of ordinary shares	Accumulated loss	Total
	----- Rupees -----			
Balance as at June 30, 2016 (Audited)	313,551,620	22,250,000	(400,055,672)	(64,254,052)
<b>Total comprehensive income for the period ended December 31, 2016</b>				
Net loss after taxation	-	-	(7,639,322)	(7,639,322)
Other comprehensive income	-	-	-	-
	-	-	(7,639,322)	(7,639,322)
Balance as at December 31, 2016 (Unaudited)	313,551,620	22,250,000	(407,694,994)	(71,893,374)
Balance as at June 30, 2017 (Audited)	313,551,620	22,250,000	(414,629,571)	(78,827,951)
<b>Total comprehensive income for the period ended December 31, 2017</b>				
Net profit after taxation	-	-	12,342,745	12,342,745
Other comprehensive income	-	-	-	-
	-	-	12,342,745	12,342,745
Balance as at December 31, 2017 (Unaudited)	313,551,620	22,250,000	(402,286,826)	(66,485,206)

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

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 CHAIRMAN

  
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 CHIEF FINANCIAL OFFICER

  
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 MANAGING DIRECTOR

  
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 MANAGING DIRECTOR

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017**

	Note	Six months period ended	
		December 31, 2017 Rupees	December 31, 2016 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	15	8,385,302	(8,571,565)
Long-term deposits		(1,500,000)	-
Taxes paid - net		(2,247,895)	(1,532,147)
Staff gratuity paid		(3,011,395)	(2,752,315)
<b>Net cash generated from / (used in) operating activities</b>		<b>1,626,012</b>	<b>(12,856,027)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	7	(840,778)	(8,746,208)
Payments against investment in government securities		(100,442,300)	(118,393,400)
Proceeds from sale of government securities		112,855,462	126,671,119
Mark-up received on bank deposits		242,834	277,099
<b>Net cash used in investing activities</b>		<b>11,815,218</b>	<b>(191,390)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash generated from financing activities</b>		-	-
Net increase / (decrease) in cash and cash equivalents (A+B+C)		13,441,230	(13,047,417)
Cash and cash equivalents at beginning of the period		3,439,492	15,999,043
Cash and cash equivalents at end of the period		16,880,722	2,951,626
Cash and cash equivalents relating to margins and deposits at end of period		17,171,575	36,116,965
Cash and cash equivalents at end of the period relating to margins and deposits		<b>34,052,297</b>	<b>39,068,591</b>


The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

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 CHAIRMAN

  
 MANAGING DIRECTOR

  
 CHIEF FINANCIAL OFFICER

  
 MANAGING DIRECTOR



**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Pakistan Mercantile Exchange Limited (the Exchange) was incorporated in Pakistan as a public limited company on April 20, 2002 under the repealed Companies Ordinance, 1984 now Companies Act, 2017. The Certificate of Commencement of Business under the repealed Companies Ordinance, 1984 was granted to the Exchange by the Securities and Exchange Commission of Pakistan (SECP) on May 20, 2002. The Certificate of Registration under Securities and Exchange Ordinance, 1969 to start operations as commodity exchange was granted by the SECP on May 10, 2007 when the Exchange commenced its operations. Its registered office is situated at 3B, 3rd Floor, Bahria Complex IV, Chaudhry Khaliq-uz-Zaman Road, Gizri, Karachi, Pakistan.
- 1.2** The Exchange has been set-up principally to establish, regulate, control and provide physical facilities and marketplace necessary for trading in Commodity Future Contracts and to perform all allied and incidental functions. This is a technology driven, de-mutualized, on-line commodity futures Exchange in Pakistan, regulated by SECP. The operations of the Exchange are governed by the Pakistan Mercantile Exchange Limited (PMEX) General Regulations, which were approved by the SECP on May 10, 2007 as amended from time to time. During the period, BOD in its meeting dated August 29, 2017, approved and submitted the revised Pakistan Mercantile Exchange Limited (PMEX) General Regulations to SECP and is under approval.
- 1.3** As at December 31, 2017, the Exchange has accumulated losses of Rs. 402.29 million (June 30, 2017: Rs. 414.63 million). The Exchange is in process of raising fresh equity for which Exchange is evaluating submitted expression of interest with the help of appointed financial advisor. Further, the Exchange has been granted approval for pilot launch of Murabaha product during December 2017 after which Shariah Compliant Trading Platform for Islamic Banks, Islamic window of conventional Banks and Islamic Financial Institutions has been launched. Moreover, new products are in process of being designing or approval for trading on Exchange is being sought, which includes Zinc, Pladium, Titanium, Aluminum, Lead, Nickle, Soya Bean, Mill Specific Sugar, Palm Olien, Heating Oil, Rough Rice, etc. These measures are expected to improve financial as well as operating position of the Exchange.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

- 2.1** This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.
- 2.2** On May 30, 2017, the Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP. However, SECP has notified through Circular No. 23 of October 4, 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Further Institute of Chartered Accountants of Pakistan (ICAP) vide its circular 17 of 2017 has clarified that preparation of financial statements includes preparation of interim financial information for periods ending on or before December 31, 2017. Therefore this condensed interim financial information has been prepared in accordance with the requirements of repealed Companies Ordinance 1984. The Company shall prepare the financial statements for periods closing after December 31, 2017 in accordance with the provisions of the new Companies Act. The Company is currently in process of determining impact, if any, on future financial statements due to implementation of the Act.
- 2.3** The condensed interim financial information does not include the information required for full annual financial statements and therefore should be read in conjunction with the financial statements for the year ended June 30, 2017.
- 2.4** This condensed interim financial information is presented in pak rupees, which is the functional and presentation currency of the Exchange.
- 2.5** Although the provisions pertaining to the Code of Corporate Governance (the Code) in the rule book of Pakistan Stock Exchange are mandatory for listed companies only, the Exchange has voluntarily adopted the Code for the six months period ended December 31, 2017. Consequently, this condensed interim financial information is being submitted to the members to comply with the requirements of the Code.

2.6 This condensed interim financial information is unaudited. However, a limited scope review has been carried out by the external auditors of the Exchange.

2.7 **Amendments to approved accounting standards which became effective during the six months period ended December 31, 2017**

There were certain amendments to the approved accounting standards issued by the International Accounting Standards Board (IASB) which became effective during the period but are considered not to be relevant or have any significant effect on the Exchange's operations and are, therefore, not disclosed in this condensed interim financial information.

2.8 **New standards, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Exchange**

There are certain new amendments to the approved accounting standards that are mandatory for accounting periods beginning after Jan 01, 2018, but are considered not to be relevant or have any significant effect on the Exchange's operations and are, therefore, not disclosed in this condensed interim financial information.

2.9 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements of the Exchange for the year ended June 30, 2017.

3. **ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT**

3.1 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Exchange's accounting policies and the key resources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2017.

3.2 The financial risk management objectives and policies of the Exchange are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2017.

	(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
<b>4. MARGINS AND DEPOSITS</b>		
Clearing house deposits relating to brokers and clients	126,287,093	130,972,108
Initial margins relating to brokers and clients	1,145,725,599	1,168,382,169
	<b>1,272,012,692</b>	<b>1,299,354,277</b>
<b>4.1 The Margins and deposits have been applied as follows:</b>		
<b>Clearing house deposits</b>		
Balance with banks (saving and current accounts)	5,091,802	604,092
Investment in Treasury Bills	121,367,697	130,541,493
Less: amount allocated for transfer to SGF Trust	(172,406)	(173,477)
	<b>126,287,093</b>	<b>130,972,108</b>
<b>Initial margins</b>		
Balance with banks (saving and current accounts)	12,079,773	33,999,442
Investment in Treasury Bills	1,135,149,577	1,135,840,576
Security deposit / prepayments - Locker (Gold)	36,000	36,000
Less: amount allocated for transfer to SGF Trust	(1,539,751)	(1,493,849)
	<b>1,145,725,599</b>	<b>1,168,382,169</b>
	<b>1,272,012,692</b>	<b>1,299,354,277</b>

- 4.2 All brokers are required to maintain a minimum margins and clearing house deposits as may be specified by the Exchange. Margins and clearing house deposits determine the maximum value of exposure that a broker can take across all his clients and across all contracts in all commodities.

SECP through its letter dated August 17, 2015 had advised the Exchange to establish a SGF Trust through a trust deed registered with registrar of Trusts. The Exchange established the Trust in 2017 and transferred the fund. The Exchange utilizes the SGF Trust's and other monies of the brokers to the extent necessary to fulfill its obligations, as specified under the Regulations whenever a broker fails to meet his settlement obligations arising out of the transactions, or whenever a broker is declared as a defaulter.

As per the above SECP letter, Exchange is distributing 50% of the amount calculated by applying a rate 50 basis points below the minimum bank profit rate to brokers and clients on their average monthly balance, and remaining 50% is transferred to SGF Trust. The residual amount from income / profit / gain from investment of margins and deposits is accounted for as a share of the PMEX in the income from margins and deposits, disclosed in note 9.

- 4.3 In addition to margins and deposits from brokers and clients, Exchange holds gold on behalf of their brokers and clients in fiduciary capacity which is valued using the closing rates.

	(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
<b>5. PAYABLE TO SETTLEMENT GUARANTEE FUND TRUST (SGF TRUST)</b>		
Payable to Settlement Guarantee Fund Trust from		
- clearing house deposits	172,406	173,477
- initial margins	<u>1,539,751</u>	<u>1,493,849</u>
	<u>1,712,157</u>	<u>1,667,326</u>
<b>5.1 Movement for the year is as follows:</b>		
Opening balance as at July 01	1,667,326	46,340,919
Amount allocated from income earned on:		
- clearing house deposits	1,069,216	2,295,279
- initial margins	<u>9,333,087</u>	<u>20,208,239</u>
	10,402,303	22,503,518
Amount transferred during the period	<u>(10,357,472)</u>	<u>(67,177,111)</u>
	<u>1,712,157</u>	<u>1,667,326</u>

## 6. CONTINGENCIES AND COMMITMENTS

### 6.1 Income tax

The assessments for the tax years 2003 to 2006 have been amended by the tax authorities, details of which are as follows:

#### 6.1.1 Tax year 2003

The tax authorities have treated advance membership fee of Rs. 65 million (tax impact of Rs. 27.95 million) as income in the year of receipt, which was offered for tax by the Exchange upon receipt of Certificate of Registration as Commodity Exchange from SECP i.e. in 2007. The appeal of Exchange is pending before High Court of Sindh.

The tax authorities have also treated the security deposit of members amounting to Rs. 193.75 million (tax impact of Rs. 83.30 million) as income of the Exchange while assuming it to be non-refundable and non-adjustable. The Exchange filed an appeal before the High Court of Sindh and has obtained stay order for recovery of entire demand up to the next hearing date.

Based on the opinion of tax / legal advisors, the management is confident that the ultimate outcome of above matters will be in favor of the Exchange. Accordingly, no provision is made in this condensed interim financial information.

#### 6.1.2 Tax years 2005 and 2006

The tax authorities have disallowed expenses of Rs. 4.91 million and Rs. 3.14 million respectively incurred by the Exchange on refurbishment and tax depreciation claimed in these years on the assumption that the Exchange has not started its business in the said years. The appeal of the Exchange has been declined by Commissioner Inland Revenue (Appeals) and Appellate Tribunal Inland Revenue (ATIR). The Exchange has filed rectification application against its order. Based on the advice of tax advisor, the management is confident that the ultimate outcome of the matter would be in favor of the Exchange. Accordingly, no provision is made in this regard in this condensed interim financial information.

#### 6.1.3 Withholding income tax

During the year ended June 30, 2012, the tax authorities passed an order under Section 161 and Section 205 of the Income Tax Ordinance, 2001 treating the Exchange as 'assesse in default' for non-deduction of tax on payments made and created a demand of Rs. 2.70 million including default surcharge of Rs. 0.41 million. A rectification application has been filed against the aforesaid order which is pending. As the Exchange has not defaulted in deduction of any applicable withholding tax, the management is confident that the ultimate outcome of the matter would be in favor of the Exchange. Accordingly, no provision is made in this regard in this condensed interim financial information.

#### 6.2 Sindh sales tax on services - Tax year 2012 to 2014

In 2015-2016, a demand of sales tax of Rs. 14,042,311 along with penalty of Rs. 1,584,230 was raised by Assistant Commissioner Sindh Revenue Board (SRB), Karachi against the Exchange under various sections of Sindh Sales Tax on Services Act, 2011 in respect of non collection and submission of Sindh sales tax on various IT and alleged management services rendered by the Exchange to its brokers and clients. The Exchange has filed appeal before Commissioner (Appeals) Sindh Revenue Board, Karachi against the said order on which Commissioner (Appeals) has granted partial relief in Sales Tax of Rs. 740,060 and related penalty of Rs. 74,004. Subsequently, Appellate Tribunal has also allowed partial relief on penalty of amounted to Rs. 910,226. Currently, Exchange has filed an application to Sindh High Court on demand of sales tax of Rs.12,566,092 along with penalty of Rs. 600,000 and stay order on the same has also been granted. The management is confident that based on merit of the case the ultimate outcome of the matter would be in favor of the Exchange. Accordingly, no provision is made in this regard in this condensed interim financial information.

#### 6.3 Commitments

Commitments in respect of capital expenditure

(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
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8,305,000	8,305,000
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	Note	(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
<b>7. PROPERTY AND EQUIPMENT</b>			
Following additions were made during the period:			
Leasehold improvements		-	411,100
Computer equipment		801,469	3,214,587
Furniture and fittings		-	361,000
Office equipment		-	441,951
Electrical equipment		39,309	1,746,410
Capital work in progress		-	2,571,160
		<u>840,778</u>	<u>8,746,208</u>

**8. SHORT TERM INVESTMENTS**

**Fair value through profit or loss**

Investments in Treasury Bills	8.1 & 8.2	<u>1,312,270,275</u>	<u>1,332,980,380</u>
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8.1 The aggregate cost of these Treasury Bills is Rs. 1,256.516 million (2017: Rs. 1,266.382 million). These Treasury Bills carry markup ranging from 5.99% to 6.01% (June 2017: 5.90% to 5.99%) per annum and will mature on various dates till March 29, 2018.

8.2 This includes investment of the Exchange amounting to Rs. 55.753 million (2017: Rs. 66.598 million) in three month Treasury bills carrying markup rate ranging from 5.99% to 6.01% (2017: 5.95% to 5.99%) that will mature on various dates up to February 15, 2018.

(Unaudited) Six months period ended		(Unaudited) Three months period ended	
December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
..... Rupees .....			

**9. OPERATING INCOME**

Trading fee	65,089,872	58,658,112	36,583,642	26,957,086
Annual membership fee	12,299,168	8,750,000	6,499,585	4,412,500
Entrance fee	10,750,000	2,500,000	10,750,000	2,500,000
Income from IT related services	4,566,000	4,502,600	2,212,600	2,240,850
PMEX infrastructure fee	3,544,000	3,525,000	1,777,000	1,746,000
Advertisement income	720,000	1,425,000	360,000	750,000
Share of PMEX from the income of margins and deposits	18,874,245	19,614,933	9,585,884	8,861,349
Fee for membership transfer and issuance of certificate	400,000	1,200,000	200,000	600,000
Auto liquidation charges	131,100	74,028	53,700	50,828
Front end charges	151,834	116,244	128,499	60,070
Application fee	150,000	-	150,000	-
Gain on sale of USB keys	136,860	82,348	30,710	38,376
Recovery of gold custody charges	1,919,837	1,593,643	976,087	657,247
	<u>118,732,916</u>	<u>102,041,908</u>	<u>69,307,707</u>	<u>48,874,306</u>

	(Unaudited)		(Unaudited)	
	Six months period ended		Three months period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	..... Rupees .....			
<b>10. ADMINISTRATIVE AND OPERATING EXPENSES</b>				
Salaries and benefits	62,986,017	65,007,205	31,110,624	33,275,094
Gratuity	2,923,422	3,202,149	1,468,007	1,629,101
Provident fund	2,941,753	3,203,527	1,486,007	1,630,479
Directors' fee	690,000	1,245,000	345,000	705,000
Depreciation	4,720,914	4,875,002	2,272,309	2,516,573
Amortization	2,894,284	3,411,473	1,321,977	1,664,716
Communication	2,896,387	2,422,029	1,178,998	1,342,283
Cloud hosting	2,000,000	-	2,000,000	-
Utilities	1,140,374	1,064,526	575,444	509,266
Legal and professional	1,942,231	1,127,331	1,215,731	971,520
Rent	6,836,784	6,400,049	3,333,288	3,225,437
Repairs and maintenance	4,510,730	4,039,381	2,486,172	2,169,101
Market making / liquidity expenses	2,289,897	4,471,447	534,310	2,117,849
Travelling and conveyance				
- Employees and others	475,291	393,343	(37,960)	148,940
- Directors	1,517,630	2,000,849	640,448	1,092,618
	1,992,921	2,394,192	602,488	1,241,558
Fee and subscription	564,288	631,109	274,662	254,284
Security services	318,560	307,560	161,480	160,380
Insurance	221,737	273,547	101,352	171,077
SECP supervision fee	879,569	711,081	372,736	179,405
Auditors' remuneration	300,000	300,000	150,000	150,000
Marketing	3,507,714	4,831,349	2,218,376	2,953,082
Printing and stationery	100,892	205,498	61,503	169,312
Entertainment	453,837	394,471	245,882	182,030
	<u>107,112,311</u>	<u>110,517,926</u>	<u>53,516,346</u>	<u>57,217,547</u>
<b>11. OTHER INCOME - NET</b>				
<i>Income from financial assets</i>				
Mark-up on bank deposits	249,881	327,757	135,184	185,484
Return on government securities	1,578,534	1,551,529	760,172	752,061
Unrealized loss on remeasurement of investment at fair value through profit or loss	-	(2,654)	-	-
Realized loss on sale of investments at fair value through profit or loss	(10,682)	(7,023)	-	(2,654)
<i>Income from non - financial assets</i>				
Penalties recovered	414,728	298,757	414,728	298,757
Others	2,036,990	1,302,904	1,701,260	723,415
	<u>4,269,451</u>	<u>3,471,270</u>	<u>3,011,344</u>	<u>1,957,063</u>
<b>12. FINANCE COST</b>				

This represents finance costs charged at the average rate of income earned by the Exchange on the accumulated balance of gratuity payable to the staff gratuity fund.

Note	(Unaudited)		(Unaudited)		
	Six months period ended		Three months period ended		
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	
..... Rupees .....					
<b>13. TAXATION</b>					
Current	13.1	2,521,127	1,081,739	1,887,586	550,063
Prior		(33,714)	397,006	(33,714)	397,006
		<u>2,487,413</u>	<u>1,478,745</u>	<u>1,853,872</u>	<u>947,069</u>

13.1 The provision for current income tax is based on 17% of accounting profit under section 113C of the Income Tax Ordinance, 2001.

13.2 The Exchange has not recognised net deferred tax asset amounting to Rs.65.471 million as at December 31, 2017 (June 30, 2017: Rs.88.384 million) on net deductible temporary differences aggregating to Rs. 211.199 million (June 30, 2017: Rs.285.104 million) as at December 31, 2017 as timing of availability of sufficient taxable profits cannot be determined due to the applicability of minimum tax / Alternative Corporate Tax under section 113 / 113C of the Ordinance.

		(Unaudited)		(Unaudited)	
		Six months period ended		Three months period ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>14. EARNINGS PER SHARE</b>					
<b>14.1 Basic and diluted earnings per share</b>					
Profit / (loss) attributable to ordinary share holders	Rupees	12,342,745	(7,639,323)	16,437,569	(7,927,806)
Weighted average number of shares	Number	31,355,162	31,355,162	31,355,162	31,355,162
Earnings per share	Rupees	<u>0.39</u>	<u>(0.24)</u>	<u>0.52</u>	<u>(0.25)</u>

The Exchange has no dilutive potential shares and therefore, no dilutive effect on EPS.

Note	(Unaudited)	
	Six months period ended	
	December 31, 2017	December 31, 2016
..... Rupees .....		
<b>15. CASH GENERATED FROM OPERATIONS</b>		
Profit / (loss) before taxation		14,830,158 (6,160,577)
Adjustments for non cash charges and other items:		
Depreciation		4,720,914 4,875,002
Amortization		2,894,284 3,411,473
Finance cost		1,037,462 1,073,364
Provision for gratuity		2,923,422 3,202,149
Unrealized gain on remeasurement of government securities		- 2,654
Loss on disposal of government securities		10,682 7,023
Mark-up on bank deposits		(249,881) (327,757)
Return on government securities		(1,578,534) (1,551,529)
Working capital changes	15.1	(16,203,205) (13,103,367)
		<u>(6,444,856) (2,410,988)</u>
Cash generated from / (used in) operations		<u>8,385,302 (8,571,565)</u>

		(Unaudited)	
		Six months period ended	
		December 31, 2017	*December 31, 2016
		Rupees	Rupees
<b>15.1</b>	<b>Working capital changes</b>		
	<i>Decrease / (increase) in current assets</i>		
	Supplies and consumables	81,540	(514,748)
	Annual subscription receivable	500,000	1,175,000
	Advances, deposits and prepayments	275,849	1,767,853
	Other receivables	(4,997,118)	(6,998,454)
		(4,139,729)	(4,570,349)
	<i>(Decrease) / increase in current liabilities</i>		
	Advance annual subscription fee and other fees	(8,244,167)	(4,735,003)
	Advance member admission fee	2,500,000	(2,500,000)
	Creditors, accrued and other liabilities	(6,319,309)	(1,298,015)
		(12,063,476)	(8,533,018)
		(16,203,205)	(13,103,367)

## 16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

- (a) IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amount of the financial assets and liabilities reflected in the financial statements approximate their fair values.

### (b) Fair Value estimation

The Exchange has measured financial instruments at fair values using following three level fair value hierarchy that reflects the significance of the inputs used in measured fair value of financial instruments.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).

The Exchange has investments in Treasury Bills (T-Bills) amounting to Rs. 55.753 million (2017: Rs. 66.598 million), investments made from margins and deposits in treasury bills of Rs. 1,256.516 million (2017: Rs. 1,266.382 million) which are valued under Level 2 valuation method. The Exchange does not have any investment valued under Level 1 or Level 3 category.

There were no transfers between levels during the period.

There were no changes in valuation techniques during the period.

## 17. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associates, other companies with common directors, and key management personnel. Details of transactions with related parties during the period are as follows:

		(Unaudited)	
		Six months period ended	
Relationship with the Exchange	Nature of transactions	December 31, 2017	December 31, 2016
		Rupees	Rupees
Associated undertakings	Receipt of technology fee	-	120,000
	Receipt of deposit against initial margin	5,035,000	31,207,500
	Repayment of deposit against initial margin	2,292,960	26,860,810



Relationship with the Exchange	Nature of transactions	(Unaudited)	
		Six months period ended	
		December 31, 2017 Rupees	*December 31, 2016 Rupees
	Payment to Settlement Guarantee Fund Trust	10,357,472	57,678,055
	Payment to Investor Protection Fund Trust	991,208	1,029,364
	Payment to Gratuity fund	2,393,856	548,758
	Payment to Provident Fund	5,977,704	6,494,904
Directors	Directors' meeting fee	690,000	1,245,000
Managing Director	Salaries and benefits	9,135,755	8,459,211
	Post employment benefits	1,016,688	884,076
Key management personnel	Salaries and benefits	21,087,293	26,642,096
	Post employment benefits	1,999,268	2,617,998

Certain key management personnel are also provided with fixed education allowance in accordance with their terms of employment.


**18. DATE OF AUTHORISATION OF ISSUE**


This condensed interim financial information was authorised for issue on 27 FEB 2018 by the Board of Directors of the Exchange.

**19. GENERAL**


Figures have been rounded off to the nearest Rupee.

*Done*

  
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 CHAIRMAN

  
 \_\_\_\_\_  
 MANAGING DIRECTOR

  
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 CHIEF FINANCIAL OFFICER

  
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 MANAGING DIRECTOR