

**Pakistan Mercantile Exchange Limited**  
**Financial Statements**  
**For the six months period ended December 31, 2018**

**Pakistan Mercantile Exchange Limited**  
**Directors' Review**  
*For the six months period ended December 31, 2018*

**Global Environment**

Performance of global economy during six months period ended December 31, 2018 remained uneven and faced various threats. Looming fears of trade war between United States and China not only affected two of the largest economies, but also casted shadows on other economies. Growth of the Eurozone, Japan and the UK remained subdued. Among the emerging market and developing economies, growth prospects remained bleak.

During the period under review, commodity prices witnessed unexpected volatility. The crude oil prices experienced major fluctuations. By the end of September, the crude oil price hit its highest levels to reach USD 76.05 per barrel due to supply losses from Venezuela and U.S. sanctions on Iran's energy industry. However, starting October, oil prices began to decrease amid escalating concerns about an increase in global supply and a slowdown in economic growth to settle at USD 45.60 per barrel by the end of 2018.

Gold prices, on the other hand, inched up as investors took refuge in safe haven assets due to volatile global equities and political issues including US-China trade war and US-Saudi tensions.

**Pakistan Overview**

Following a healthy growth of 5.8 percent during July-September 2018 quarter, country's economic activity witnessed slowdown in the October-December 2018 quarter. The State Bank of Pakistan raised policy rate by an aggregate 250 bps (by 100bps on October 01 and 150bps on November 30, 2018). Headline CPI inflation remained high due to upward revision in domestic gas prices and further increase in regulatory duties on imports.

Despite increase in remittances and export proceeds, current account deficit increased due to imports growing at a much faster pace as compared to exports. The liquid foreign exchange reserves held by State Bank of Pakistan witnessed persistent decline, which depreciated rupee value against major currencies. Influx of dollars from Saudi Arabia provided some support but reserves remained low due to high imports.

The performance of agricultural sector remained subdued due to shortage of irrigation water which also affected production of two large scale manufacturing industries i.e. textiles & clothing and sugar.

**Business Review**

***Profit***

The Exchange earned profit after tax of Rs.38.81 million during first six months of FY18-19 as compared to a net profit of Rs.12.34 million for the corresponding period FY18.

***Trading Volume***

The trading volume of the Exchange grew to Rs.1,577.09 billion for six months period ended December 31, 2018 from Rs.639.46 billion for the corresponding period in 2017, posting an increase of 146.63% percent.

***Technology***

PMEX is actively working on multiple initiatives which include introducing a new back end trading system and Global Trading Platform (GTP) as well as launch of Office 365 application and optimization of current ETS system and other resources.

***Direct Collection and Payment Model for Traders***

To mitigate custody risks and increase clients' confidence in futures market, the Exchange is working on the development of a new mechanism for funds collection and withdrawal. According to this mechanism, the

clients will be able to directly deposit funds into their PMEX account and withdrawals will be directly credited into client bank accounts.

During the period under review, the Exchange initiated and completed the developmental work. The implementation of the model was delayed due to compliance issues related to KYC of clients which are now sorted out and the complete implementation of the model is expected in third quarter.

This is an extremely important initiative as it will allow the Exchange to significantly lower the brokerage licensing requirements thereby expanding its footprint across the country.

#### ***New Market Maker Model***

In order to strengthen the risk management regime at the Exchange and incentivize the existing Market Makers to increase their investor base, PMEX introduced a new model for market making. With the introduction of new model for market making, market makers at the Exchange can now avail any of the three options: to act as Market Makers only for their in-house clients, to act as Market Makers for their in-house clients as well as other clients, or to act as universal Market Makers for all clients without any distinction between in-house and other clients.

#### ***Enhancement of Product Portfolio***

During the period under review, PMEX increased the market depth and created new opportunities for the market participants by introducing new cash settled futures contracts of Corn, Wheat, Soybean, Palladium and Japan Equity Index. These contracts are based on universally traded benchmarks. The trading and operational mechanism is similar to the already listed contracts of international commodities at the Exchange.

With the introduction of these contracts, PMEX brokers were able to cater to the needs of a wider market segment. Moreover, the market participants not only enjoyed portfolio diversification opportunities but also the added advantage to trade and hedge the risk of price volatility in an efficient and convenient manner.

#### ***Financial Results***

Following is the summary of results:

	<b>Six months period ended</b>	
	<b>31-Dec-18</b>	<b>31-Dec-17</b>
	(Rs.in million)	
Operating Income	171.39	118.73
Administrative and operating expenses	(132.45)	(107.11)
Net profit / (loss) after taxation	38.81	12.34
Earnings per share – basic and diluted	1.24	0.39

First half of FY2018-19 closed with Rs.38.81 million Profit after Tax. The primary reasons of increase in operating income is increase in trading fee from Rs.65.08 million to Rs.113.68 million due to significant increase in trading activities, wide range of international contracts available for trade and introduction of MetataTrader5 front end. However, no new membership could be sold primarily due to new broker licensing regulations, which have been promulgated during the period. The cost side is generally kept under control.


#### ***Future Outlook***

Going forward, under the able guidance of Securities and Exchange Commission of Pakistan (SECP) and Board of Directors, the focus of the Exchange will remain on increasing the trading volume through creating UINs and increasing awareness about futures trading among the target audience. Implementation of Direct Collection & Payment model and subsequent relaxation in the brokerage licensing requirement would go a long way in increasing the reach of the Exchange.

Moreover, the Exchange is also working towards creating multiple trading platforms for domestic agricultural commodities which will enable the Exchange to link itself to the economy and bring efficiency in trading of local commodities.



Managing Director



Chairman

Karachi: February 20, 2019

## INDEPENDENT AUDITOR'S REVIEW REPORT

**To The Members of Pakistan Mercantile Exchange Limited**

**Report On Review of Interim Financial Statements**

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of **PAKISTAN MERCANTILE EXCHANGE LIMITED** (the Exchange) as at December 31, 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures for the condensed interim statement of profit and loss account and condensed interim statement of comprehensive income for the three months period ended December 31, 2018 in these interim financial statements have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2018.

### 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 these condensed interim financial statements 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 these accompanying condensed interim financial statements are 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 note 1.3 of the financial statements which explains the financial and operating measures being taken by the Exchange to improve profitability and financial position of the Exchange. Our conclusion is not qualified in respect of this matter.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

  
**Chartered Accountants**

**Dated:** March 02, 2019  
**Place:** Karachi


PAKISTAN MERCANTILE EXCHANGE LIMITED  
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2018


	(Unaudited) December 31, 2018	(Audited) June 30, 2018		(Unaudited) December 31, 2018	(Audited) June 30, 2018	
Note	Rupees	Rupees	Note	Rupees	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, 2018: 50,000,000) ordinary shares of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>	Property and equipment	7	15,948,853	13,729,374
Issued, subscribed and paid-up capital 31,355,162 (June 30, 2018: 31,355,162) ordinary shares of Rs. 10 each	313,551,620	313,551,620	Capital work in process	8	8,370,200	2,095,000
Capital reserve - premium on issue of ordinary shares	22,250,000	22,250,000	Intangible assets		10,765,499	13,458,674
Accumulated loss	<u>(335,824,275)</u>	<u>(374,641,543)</u>	Investment in associates		20	20
	(22,655)	(38,839,923)				
<b>Non-current liabilities</b>			<b>Current assets</b>			
Long-term deposits	169,500,000	197,650,000	Supplies and consumables		469,942	568,988
<b>Current liabilities</b>			Annual subscription receivable - considered good		10,158,319	43,481,320
Staff gratuity payable	29,226,190	44,674,627	Advances, deposits and prepayments		9,811,788	9,873,846
Staff provident fund	79,092	1,081,988	Other receivables		41,779,804	40,077,361
Margins and deposits	4	1,389,728,780	Short term investments	9	1,439,281,607	1,364,835,692
Payable to SGF trust	5	4,346,647	Gold held on behalf of brokers / clients		911,044,090	732,800,230
Gold held on behalf of brokers/clients		911,044,090	Taxation - net		38,139,388	42,191,695
Advance annual subscription fee and other fees		8,298,664	Cash and bank balances		67,852,123	79,154,967
Advance member admission fee		-				
Creditors, accrued and other liabilities		41,420,925				
		2,384,144,288			2,518,537,061	2,312,984,099
Contingencies and commitments	6					
		2,553,621,633			2,553,621,633	2,342,267,167
		<u>2,553,621,633</u>			<u>2,553,621,633</u>	<u>2,342,267,167</u>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements

  
CHAIRMAN

  
CHIEF FINANCIAL OFFICER

  
MANAGING DIRECTOR

  
MANAGING DIRECTOR

PAKISTAN MERCANTILE EXCHANGE LIMITED  
 CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Note	Six months period ended		Three months period ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
----- Rupees -----					
Operating income	10	171,391,355	118,732,916	104,654,356	69,307,707
Administrative and operating expenses	11	<u>(132,452,451)</u>	<u>(107,112,311)</u>	<u>(66,777,238)</u>	<u>(53,516,346)</u>
		38,938,904	11,620,605	37,877,118	15,791,361
Other income	12	8,829,009	4,269,451	5,354,621	3,011,344
Finance costs	13	(892,567)	(1,037,462)	(529,962)	(511,586)
Other charges		<u>(107,557)</u>	<u>(22,436)</u>	<u>(58,687)</u>	<u>322</u>
Profit before taxation		46,767,789	14,830,158	42,643,090	18,291,441
Taxation	14	<u>(7,950,521)</u>	<u>(2,487,413)</u>	<u>(7,072,879)</u>	<u>(1,853,872)</u>
Net profit after taxation		38,817,268	12,342,745	35,570,211	16,437,569
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		<u>38,817,268</u>	<u>12,342,745</u>	<u>35,570,211</u>	<u>16,437,569</u>
Earnings per share - basic	15	<u>1.24</u>	<u>0.39</u>	<u>1.13</u>	<u>0.52</u>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements

*R. T. [Signature]*  
 \_\_\_\_\_  
 CHAIRMAN

*[Signature]*  
 \_\_\_\_\_  
 CHIEF FINANCIAL OFFICER


*[Signature]*  
 \_\_\_\_\_  
 MANAGING DIRECTOR


*[Signature]*  
 \_\_\_\_\_  
 MANAGING DIRECTOR

PAKISTAN MERCANTILE EXCHANGE LIMITED  
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
 FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up capital	Capital reserve Premium on issue of ordinary shares	Accumulated loss	Total
Note	Rupees			
Balance as at June 30, 2017 (Audited)	313,551,620	22,250,000	(414,629,571)	(78,827,951)
Total comprehensive income for the period ended December 31, 2017				
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)
Balance as at June 30, 2018 (Audited)	313,551,620	22,250,000	(373,516,543)	(37,714,923)
Prior year adjustment	3.3.1 -	-	(1,125,000)	(1,125,000)
Balance as at June 30, 2018 (Restated)	313,551,620	22,250,000	(374,641,543)	(38,839,923)
Total comprehensive income for the period ended December 31, 2018				
Net profit after taxation	-	-	38,817,268	38,817,268
Other comprehensive income	-	-	-	-
	-	-	38,817,268	38,817,268
Balance as at December 31, 2018 (Unaudited)	313,551,620	22,250,000	(335,824,275)	(22,655)

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements

  
 CHAIRMAN

  
 CHIEF FINANCIAL OFFICER

  
 MANAGING DIRECTOR

  
 MANAGING DIRECTOR




PAKISTAN MERCANTILE EXCHANGE LIMITED  
 CONDENSED INTERIM STATEMENT OF CASHFLOWS (UN-AUDITED)  
 FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Note	Six months period ended	
		December 31, 2018 Rupees	December 31, 2017 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	16	86,324,805	11,419,071
Long-term deposits		(28,150,000)	(1,500,000)
Taxes paid - net		(3,898,214)	(2,247,895)
Staff provident paid		(4,356,806)	(3,033,769)
Staff gratuity paid		(19,691,915)	(3,011,395)
<b>Net cash generated from operating activities</b>		<b>30,227,870</b>	<b>1,626,012</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(13,402,726)	(840,778)
Proceeds from disposal of equipment		1,195,588	-
Payments against investment in government securities		(164,758,958)	(100,442,300)
Proceeds from sale of government securities		151,859,563	112,855,462
Mark-up received on bank deposits		1,300,809	242,834
<b>Net cash (used in) / generated from investing activities</b>		<b>(23,805,724)</b>	<b>11,815,218</b>
Net increase in cash and cash equivalents		6,422,146	13,441,230
Cash and cash equivalents at beginning of the period		12,420,281	3,439,492
Cash and cash equivalents at end of the period		18,842,427	16,880,722
Cash and cash equivalents relating to margins and deposits at end of period		49,009,696	17,171,575
Cash and cash equivalents at end of the period		67,852,123	34,052,297

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements

  
 CHAIRMAN

  
 CHIEF FINANCIAL OFFICER

  
 MANAGING DIRECTOR

  
 MANAGING DIRECTOR

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018**

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

- 1.1 Pakistan Mercantile Exchange Limited (the Exchange) was incorporated in Pakistan as a public unlisted company on April 20, 2002 under the Companies Ordinance, 1984 (now Companies Act, 2017). The Certificate of Commencement of Business under the 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. The Exchange has also two branches situated at Islamabad and Lahore.
- 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, 2018, the Exchange has accumulated loss amounting to Rs. 335.82 million (June 30, 2018: 373.52 million). During the period ended December 31, 2018, the Exchange has net profit after tax of Rs. 38.81 million. Pursuant to the license as Futures Exchange, the Exchange is required to meet minimum capital of Rs. 500 million net of losses by June 2020. The Exchange is in process of evaluating proposals for injection of fresh equity and evaluating certain potential parties who expressed their interest with the assistance of a financial advisor, however the final decision and approval are pending. Further, the Exchange has also introduced certain new products that has generated profit for the Exchange during the current interim period along with other financial steps taken by the management. These financial and operating measures are expected to improve the financial position of the Exchange.

**2. BASIS OF PREPARATION**

- 2.1 These condensed interim financial statements has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standards (IAS) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB) as notified under Companies Act, 2017; and
  - Provision of and directives issued under Companies Act, 2017.
- 2.2 These condensed interim financial statements do not include all the notes required for the full financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2018.
- 2.3 These condensed interim financial statements are presented in pak rupee, which is the functional and presentation currency of the Exchange.
- 2.4 These condensed interim financial statements are unaudited. However, a limited scope review has been carried out by the external auditors of the Exchange.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGEMENTS AND RISK MANAGEMENT**

The accounting policies, estimates and risk management adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Exchange for the year ended June 30, 2018.

### 3.1 New / Revised Standards, Interpretations and Amendments

The Exchange has adopted the following accounting standard which became effective for the current period:

IFRS 15 'Revenue from Contracts with Customers'. Effective from accounting period beginning on or after July 01, 2018 as per directives issued by SECP. IFRS 15 - Revenue from contracts with customers replaced IAS 18 - Revenue, IAS 11 - Construction contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognized when or as those performance obligations in a contract are satisfied.

### 3.2 New accounting standard that is not yet effective

Securities and Exchange Commission of Pakistan (SECP), through SRO 1007(I)/2017, dated October 4, 2017, had notified IFRS 9 "Financial Instruments", replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018 which has further been deferred for the half year ended December 31, 2018, through SRO 229 (I)/2019 dated February 15, 2019. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these condensed interim financial statements.

### 3.3 Impact of application of IFRS 15 Revenue from Contracts with Customers

The Exchange has applied IFRS 15 retrospectively by recognising the cumulative effect of initial application as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application, and the Exchange has elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application. The Exchange has also used practical expedients for all contract modifications that occurred before the date of initial application i.e. July 1, 2018.

The Exchange's accounting policies for its revenue streams are consistent with those applied in the preparation of the annual audited financial statements of the Exchange for the year ended June 30, 2018.

The amount of adjustment for each line item in condensed interim financial statement affected by the application of IFRS 15 is illustrated below:

	Note	December 31, 2018 Rupees
<b>Impact on condensed interim statement of of profit or loss</b>		
Operating Income		
Decrease in annual membership fee	3.3.1	<u>1,125,000</u>

Impact on asset and equity as at June 30, 2018	Note	As at June 30, 2018	IFRS 15 adjustments Rupees	As restated
Annual subscription receivable	3.3.1	44,606,320	1,125,000	43,481,320
<b>Total effect on net assets</b>		<u>44,606,320</u>	<u>1,125,000</u>	<u>43,481,320</u>
Retained earnings		(373,516,543)	(1,125,000)	(374,641,543)
<b>Total effect on equity</b>		<u>(373,516,543)</u>	<u>(1,125,000)</u>	<u>(374,641,543)</u>

3.3.1 An adjustment is required in IFRS 15 while recognising revenue for contracts which were not completed on the first application date i.e. July 1, 2018 and have not fulfilled the criteria prescribed in para 9 of the standard.

	December 31, 2018 Rupees	June 30, 2018 Rupees
<b>4. MARGINS AND DEPOSITS</b>		
Clearing house deposits relating to brokers and clients	124,717,136	135,502,496
Initial margins relating to brokers and clients	<u>1,265,011,644</u>	<u>1,215,271,461</u>
	<u>1,389,728,780</u>	<u>1,350,773,957</u>

	December 31, 2018 Rupees	June 30, 2018 Rupees
4.1 The Margins and deposits have been applied as follows:		
<b>Clearing house deposits</b>		
Balance with banks (savings and current accounts)	5,119,695	175,403
Investment in Treasury Bills	119,971,065	135,549,669
Less: amount allocated for transfer to SGF Trust	(373,624)	(222,576)
	<b>124,717,136</b>	<b>135,502,496</b>
<b>Initial margins</b>		
Balance with banks (savings and current accounts)	43,890,001	66,559,283
Investment in Treasury Bills	1,225,058,566	1,150,544,804
Security deposit / prepayments - Locker (Gold)	36,000	36,000
Less: amount allocated for transfer to SGF Trust	(3,972,923)	(1,868,626)
	<b>1,265,011,644</b>	<b>1,215,271,461</b>
	<b>1,389,728,780</b>	<b>1,350,773,957</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.

The Exchange has established a SGF Trust as required by SECP through its letter dated August 17, 2015. The Exchange shall utilize 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. However, from March 01, 2018, distribution to brokers and client has been withheld and the same has become part of residual amount against amount due for new software fees.

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

	(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
5. <b>PAYABLE TO SETTLEMENT GUARANTEE FUND TRUST (SGF TRUST)</b>		
Payable to Settlement Guarantee Fund Trust from		
- clearing house deposits	373,624	222,576
- initial margins	3,972,923	1,868,626
	<b>4,346,547</b>	<b>2,091,202</b>

	(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
<b>5.1 Movement for the year is as follows:</b>		
Opening balance as at July 01	2,091,202	1,667,326
Amount allocated from income earned on:		
- clearing house deposits	1,824,637	2,213,963
- initial margins	17,965,730	18,916,673
	19,790,367	21,130,636
Amount transferred during the period	(17,535,022)	(20,706,760)
	<u>4,346,547</u>	<u>2,091,202</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.

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

#### 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 these condensed interim financial statements.

#### 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 these condensed interim financial statements.

### 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 these condensed interim financial statements.

	(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
<b>6.3 Commitments</b>		
Commitments in respect of capital expenditure	<u>6,610,000</u>	<u>8,305,000</u>

These represents capital expenditure to be incurred for exchange's back end software.

## 7. OPERATING FIXED ASSETS

Opening net book value (NBV)	13,729,374	21,376,770
Additions during the period / year at cost	<u>7,127,526</u>	<u>1,431,459</u>
	20,856,900	22,808,229
Disposals during the period / year at NBV	(1,195,588)	-
Depreciation charge for the period / year	<u>(3,712,459)</u>	<u>(9,078,855)</u>
	(4,908,047)	(9,078,855)
Closing net book value (NBV)	<u>15,948,853</u>	<u>13,729,374</u>

Detail of additions (at cost) during the period / year are as follows:

Leasehold Improvements	-	77,661
Furniture & Fixtures	-	170,000
Office Equipment	898,200	161,517
Electrical Equipment	2,935,327	158,312
Computer Equipments	1,027,499	863,969
Motor Vehicles	<u>2,266,500</u>	-
	<u>7,127,526</u>	<u>1,431,459</u>

Detail of disposals (at NBV) during the period / year are as follows:

Furniture & Fixtures	-	-
Motor Vehicle	<u>1,195,588</u>	-
	<u>1,195,588</u>	-

## 8. CAPITAL WORK IN PROGRESS

Advance for vehicle	4,580,200	-
Advance for software development	<u>3,790,000</u>	<u>2,095,000</u>
	<u>8,370,200</u>	<u>2,095,000</u>

Movement of carrying amount is as follows:

Opening balance	2,095,000	2,095,000
Additions (at cost) during the period / year	<u>6,275,200</u>	-
	8,370,200	2,095,000
Transfer to operating fixed assets during the period / year	-	-
Closing balance	<u>8,370,200</u>	<u>2,095,000</u>

8.1 This represents capital expenditure incurred for exchange's back end software and advance payment made against a vehicle.

	Note	(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
<b>9. SHORT TERM INVESTMENTS</b>			
<b>Fair value through profit or loss</b>			
Investments in Treasury Bills - margins and deposits		1,345,029,631	1,286,094,473
Investments in Treasury Bills - others		94,251,976	78,741,219
	9.1	<u>1,439,281,607</u>	<u>1,364,835,692</u>

9.1 These Treasury Bills carry markup ranging from 7.75% to 10.29% (June 2018: 6.22% to 6.76%) per annum and will mature on various dates till March 14, 2019.

	(Unaudited) Six months period ended		(Unaudited) Three months period ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	..... Rupees .....			
<b>10. OPERATING INCOME</b>				
Trading fee	113,887,604	65,089,872	75,221,417	36,583,642
Annual membership fee	10,749,989	12,299,168	4,781,243	6,499,585
Entrance fee	-	10,750,000	-	10,750,000
Income from IT related services	2,816,211	4,566,000	1,344,600	2,212,600
PMEX infrastructure fee	3,637,000	3,544,000	1,819,000	1,777,000
Advertisement income	492,581	720,000	210,000	360,000
Share of PMEX from the income of margins and deposits	35,061,203	18,007,276	18,337,342	9,135,604
Management fee on SGF	927,510	866,969	356,680	450,280
Fee for membership transfer and issuance of certificate	400,000	400,000	200,000	200,000
Auto liquidation charges	297,700	131,100	139,800	53,700
Front end charges	36,295	151,834	17,600	128,499
Application fee	-	150,000	-	150,000
Gain on sale of USB keys	170,154	136,860	113,436	30,710
Recovery of gold custody charges	3,115,108	1,919,837	2,113,238	976,087
	<u>171,391,355</u>	<u>118,732,916</u>	<u>104,654,356</u>	<u>69,307,707</u>

R/A

	(Unaudited) Six months period ended		(Unaudited) Three months period ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
..... Rupees .....				
<b>11. ADMINISTRATIVE AND OPERATING EXPENSES</b>				
Salaries and benefits	68,232,554	62,986,017	33,511,412	31,110,624
Gratuity	3,350,911	2,923,422	1,741,650	1,468,007
Provident fund	3,353,910	2,941,753	1,742,019	1,486,007
Directors' fee	1,215,000	690,000	615,000	345,000
Depreciation	3,712,459	4,720,914	1,868,287	2,272,309
Amortization	2,693,175	2,894,284	1,346,588	1,321,977
Communication	2,274,083	2,896,387	1,045,278	1,178,998
Cloud hosting	7,609,838	2,000,000	3,851,132	2,000,000
Utilities	1,005,164	1,140,374	428,440	575,444
Legal and professional	6,028,735	1,942,231	3,515,570	1,215,731
Rent	6,263,119	6,836,784	3,163,528	3,333,288
Repairs and maintenance	4,031,574	4,510,730	1,947,791	2,486,172
Market making / liquidity expenses	-	2,289,897	-	534,310
Travelling and conveyance				
- Employees and others	410,683	475,291	152,836	(37,960)
- Directors	1,246,354	1,517,630	550,924	640,448
	1,657,037	1,992,921	703,760	602,488
Fee and subscription	14,314,558	564,288	7,466,663	274,662
Security services	383,522	318,560	163,680	161,480
Insurance	200,749	221,737	105,715	101,352
SECP supervision fee	1,340,170	879,569	820,217	372,736
Auditors' remuneration	453,000	300,000	258,000	150,000
Marketing	3,803,261	3,507,714	2,311,283	2,218,376
Printing and stationery	149,152	100,892	95,377	61,503
Entertainment	380,480	453,837	75,848	245,882
	<b>132,452,451</b>	<b>107,112,311</b>	<b>66,777,238</b>	<b>53,516,346</b>
<b>12. OTHER INCOME - NET</b>				
<i>Income from financial assets</i>				
Mark-up on bank deposits	1,308,587	249,881	812,332	135,184
Return on government securities	2,657,268	1,578,534	1,464,819	760,172
Unrealized loss on remeasurement of investment at fair value through profit or loss	(43,116)	-	(43,116)	-
Realized loss on sale of investments at fair value through profit or loss	(2,790)	(10,682)	(864)	-
<i>Income from non - financial assets</i>				
CGT Processing fee	4,322,560	1,826,990	2,787,450	414,728
Others	586,500	624,728	586,500	1,701,260
	<b>8,829,009</b>	<b>4,269,451</b>	<b>5,607,121</b>	<b>3,011,344</b>
<b>13. 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, 2018	December 31, 2017	December 31, 2018	December 31, 2017
..... Rupees .....					
14. TAXATION					
Current	14.1	7,950,521	2,521,127	7,072,879	1,887,586
Prior		-	(33,714)	-	(33,714)
		<u>7,950,521</u>	<u>2,487,413</u>	<u>7,072,879</u>	<u>1,853,872</u>

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

14.2 The Exchange has not recognised net deferred tax asset amounting to Rs. 45.94 million as at December 31, 2018 (June 30, 2018: Rs. 70.008 million) on net deductible temporary differences aggregating to Rs. 164.103 million (June 30, 2018: Rs.228.478 million) as at December 31, 2018 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, 2018	December 31, 2017	December 31, 2018	December 31, 2017
15. EARNINGS PER SHARE					
15.1 Basic and diluted earnings per share					
Profit attributable to ordinary share holders	Rupees	38,817,268	12,342,745	35,570,211	16,437,569
Weighted average number of shares	Number	31,355,162	31,355,162	31,355,162	31,355,162
Earnings per share	Rupees	<u>1.24</u>	<u>0.39</u>	<u>1.13</u>	<u>0.52</u>

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

	Note	(Unaudited)	
		Six months period ended	
		December 31, 2018	December 31, 2017
16. CASH GENERATED FROM OPERATIONS			
Profit before taxation		46,767,789	14,830,158
Adjustments for non cash charges and other items:			
Depreciation		3,712,459	4,720,914
Amortization		2,693,175	2,894,284
Finance cost		892,567	1,037,462
Provision for gratuity		3,350,911	2,923,422
Provision for provident fund		3,353,910	2,941,753
Unrealized gain on remeasurement of government securities		43,116	-
Loss on disposal of government securities		2,790	10,682
Mark-up on bank deposits		(1,308,587)	(249,881)
Return on government securities		(2,657,268)	(1,578,534)
Working capital changes	16.1	29,473,943	(16,111,189)
		<u>39,557,016</u>	<u>(3,411,087)</u>
Cash generated from operations		<u>86,324,805</u>	<u>11,419,071</u>

16.1 Working capital changes

*Decrease / (increase) in current assets*

Supplies and consumables  
Annual subscription receivable  
Advances, deposits and prepayments  
Other receivables

(Unaudited)	
Six months period ended	
December 31, 2018	December 31, 2017
Rupees	Rupees
99,046	81,540
33,323,001	500,000
62,058	275,849
(1,694,665)	(4,997,118)
<b>31,789,440</b>	<b>(4,139,729)</b>
<i>(Decrease) / increase in current liabilities</i>	
Advance annual subscription fee and other fees	
(8,254,993)	(8,244,167)
Advance member admission fee	
(750,000)	2,500,000
Creditors, accrued and other liabilities	
6,689,496	(6,227,293)
<b>(2,315,497)</b>	<b>(11,971,460)</b>
<b>29,473,943</b>	<b>(16,111,189)</b>

17. 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 these condensed interim 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.Rs. 94.25 million (2018: Rs. 78.74 million), investments made from margins and deposits in treasury bills of Rs. 1,345.029 million (2018: Rs. 1,286.094 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.

18. 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, 2018	December 31, 2017
		Rupees	Rupees
Associated Undertakings			
Zahid Latif Securities (Private) Limited	Receipt of deposit against initial margin	6,565,000	5,035,000
	Repayment of deposit against initial margin	2,452,693	2,292,960

Relationship with the Exchange	Nature of transactions	Six months period ended	
		December 31, 2018 Rupees	December 31, 2017 Rupees
Rawalpindi Chamber of Commerce	Sponsorship in FINTECH conference	200,000	-
ISE REIT Management Limited	Payment of rent and utilities	950,030	880,442
Zarai Taraqati Bank Limited	Reimbursement for director's travelling	93,459	142,676
PMEX Settlement Guarantee Fund Trust	Payment to fund	17,535,022	10,357,472
PMEX Investor Protection Fund Trust	Payment to fund	952,459	991,208
PMEX Gratuity Fund Trust	Payment to fund	18,497,563	2,393,856
PMEX Provident Fund Trust	Payment to fund	7,708,534	5,977,704
Directors - non executive	Directors' meeting fee	1,215,000	690,000
	Travelling and conveyance expense	1,246,354	1,517,630
Managing Director	Salaries and benefits	11,653,077	9,135,755
	Post employment benefits	1,169,196	1,016,688
Key management personnel	Salaries and benefits	18,411,159	21,087,293
	Post employment benefits	1,823,190	1,999,268

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

19. DATE OF AUTHORISATION OF ISSUE

These condensed interim financial statements were authorised for issue on 20-FEB-19 by the Board of Directors of the Exchange.

20. GENERAL

Figures have been rounded off to the nearest Rupee.

*B/A*

*R. S. J.*  
 \_\_\_\_\_  
 CHAIRMAN  
*[Signature]*  
 \_\_\_\_\_  
 CHIEF FINANCIAL OFFICER

*[Signature]*  
 \_\_\_\_\_  
 MANAGING DIRECTOR  
*[Signature]*  
 \_\_\_\_\_  
 MANAGING DIRECTOR