

**Pakistan Mercantile Exchange Limited**  
**Directors' Review**  
**For the Six Months Period Ended December 31, 2023**

On behalf of the Board of Directors of Pakistan Mercantile Exchange Limited, we are pleased to present the Directors' Review together with condensed interim financial information for the six months period ended December 31, 2023, which has been unaudited but auditors have performed their limited scope review.

**Reconstitution of PMEX Board**

All the three independent directors Mr. Abdul Qadir Memon, Dr. Fatima Khushnud and Dr. Rashid Bajwa resigned in first week of January 2024. Due to absence of independent directors, the Board become dysfunctional. SECP approved the appointment of Mr. Farrukh Ansari, Ms. Aeyesha Gulzar and Mr. Maroof Syed in April 2024 after which the Board become functional again under the chairmanship of Mr. Farrukh Ansari.

**Global Environment**

During July-December 2023, the global economy faced considerable challenges amidst the ongoing US-China trade tensions and the conflict between Russia and Ukraine. These geopolitical tensions hindered economic recovery efforts, compounded by the exacerbation of unease stemming from the Gaza conflict. Factors such as a strengthening dollar, disruptions in maritime trade routes, and central banks' reluctance to cut interest rates further exacerbated the strain on businesses and consumer confidence. During this period, precious metals prices saw a sustained upward trend, while energy prices surged due to production cuts by OPEC and concerns about disruptions in maritime trade through the Red Sea.

**Pakistan Overview**

From July to December 2023, Pakistan's economy faced several challenges, marked by high inflation rates, currency depreciation, and fiscal constraints. During this period, inflation continued to surge, primarily driven by higher food and energy prices. The Pakistani rupee weakened against the dollar, further complicating the economic landscape. The government sought financial assistance from international lenders, including the International Monetary Fund (IMF), to stabilize the economy. A crucial part of stabilizing measures involved negotiating terms for continued financial support, which was essential to address the country's balance of payments crisis and foreign exchange reserves shortage. The policy rate in Pakistan was maintained at 22% by the State Bank of Pakistan.

**Business Review**

***Unveiling E-commerce Platform for Bulk Commodity Trading***

The Exchange is in the final phase of launching the Global Commodity Trading Platform (GCTP) as a subsidiary, that will facilitate international buyers to import agriculture and non-agriculture commodities in bulk from Pakistani commodity sellers and get them delivered at the port of their choice. GCTP is poised to significantly boost exports and provide access to new markets to local commodity producers and exporters.

### ***Agri Broker Regulation***

The Securities and Exchange Commission of Pakistan (SECP) has approved regulations that pave the way for the introduction of agriculture-only brokers. This regulatory advancement allows PMEX to diversify its brokerage services specifically tailored to the agricultural sector. By focusing on agri-business, PMEX can offer specialized services that cater to the unique needs of this vital segment of the economy. This initiative not only broadens PMEX market reach but also aligns with its strategic goal of enhancing sector-specific trading solutions, thereby reinforcing its commitment to innovation and sectoral growth in Pakistan's financial markets.

### ***Collaboration for Spot Trading Platform***

PMEX is working with the International Finance Corporation (IFC) to develop a spot trading platform, aimed at expanding the market offerings. IFC is expected to support this initiative by appointing a consultant to assist in the platform's development, enhancing PMEX trading capabilities and providing its customers with access to diverse commodities markets. This move is expected to significantly strengthen PMEX position in the marketplace.

### ***Introducing PMEX Brokers Awards***

PMEX held its first Best Brokers Awards ceremony. This significant occasion was designed to honor the outstanding achievements of futures brokers and acknowledge their vital contributions to the futures market. As a pioneering effort, this ceremony not only highlighted the excellence and dedication within the brokerage community but also reinforced PMEX commitment to fostering a robust and transparent trading environment. PMEX plans to hold this ceremony annually, ensuring ongoing recognition and support for its exceptional brokers.

### ***InvestExpo 2023 – Islamabad***

PMEX organized the first-ever, full-day InvestExpo in Islamabad on Saturday, December 02, 2023. The InvestExpo showcased a grand full-day exhibition by stock brokers, commodity brokers, asset management, and insurance companies. Furthermore, two seminars on the topics of 'Investing in Stocks, Commodities, and Mutual Funds' and on 'Insurance, Takaful, and Microfinance' were held for the public attending the InvestExpo. The InvestExpo aimed to enhance financial literacy among the populace, promote awareness of regulated and licensed investment avenues, and facilitate direct interaction between the public and investment service providers. This annual initiative, endorsed by the Securities and Exchange Commission of Pakistan (SECP), is poised to extend to Lahore and Karachi in future iterations.

### ***Creating Investor Awareness***

The Exchange continued its efforts for creating awareness about the trading of commodity futures in Pakistan. In this regard, during the period under review, PMEX organized several weekly webinars. Moreover, the Exchange spearheaded the 7th Annual World Investor Week (WIW) celebrations in Pakistan from October 2 to 8, 2023 with the support and guidance of the SECP. The Exchange designed and implemented a week-long comprehensive campaign in collaboration with other stakeholders of the capital market.

Setting a new precedence in Pakistan's Capital and Commodities Markets, PMEX collaborated with Capital Market Institutions including Pakistan Stock Exchange (PSX) and Central Depository Company of Pakistan Limited (CDC) and several other Equity & Commodity Brokers and Asset Management Companies to conduct a series of investor outreach, awareness, and education

activities that included exhibitions, seminars, and panel discussions, targeting corporate employees, members of business chambers and students and faculty of graduate schools.

## Financial Results

Following is the comparative summary of financial performance of the Exchange for the period under consideration:

	<b>Six Months Period Ended</b>	
	<b>31-Dec-23</b>	<b>31-Dec-22</b>
	<b>(Rupees in million)</b>	
Trading Fee – net	<u>234.61</u>	<u>171.83</u>
Operating income	<u>411.09</u>	<u>295.16</u>
Profit before taxation	<u>173.97</u>	<u>115.09</u>
Net profit after taxation (total comprehensive income)	<u>127.25</u>	<u>90.06</u>
	<b>(Rupees)</b>	
Earnings per share	<u>4.06</u>	<u>2.87</u>

The financial performance has continued to improve during the period and profit after tax has jumped from Rs. 90.06 million to Rs. 127.25 million, an increase of 41.31%. The major reasons for the improvement in trading volume are recent volatility in commodity prices across the globe and partial tariff revision after approval of SECP. The growth in trading volumes is expected to continue in coming months.

## Appointment of Managing Director

The contract of previous managing director Mr. Ejaz Ali Shah was completed in August 2023. The Board is currently under the process of appointment of managing director. Until the completion of process, Chief Financial Officer and Company Secretary, Mr. Farhan Tahir has been assigned the additional responsibility of Acting managing director with the approval of SECP.

## Future Outlook

Going forward, under the able guidance of the SECP and the Board of Directors, the focus of the Exchange will remain on the development of local commodities, propagation of the Electronic Warehouse Receipts (EWR) regime, documentation of gold through the Exchange, making exchange services available throughout the country and introducing safe investment opportunities for the retail investors across the country.

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Managing Director

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Chairman

Karachi: April 26, 2024

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023**

		(Unaudited) December 31, 2023	(Audited) June 30, 2023		(Unaudited) December 31, 2023	(Audited) June 30, 2023	
	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		<u>1,000,000,000</u>	1,000,000,000	Property and equipment	7	30,238,453	34,637,596
Issued, subscribed and paid-up capital		313,551,620	313,551,620	Right of use assets	8	12,660,400	18,935,265
Reserves		<u>119,577,722</u>	(7,675,484)	Intangible assets		1,058,378	1,391,548
		<u>433,129,342</u>	305,876,136	Long term investment	9	<u>20</u>	1,394,186
						<u>43,957,251</u>	56,358,595
<b>Non-current liabilities</b>				<b>Current assets</b>			
Long-term deposits		<u>161,394,912</u>	161,394,912	Annual subscription receivable		<u>56,959,016</u>	55,557,783
Lease liabilities		7,806,711	16,749,150	Deposits and prepayments		34,431,580	13,055,278
Provision for losses against subsidiary	9.2	<u>1,106,923</u>	-	Other receivables		<u>102,694,814</u>	50,005,811
		<u>170,308,546</u>	178,144,062	Short term investments	10	<u>2,548,617,665</u>	2,455,791,578
				Gold held on behalf of brokers/clients		<u>2,253,645,430</u>	2,089,360,850
<b>Current liabilities</b>				<b>Current assets</b>			
Staff provident fund		<u>3,834,370</u>	2,150,896	Taxation - net		<u>26,601,926</u>	4,397,573
Margins & deposits	4	<u>2,202,175,013</u>	2,072,031,116	Cash and bank balances		<u>85,149,918</u>	44,787,297
Payable to SGF trust	5	<u>17,696,568</u>	16,125,486			<u>5,108,100,349</u>	4,712,956,170
Gold held on behalf of brokers/clients		<u>2,253,645,430</u>	2,089,360,850			<u>5,152,057,600</u>	4,769,314,765
Advance annual subscription and other fee		<u>1,900,000</u>	15,961,391				
Current portion of lease liability		<u>10,384,438</u>	9,523,171				
Creditors, accrued and other liabilities		<u>58,983,893</u>	80,141,657				
		<u>4,548,619,712</u>	4,285,294,567				
		<u>5,152,057,600</u>	4,769,314,765				
<b>Contingencies and commitments</b>	6						

The annexed notes from 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.

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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**  
**UNCONSOLIDATED CONDENSED INTERIM PROFIT OR LOSS AND OTHER COMPREHENSIVE**  
**INCOME (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023**

	Note	Six months period ended		Three months period ended	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
----- Rupees -----					
Operating income	11	411,090,101	295,164,853	199,508,716	162,492,035
Administrative and operating expenses	12	(296,685,445)	(199,090,963)	(149,441,890)	(104,273,138)
		114,404,656	96,073,890	50,066,826	58,218,897
Other income		64,814,615	23,881,293	45,494,622	13,330,169
Other charges		(963,793)	(74,501)	(933,578)	(44,584)
Finance costs		(1,782,206)	(2,299,397)	(862,662)	(986,686)
Share of loss from subsidiary	9	(2,501,089)	(2,490,000)	(1,256,089)	(1,245,000)
Profit before taxation		173,972,183	115,091,285	92,509,119	69,272,796
Taxation	13	(46,718,977)	(25,035,824)	(22,466,434)	(17,242,431)
<b>Net profit after taxation</b>		<b>127,253,206</b>	<b>90,055,461</b>	<b>70,042,684</b>	<b>52,030,365</b>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>127,253,206</b>	<b>90,055,461</b>	<b>70,042,684</b>	<b>52,030,365</b>
<b>Earnings per share - basic and diluted</b>		<b>4.06</b>	<b>2.87</b>	<b>2.23</b>	<b>1.66</b>

The annexed notes from 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.

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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**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023**

	Issued, subscribed and paid-up capital	Reserves		Total	Total
		Capital - Premium on issue of ordinary shares	Revenue - Accumulated (Loss) / profit		
----- Rupees -----					
Balance as at July 01, 2022 (Audited)	313,551,620	22,250,000	(229,410,874)	(207,160,874)	106,390,746
Total comprehensive income for the period ended December 31, 2022	-	-	90,055,461	90,055,461	90,055,461
	-	-	90,055,461	90,055,461	90,055,461
Balance as at December 31, 2022 (Unaudited)	313,551,620	22,250,000	(139,355,413)	(117,105,413)	196,446,207
Balance as at July 01, 2023 (Audited)	313,551,620	22,250,000	(29,925,484)	(7,675,484)	305,876,136
Total comprehensive income for the period ended December 31, 2023	-	-	127,253,206	127,253,206	127,253,206
	-	-	127,253,206	127,253,206	127,253,206
Balance as at December 31, 2023 (Unaudited)	313,551,620	22,250,000	97,327,722	119,577,722	433,129,342

The annexed notes from 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.

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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**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023**

	Note	Six months period ended	
		December 31, 2023 Rupees	December 31, 2022 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		173,972,183	115,091,285
<b>Adjustments for non cash charges and other items:</b>			
Depreciation		11,136,098	10,910,101
Amortisation		333,169	316,348
Finance cost		1,700,316	2,299,397
Provision for gratuity		6,056,504	5,329,551
Provision for provident fund		6,097,090	10,707,670
(Gain) / loss on disposal of government securities		(4,022,221)	2,911
Loss on disposal of property and equipment		847,109	-
Return on government securities		(41,424,964)	(15,738,781)
Share of loss from subsidiary	9	2,501,089	2,490,000
Unrealized gain on remeasurement of investment		(6,905,738)	(96,773)
Provision for expected credit loss		2,659,143	-
		(21,022,405)	16,220,424
<b>Working capital changes</b>			
<i>Decrease / (increase) in current assets</i>			
Annual subscription receivable		(1,401,233)	3,236,637
Deposits and prepayments		(21,376,302)	(3,272,841)
Other receivables		(52,689,003)	(9,159,891)
		(75,466,538)	(9,196,095)
<i>Decrease in current liabilities</i>			
Advance annual subscription and other fees		(14,061,391)	(11,450,000)
Creditors, accrued and other liabilities		(20,050,841)	(1,693,523)
		(34,112,232)	(13,143,523)
Cash generated from operations		43,371,009	108,972,091
Taxes paid - net		(68,923,330)	(7,005,665)
Provident fund paid		(4,413,616)	(8,835,360)
Gratuity paid		(25,704,925)	(4,573,018)
<b>Net cash (used in) / generated from operating activities</b>		<b>(55,670,864)</b>	<b>88,558,048</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	7	(13,986,948)	(16,481,757)
Proceeds from disposal of equipment	7	12,677,750	1,938,962
Payments against investment in government securities		(645,239,175)	(480,244,747)
Proceeds from sale of government securities		687,180,124	411,209,684
<b>Net cash generated / (used in) from investing activities</b>		<b>40,631,751</b>	<b>(83,577,858)</b>

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023**

	<b>Six months period ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment against lease liability	<b>(9,781,488)</b>	(8,878,894)
<b>Net cash used in from investing activities</b>	<b>(9,781,488)</b>	(8,878,894)
Net decrease in cash and cash equivalents (A+B+C)	<b>(24,820,601)</b>	(3,898,704)
Cash and cash equivalents at beginning of the period	<b>44,719,943</b>	25,156,032
Cash and cash equivalents at end of the period	<b>19,899,342</b>	21,257,328
Cash and cash equivalents relating to margins & deposits	<b>65,250,576</b>	106,975,098
<b>Cash and cash equivalents at end of the period</b>	<b>85,149,918</b>	128,232,426

The annexed notes from 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.

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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**  
**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023**

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**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 20 April 2002 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Exchange commenced its operations when the Certificate of Commencement of Business was granted to the Exchange by the Securities and Exchange Commission of Pakistan (SECP) on 20 May 2002. The Certificate of Registration under Securities and Exchange Ordinance, 1969 (now repealed) to start operations as commodity exchange was granted by SECP on 10 May 2007. After promulgation of Futures Market Act 2016, the Exchange has been granted license of Futures Commodity Exchange effective from 15 June 2017. 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 branch offices 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 Future Contracts and to perform all allied and incidental functions. This is a technology driven, de-mutualized, on-line futures exchange in Pakistan, regulated by SECP. The operations of the Exchange are governed by the Rule Book of the Exchange as approved by the SECP.
- 1.3** Pursuant to the Futures Exchanges (Licensing and Operations) Regulations, 2017, the Exchange is required to have a minimum net worth of Rs. 500 million within the timeline specified by SECP, which presently is 30 June 2024. As of 31 December 2023, the net equity of the Exchange amounted to Rs 433.12 million. During the year, the Exchange earned a net profit of Rs.127.25 million and the management expects that the Exchange will be able to continue generating sufficient profits in subsequent years which would enable the Exchange to meet its minimum capital requirements.
- 1.4** These are the separate condensed interim financial statements of the exchange in which investment in subsidiary is accounted for using equity method less accumulated impairment. The Exchange also prepares consolidated financial statements.

**2. STATEMENT OF COMPLIANCE**

- 2.1** These condensed interim financial statements have 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 Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
  - Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2** These unconsolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Exchange for the year ended June 30, 2023.
- 2.3** The figures of these unconsolidated condensed interim statement of profit or loss and other comprehensive income for the three months ended December 31, 2023 and December 31, 2022 and notes forming part thereof have not been reviewed by the auditors of the Exchange as they have reviewed the cumulative figures for the six months ended December 31, 2023 and December 31, 2022.

**3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS**

The accounting policies and methods of computation adopted for the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of annual audited financial statements for the year ended 30 June 2023. There are certain new standards and amendments to the approved accounting standards that will be mandatory for the accounting periods beginning on / or after 01 July 2023. However, Exchange expects that these standards and amendments will not have any material impact on the future financial statements of the Exchange.

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023**

	(Unaudited) December 31, 2023 Rupees	(Audited) June 30, 2023 Rupees
<b>4. MARGINS &amp; DEPOSITS</b>		
Clearing house deposits relating to brokers and clients	196,176,220	156,499,338
Initial margins relating to brokers and clients	2,005,998,793	1,915,531,778
4.1	<b>2,202,175,013</b>	<b>2,072,031,116</b>
<b>4.1</b> The above margins and deposits has been applied as follows:		
<b>Clearing house deposits</b>		
Balance with banks	6,871,814	2,252,714
Investment in Treasury Bills	190,504,711	155,454,518
Less: amount allocated for transfer to SGF Trust	(1,200,305)	(1,207,894)
	<b>196,176,220</b>	<b>156,499,338</b>
<b>Initial margins</b>		
Balance with banks	58,378,762	4,749,445
Investment in Treasury Bills	1,961,261,347	1,917,890,893
Investment in term deposit receipts	10,130,137	10,124,932
Security deposit / prepayments - Locker (Gold)	36,000	36,000
Less: amount allocated for transfer to SGF Trust	(16,496,263)	(14,917,592)
CGT charges payable to NCCPL	(7,311,190)	(2,351,900)
	<b>2,005,998,793</b>	<b>1,915,531,778</b>
	<b>2,202,175,013</b>	<b>2,072,031,116</b>
<b>5. PAYABLE TO SETTLEMENT GUARANTEE FUND TRUST</b>		
Payable to Settlement Guarantee Fund Trust from		
- clearing house deposits	1,200,305	1,207,894
- initial margins	16,496,263	14,917,592
	<b>17,696,568</b>	<b>16,125,486</b>
<b>5.1</b> Movement for the year is as follows:		
Opening balance as at July 01, 2023	16,125,485	8,451,408
Amount allocated from income earned on:		
- clearing house deposits	7,691,635	11,584,827
- initial margins	96,423,682	148,694,836
	<b>104,115,317</b>	<b>160,279,663</b>
Amount transferred during the period	(102,544,234)	(152,605,586)
Closing balance as at December 31, 2023	<b>17,696,568</b>	<b>16,125,485</b>

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023**

**6. CONTINGENCIES AND COMMITMENTS**

**6.1 Contingencies**

**Income Tax**

During the year ended 30 June 2009, 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. In 2009, the Exchange filed an appeal before Sindh High Court, which is still pending. Based on the opinion of tax advisor, management is confident that the ultimate outcome of above matter will be in favor of the Exchange. Accordingly, no provision is made in these unconsolidated condensed interim financial statements.

**Sales Tax**

In 2015-2016, a demand of sales tax of Rs. 14.042 million along with penalty of Rs.1.584 million was raised by Assistant Commissioner SRB, Karachi against the Exchange under various sections of 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 rectified the demand by Rs. 0.740 million and reducing penalty by amounted to Rs. 0.074 million. Subsequently, Appellate Tribunal through its order AT-25/2017 dated 15 November 2017 has also allowed partial relief on penalty of amounted to Rs. 0.910 million. Exchange had filed an application to Sindh High Court on the disputed demand of sales tax of Rs.12.566 million along with penalty of Rs. 0.6 million and stay order for the same has also been granted. During the period SRB has issued order directing the Exchange to deposit the amount of Rs 14.042 million along with penalty which shall be calculated at the time of payment. Based on the opinion of tax advisor, management is confident that the ultimate outcome of above matter will be in favor of the Exchange. Accordingly, no provision is made in these unconsolidated condensed interim financial statements.

**6.2 Commitments**

There is no commitment as at December 31, 2023 (June 30, 2023: Nil).

		(Unaudited) December 31, 2023	(Audited) June 30, 2023
	Note	Rupees	Rupees
<b>7. PROPERTY AND EQUIPMENT</b>			
Opening net book value (NBV)		34,637,596	21,697,703
Additions during the period / year (at cost)	7.1	13,986,948	24,534,184
		48,624,544	46,231,887
Disposals during the period / year (NBV)	7.2	(13,524,859)	(1,938,962)
Depreciation charge for the period / year		(4,861,232)	(9,655,329)
		(18,386,091)	(11,594,291)
Closing net book value (NBV)		30,238,453	34,637,596
<b>7.1</b>	Detail of additions (at cost) during the period / year are as follows:		
	Electrical equipment	3,002,907	100,524
	Computer equipment	10,749,585	7,680,568
	Office equipment	-	639,772
	Furniture and fittings	234,456	128,000
	Motor vehicles	-	15,985,320
		13,986,948	24,534,184
<b>7.2</b>	Detail of disposal (at NBV) during the period / year are as follows:		
	Motor vehicles	13,524,859	1,938,962
		13,524,859	1,938,962

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**  
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		(Unaudited) December 31, 2023 Rupees	(Audited) June 30, 2023 Rupees
<b>8. RIGHT OF USE OF ASSETS</b>			
Opening balance		18,935,266	29,882,141
Modification		-	1,889,298
Depreciation charged during the period / year		(6,274,866)	(12,836,173)
Closing balance		<u>12,660,400</u>	<u>18,935,266</u>

8.1 These represent registered offices located in Karachi and branch office located in Lahore and Islamabad.

		(Unaudited) December 31, 2023 Rupees	(Audited) June 30, 2023 Rupees
<b>9. LONG TERM INVESTMENT</b>	<b>Note</b>		
<i>Subsidiary</i>			
Global Commodity Trading Platform (Private) Limited	9.1	1,394,166	10,000,000
Share of loss for the period	9.2	(2,501,089)	(8,605,834)
	9.2	<u>(1,106,923)</u>	1,394,166
<i>Associate</i>			
NCEL Building Management Limited (1 share of Rs. 10)	9.3	10	10
Institute of Financial Market of Pakistan (200 shares of Rs. 5,000 each)	9.3	10	10
		<u>20</u>	<u>20</u>
		<u>(1,106,903)</u>	<u>1,394,186</u>

9.1 100% shares of the subsidiary are hold by the company.

9.2

During the period the subsidiary has incurred losses amounting to Rs 2.5 million of which Rs 1.1 is in excess of carrying amount of investment in subsidiary, consequentially the amount has been reflected as a provision for loss under non current liabilities.

9.3 These are associated companies due to common directorship without any significant influence.

		(Unaudited) December 31, 2023 Rupees	(Audited) June 30, 2023 Rupees
<b>10. SHORT TERM INVESTMENTS - at FVTPL</b>	<b>Note</b>		
Investment in Treasury bills & PIBs - margins and deposits	10.1	2,157,678,350	2,069,874,822
Investment in Treasury bills & PIBs - others	10.1	380,809,178	375,791,824
Investments in Term Deposit Receipts - margins and deposits	10.2	10,130,137	10,124,932
		<u>2,548,617,665</u>	<u>2,455,791,578</u>

10.1 These represent market treasury bills and Pakistan investment bonds carried at FVTPL:

- Treasury Bills having cost of Rs. 641.2 (June 30, 2023: Rs. 2,382.8) million and interest accrued thereon of Rs. 10.334 (June 30, 2023: Rs. 66.8) million. The effective rate of return ranges between 21.4% to 22.8% (June 30, 2023: 16.8% to 21.9%) per annum. These will mature latest by June 13, 2024.

- Pakistan investment bonds having cost of Rs. 1,438.081 (June 30, 2023: Nil) million and interest accrued thereon of Rs. 75.521 (June 30, 2023: Nil) million. The effective rate of return ranges between 23.9% to 26.2% (June 30, 2023: Nil) per annum. These will mature latest by October 19, 2028.

10.2 These carry markup accrued at 19% (June 30, 2023: 19%).

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	(Unaudited) Six months period ended		(Unaudited) Three months ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	..... Rupees .....			
<b>11. OPERATING INCOME</b>				
Trading fee - net	234,612,230	171,834,036	115,638,087	97,025,315
Entrance fee	-	3,500,000	-	3,500,000
Application fee	-	25,000	-	-
Annual membership fee	14,061,391	11,262,750	7,705,141	5,512,750
Share of PMEX from the income of margins and deposits	151,284,185	99,327,970	71,965,619	51,824,019
Infrastructure fee	3,710,000	3,708,000	1,845,000	1,852,000
Recovery of gold custody charges	5,882,795	2,833,377	1,685,869	1,229,151
Others	1,539,500	2,673,720	669,000	1,548,800
	<u>411,090,101</u>	<u>295,164,853</u>	<u>199,508,716</u>	<u>162,492,035</u>
<b>12. ADMINISTRATIVE AND OPERATING EXPENSES</b>				
Salaries and benefits	158,764,288	115,980,360	80,347,308	61,628,707
Gratuity	6,056,504	5,329,551	2,881,629	2,724,759
Provident fund	6,097,090	5,353,835	2,914,474	2,743,762
Directors' fee	4,410,000	1,950,000	2,310,000	1,335,000
Depreciation	11,136,098	10,910,101	5,537,514	5,532,594
Amortization	333,169	316,348	166,585	158,174
Communication	10,081,460	4,278,037	4,905,817	2,847,307
Cloud hosting	19,893,385	11,148,600	8,449,999	3,690,456
Utilities	2,824,023	1,834,863	1,643,147	773,269
Legal and professional	5,100,509	3,401,607	2,548,256	2,389,112
Repairs and maintenance	12,386,814	4,027,863	6,191,149	2,196,267
Travelling and conveyance				
- Employees and others	3,431,878	599,632	1,755,829	505,567
- Directors (incl. Managing Director)	2,135,592	1,224,246	-	544,801
	<u>5,567,470</u>	<u>1,823,878</u>	<u>1,755,829</u>	<u>1,050,368</u>
Fee and subscription	35,428,253	26,454,415	17,708,088	13,370,329
Provision for expected credit loss				
- annual subscription receivable	1,640,109	-	820,054	-
- other receivable	1,019,034	-	509,517	-
Security services	369,660	373,560	182,880	186,780
Insurance	646,061	358,291	340,919	186,243
SECP supervision fee	2,510,487	1,903,298	1,238,533	1,075,151
Auditors' remuneration	680,414	509,195	386,414	275,470
Marketing expense	9,930,107	1,901,652	7,678,605	1,375,152
Printing and stationery	347,767	179,361	215,296	110,599
Entertainment	1,462,743	1,056,148	709,877	623,639
	<u>296,685,445</u>	<u>199,090,963</u>	<u>149,441,890</u>	<u>104,273,138</u>
<b>13. TAXATION</b>				
Current tax - for the period	42,339,073	25,035,824	20,276,482	17,242,431
Super tax - for the period	4,379,904	-	2,189,952	-
	<u>46,718,977</u>	<u>25,035,824</u>	<u>22,466,434</u>	<u>17,242,431</u>

**13.1** The provision for current income tax is based on normal tax at 29% of the Income Tax Ordinance, 2001.

**13.2** The Exchange has not recognised deferred tax asset on deductible temporary differences as timing of availability of sufficient taxable profits cannot be determined due to applicability of minimum tax and alternative corporate tax under section 113 and 113(C) respectively.

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**14. 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:

**Transaction during the period**

Relationship with the Exchange	Nature of transactions	(Unaudited)	
		Six months period ended	
		December 31, 2023	December 31, 2022
<b><i>Associated undertakings</i></b>			
Zahid latif securities (Private) Ltd	Repayment of deposit against clearing deposit	(10,500,000)	(3,100,000)
ISE REIT Management Ltd	Rent and utilities payment to ISE REIT Management Limited	(1,639,035)	(1,492,419)
PMEX Investor Protection Fund Trust	Payment to fund	(2,349,122)	(1,578,615)
PMEX Gratuity Fund Trust	Payment to fund	(25,704,925)	(4,573,018)
PMEX Provident Fund Trust	Payment to fund	(10,501,106)	(8,835,360)
PMEX Settlement Guarantee Fund Trust	Payment to fund	(102,544,234)	(63,735,965)
Directors	Directors' meeting fee	(4,410,000)	(1,950,000)
	Travelling and conveyance expense	(2,135,592)	(1,224,246)
Managing Director	Salaries and benefits	(36,092,062)	(25,601,936)
Key management personnel	Salaries and benefits	(42,130,764)	(43,616,910)

**15. DATE OF AUTHORISATION OF ISSUE**

These unconsolidated condensed interim financial statements were authorized for issue on \_\_\_\_\_ by the Board of Directors of the Exchange.

**16. GENERAL**

Figures have been rounded off to the nearest Rupee.

--Sd--

\_\_\_\_\_  
**CHAIRMAN**

--Sd--

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

--Sd--

\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER**

--Sd--

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