

**Pakistan Mercantile Exchange Limited**  
**Financial Statements**  
**For the nine months period ended March 31, 2019**

**Pakistan Mercantile Exchange Limited**  
**Directors' Review**  
*For the nine months period ended March 31, 2019*

**Global Environment**

Performance of global economy during nine months period ended March 31, 2019 remained uneven and faced various threats. The escalation of US-China trade tensions, credit tightening in China, macroeconomic stress in Argentina and Turkey, disruptions to the auto sector in Germany, and financial tightening alongside the normalization of monetary policy in the larger advanced economies weakened the global expansion.

The commodity prices witnessed unexpected volatility. The crude oil prices experienced major fluctuations due to a slowdown in economic growth, geopolitical events in the Middle East, civil unrest in Venezuela, a tougher US stance against Iran and Venezuela, and slower-than-expected US production growth. The price of the commodity hit its highest level to reach USD 76.05 per barrel and lowest level to reach USD 44.22 per barrel.

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**

The economic growth remained subdued during the period under review. In an attempt to contain inflation, the Government opted for interest rate hike as the State Bank of Pakistan raised policy rate to 10.75%, up by aggregate 375 bps. Headline CPI inflation surged to 6.2% due to Rupee depreciation and oil price appreciation. Increase in remittances as well as exports and decrease in imports helped in containing the current account deficit to some extent.

External account pressure had reduced foreign reserves to USD 6.6 billion by mid-January but with short-term support from Saudi Arabia, United Arab Emirates and China, foreign reserves increased to USD 10.5 billion by the end of March.

The performance of industrial and agriculture sectors posted decline which also affected the service sector. The industrial sector faced the brunt of the slowdown in both public and private consumption while in agriculture sector, there has been a broad based decline in production of major kharif crops mainly due to water shortages.

**Business Review**

**Profit**

The Exchange earned profit after tax of Rs.46.79 million during first nine months of FY19 as compared to a net profit of Rs.27.88 million for the corresponding period FY18.

**Trading Volume**

The trading volume of the Exchange grew to Rs.2,207.56 billion for nine months period ended March 31, 2019 from Rs.1,025.67 billion for the corresponding period in 2017, posting an increase of 115.2%.

**Technology**

PMEX is actively working on multiple initiatives which include introducing a new back end trading system, multiple platforms for local commodities as well as launch of Office 365 application and optimization of current ETS system etc.

**Direct Collection and Payment Model for Traders**

To mitigate risks related to client funds handling and increase clients' confidence in futures market, the Exchange is working on the development of a new mechanism which will empower the investors to handle the cash themselves instead of going through the broker 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 the developmental work. The implementation of the model was delayed due to some issues of the concerned bank. The Exchange is now working on resolution of the issues. The complete implementation of the model is expected in fourth quarter.

This is an extremely important initiative for the development of the futures industry as it will help lowering the brokerage licensing conditions 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 can cater to the needs of a wider market segment.

#### ***New Members***

Three entities showed keen interest in obtaining universal membership and their documents were sent for pre-approval to SECP.

#### ***Awareness, Education & Engagement***

The Exchange continued its efforts for creating awareness about futures trading in Pakistan. In this regard, during the period under review, PMEX organized awareness, educational and engagement programs at its premises and also conducted such programs at various organizations, associations, chambers and educational Institutes.

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

Following is the summary of results:

	<b>Nine months period ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>
	(Rs.in million)	
Operating Income	245.75	189.41
Administrative and operating expenses	(200.58)	(161.43)
Net profit / (loss) after taxation	46.79	27.88
	Rupees	
Earnings per share – basic and diluted	1.49	0.89

Nine months of FY2018-19 closed with Rs.46.79 million Profit after Tax. The primary reasons of increase in operating income is increase in trading fee from Rs.106.87 million to Rs.157.62 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 local commodities which will enable it to link itself to the economy and bring efficiency in trading of local commodities.



Managing Director



Chairman

Karachi: April 23, 2019



**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT MARCH 31, 2019**

	(Unaudited) March 31, 2019	(Audited) June 30, 2018		(Unaudited) March 31, 2019	(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	9	20,527,665
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		3,790,000
Capital reserve - premium on issue of ordinary shares	22,250,000	22,250,000	Intangible assets		9,418,910
Accumulated loss	<u>(327,435,447)</u>	<u>(374,229,043)</u>	Investment in associates		20
	8,366,173	(31,427,423)			20
<b>Non-current liabilities</b>					
Long-term deposits	168,750,000	197,650,000			
<b>Current liabilities</b>			<b>Current assets</b>		
Staff gratuity	4	30,617,378	Supplies and consumables		451,452
Staff provident fund	5	1,214,638	Annual subscription receivable - considered good		9,011,609
Margins & deposits	6	1,360,726,977	Deposits and prepayments		8,959,614
Payable to SGF trust	7	4,263,044	Other receivables		38,624,707
Gold held on behalf of brokers/clients		916,559,470	Short term investments	10	1,454,727,014
Advance annual subscription fee and other fees		15,992,497	Gold held on behalf of brokers/ clients		916,559,470
Advance members admission fee		-	Taxation - net		39,722,025
Creditors, accrued and other liabilities		34,731,429	Cash and bank balances		63,627,534
		<u>2,388,303,847</u>			<u>2,531,683,425</u>
Contingencies and commitments	8	-			2,313,396,599
		<u>2,342,679,667</u>			<u>2,565,420,020</u>
		<u>2,565,420,020</u>			<u>2,342,679,667</u>

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.

  
 CHAIRMAN  
  
 CHIEF FINANCIAL OFFICER


  
 MANAGING DIRECTOR  
  
 MANAGING DIRECTOR

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019**

	Note	Nine months period ended		Three months period ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
----- Rupers -----					
Operating income	11	245,750,836	189,415,086	74,359,481	70,682,170
Administrative and operating expenses	12	<u>(200,580,007)</u> 45,170,829	<u>(161,433,908)</u> 27,981,178	<u>(68,127,556)</u> 6,231,925	<u>(54,321,597)</u> 16,360,573
Other income	13	12,789,399	8,513,573	3,960,390	4,244,122
Finance costs	14	(1,438,907)	(1,564,706)	(546,340)	(527,244)
Other charges		<u>(143,497)</u>	<u>(1,332,394)</u>	<u>(35,940)</u>	<u>(1,309,958)</u>
Profit before taxation		56,377,824	33,597,651	9,610,025	18,767,493
Taxation	15	<u>(9,584,228)</u>	<u>(5,711,601)</u>	<u>(1,633,707)</u>	<u>(3,224,188)</u>
Profit after taxation		46,793,596	27,886,050	7,976,328	15,543,305
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		<u>46,793,596</u>	<u>27,886,050</u>	<u>7,976,328</u>	<u>15,543,305</u>
Earnings per share - basic	16	<u>1.49</u>	<u>0.89</u>	<u>0.25</u>	<u>0.50</u>

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.

  
 \_\_\_\_\_  
 CHAIRMAN

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

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

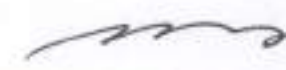
  
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 MANAGING DIRECTOR

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019**

	Issued, subscribed and paid-up share capital	Capital reserve premium on issue of ordinary shares	Accumulated loss	Total
	Rupees			
Balance as at July 1, 2017	313,551,620	22,250,000	(414,629,571)	(78,827,951)
Total comprehensive income for the period				
Profit for the period	-	-	27,886,050	27,886,050
Other comprehensive income	-	-	-	-
	-	-	27,886,050	27,886,050
Balance as at March 31, 2018 (Unaudited)	313,551,620	22,250,000	(386,743,521)	(50,941,901)
Balance as at June 30, 2018	313,551,620	22,250,000	(373,516,543)	(37,714,923)
Adjustment of retained earning under IFRS 15			(712,500)	(712,500)
Balance as at June 30, 2018 (Restated)	313,551,620	22,250,000	(374,229,043)	(38,427,423)
Total comprehensive income for the period				
Profit for the period	-	-	46,793,596	46,793,596
Other comprehensive income	-	-	-	-
	-	-	46,793,596	46,793,596
Balance as at March 31, 2019 (Unaudited)	313,551,620	22,250,000	(327,435,447)	8,366,173

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.

  
 CHAIRMAN

  
 MANAGING DIRECTOR

  
 CHIEF FINANCIAL OFFICER

  
 MANAGING DIRECTOR

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019**

	Note	Nine months period ended	
		March 31, 2019 Rupees	March 31, 2018 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	16	130,886,976	42,723,607
Long term deposits		(28,900,000)	3,000,000
Taxes paid - net		(7,114,558)	(3,677,997)
Provident fund paid		(4,951,032)	(4,460,186)
Gratuity paid		(20,571,716)	(3,503,179)
Net cash generated from operating activities		<u>69,349,670</u>	<u>34,082,245</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	8	(15,474,182)	(1,040,298)
Purchases of intangible assets		-	(9,114,006)
Proceeds from disposal of property and equipment		1,205,588	-
Payments against investment in government securities		(301,485,435)	(196,078,000)
Proceeds from sale of government securities		261,859,564	179,836,879
Mark-up received on bank deposits		1,745,674	372,860
Net cash used in investing activities		<u>(52,148,791)</u>	<u>(26,022,565)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net cash (used in) / generated from financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents (A+B+C)		17,200,879	8,059,680
Cash and cash equivalents at beginning of the period		12,420,281	3,439,492
Cash and cash equivalents at end of the period		<u>29,621,160</u>	<u>11,499,172</u>
Cash and cash equivalents relating to margins & deposits		<u>34,006,374</u>	<u>4,940,201</u>
Cash and cash equivalents at end of the period		<u>63,627,534</u>	<u>16,439,373</u>

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.

  
 CHAIRMAN

  
 CHIEF FINANCIAL OFFICER

  
 MANAGING DIRECTOR

  
 MANAGING DIRECTOR



**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019**

**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 March 31, 2019, the Exchange has accumulated loss amounting to Rs.327.43 million (June 30, 2018: 373.52 million). During the period ended March 31, 2019, the Exchange has net profit after tax of Rs. 46.79 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 injection of fresh equity. 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.
- 1.4 This condensed interim financial information is presented in pak rupees, which is the functional and presentation currency of the Exchange.

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

- 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.
- 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 **New standards, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Exchange**
- 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 till June 30, 2019, 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.
- 2.4 **New standards, amendments to approved accounting standards and new interpretations which became effective during the nine months period ended March 31, 2019**

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.

## 2.5 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:

Impact on condensed interim statement of profit or loss		March 31, 2019		
	Note	Rupees		
Operating Income				
Decrease in annual membership fee	2.5.1		<u>712,500</u>	
<b>Impact on asset and equity as at June 30, 2018</b>				
	Note	As at June 30, 2018	IFRS 15 adjustments	As Restated
		Rupees		
Annual subscription receivable	2.5.1	<u>44,606,320</u>	712,500	<u>43,893,820</u>
<b>Total effect on net assets</b>		<u>44,606,320</u>	<u>712,500</u>	<u>43,893,820</u>
Retained earnings		<u>(373,516,543)</u>	(712,500)	<u>(374,229,043)</u>
<b>Total effect on equity</b>		<u>(373,516,543)</u>	<u>(712,500)</u>	<u>(374,229,043)</u>

2.5.1 As 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.

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

3.1 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.

		(Unaudited) March 31, 2019	(Audited) June 30, 2018
		Rupees	
	Note		
<b>4. STAFF RETIREMENT GRATUITY</b>			
Staff gratuity payable	4.1	<u>30,617,378</u>	<u>44,674,627</u>
<b>4.1 Movement of staff gratuity payable is as follows:</b>			
Opening balance as at July 01,		44,674,627	43,432,994
Charge for the year		5,075,560	5,898,830
Payments made to the fund		(5,023,632)	(5,831,243)
Payments made to outgoing employees on behalf of the fund		(15,548,084)	(925,774)
Accrued finance cost	4.2	<u>1,438,907</u>	<u>2,099,820</u>
Closing balance as at Mar 31,		<u>30,617,378</u>	<u>44,674,627</u>

4.2 The Exchange makes accrual of finance cost at the average rate of income earned by the Exchange on the accumulated balance of gratuity payable related to earlier gratuity scheme.

4.3 The fund has been invested in accordance with the provisions of section 218 of the Act and the conditions specified thereunder.



	(Unaudited) March 31, 2019 Rupees	(Audited) June 30, 2018 Rupees
<b>5. STAFF PROVIDENT FUND</b>		
Staff provident fund payable	<u>1,214,638</u>	<u>1,081,988</u>
<b>5.1 Movement of provident fund payable is as follows:</b>		
Opening balance as at July 01,	1,081,988	1,124,180
Employer contribution for the year	5,083,682	5,903,359
Employee contribution for the year	5,083,682	5,903,359
Payments made to the fund	<u>(10,034,714)</u>	<u>(11,848,910)</u>
Closing balance as at Mar 31,	<u>1,214,638</u>	<u>1,081,988</u>

Contributions towards the fund have been deposited in a separate bank account of trust the balance of which as at March 31, 2019 is Rs.398,678 (June 30, 2018: Rs.414,422). Permanent withdrawal of contribution from fund's account to respective employees' VPS account made on monthly basis.

	(Unaudited) March 31, 2019 Rupees	(Audited) June 30, 2018 Rupees
<b>6. MARGINS &amp; DEPOSITS</b>		
Clearing house deposits relating to brokers and clients	104,091,468	135,502,496
Initial margins relating to brokers and clients	1,256,635,509	1,215,271,461
	<u>1,360,726,977</u>	<u>1,350,773,957</u>

**6.1** The Settlement Guarantee Fund has been applied as follows:

**Clearing house deposits**

Saving / current accounts	1,776,583	175,403
Investment in Treasury Bills	102,670,633	135,549,669
Less: amount allocated for transfer to SGF Trust	<u>(355,748)</u>	<u>(222,576)</u>
	104,091,468	135,502,496

**Initial margins**

Saving / current accounts	32,229,791	66,559,283
Investment in Treasury Bills	1,228,277,014	1,150,544,804
Security deposit / prepayments - Locker (Gold)	36,000	36,000
Less: amount allocated for transfer to SGF Trust	<u>(3,907,296)</u>	<u>(1,868,626)</u>
	1,256,635,509	1,215,271,461
	<u>1,360,726,977</u>	<u>1,350,773,957</u>

**6.2** All brokers are required to maintain a minimum clearing house deposit and margins 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. During the year, the Exchange established the Trust and transferred the fund as mentioned in note 7 below. 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 & deposits, disclosed in note 10.

**6.3** 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) March 31, 2019 Rupees	(Audited) June 30, 2018 Rupees
<b>7. PAYABLE TO SETTLEMENT GUARANTEE FUND TRUST</b>		
Payable to Settlement Guarantee Fund Trust from		
- clearing house deposits	355,748	222,576
- initial margins	<u>3,907,296</u>	<u>1,868,626</u>
	<u>4,263,044</u>	<u>2,091,202</u>
<b>7.1 Movement for the period 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	<u>2,860,386</u>	2,213,963
- initial margins	<u>29,215,145</u>	<u>18,916,673</u>
	32,075,531	21,130,636
Amount transferred during the period / year	<u>(29,903,699)</u>	<u>(20,706,760)</u>
	<u>4,263,044</u>	<u>2,091,202</u>

## 8. CONTINGENCIES AND COMMITMENTS

### 8.1 Income tax

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

#### 8.1.1 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 matters will be in favor of the Exchange. Accordingly, no provision is made in these financial statements.

#### 8.1.2 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). In 2012, 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 financial statements.

### 8.2 Withholding income tax

During the year ended June 30, 2012, the tax authorities passed an order under sections 161 and 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. In 2013, 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 financial statements.

### 8.3 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 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 rectify the demand by Rs. 740,060 and reducing penalty by amount to Rs. 74,004. Subsequently, Appellate Tribunal through its order AT-25/2017 dated November 15, 2017 has also allowed partial relief on penalty of amount 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 for 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 financial statements.



	Note	(Unaudited) March 31, 2019 Rupees	(Audited) June 30, 2018 Rupees
<b>8.4 Commitments</b>			
Commitments in respect of capital expenditure and services	8.4.1	<u>6,610,000</u>	<u>8,305,000</u>

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

	Note	(Unaudited) March 31, 2019 Rupees	(Audited) June 30, 2018 Rupees
<b>9. PROPERTY AND EQUIPMENT</b>			
Opening net book value (NBV)		13,729,374	21,376,770
Additions during the period / year at cost	9.1	<u>13,779,182</u>	<u>1,431,459</u>
		27,508,556	22,808,229
Disposals during the period / year at NBV		(1,225,793)	-
Depreciation charge for the period / year		(5,755,098)	(9,078,855)
		(6,980,891)	(9,078,855)
Closing net book value (NBV)		<u>20,527,665</u>	<u>13,729,374</u>

9.1 Following additions in assets, at cost were made during the period / year: -

Leasehold improvements	-	77,661
Computer equipment	2,029,999	863,969
Furniture and fittings	-	170,000
Office equipment	898,200	161,517
Electrical equipment	2,935,327	158,312
Vehicles	7,915,656	-
	<u>13,779,182</u>	<u>1,431,459</u>

	Note	(Unaudited) March 31, 2019 Rupees	(Audited) June 30, 2018 Rupees
<b>10. SHORT TERM INVESTMENTS - at fair value through Profit or Loss</b>			
Investment in Treasury bills - margins and deposits		1,330,947,647	1,286,094,473
Investment in Treasury bills - others		123,779,367	78,741,219
	10.1	<u>1,454,727,014</u>	<u>1,364,835,692</u>

10.1 These Treasury Bills carry markup ranging from 10.29% to 10.55% (June 30, 2018: 6.22% to 6.76%) per annum and will mature on various dates upto June 20, 2019

	(Unaudited) Nine months period ended		(Unaudited) Three months period ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	..... Rupees .....			
Trading fee - Net	157,629,788	106,878,684	43,942,184	41,788,812
Entrance fee	-	17,500,000	-	6,750,000
Application fee	-	175,000	-	25,000
Annual membership fee	15,249,989	18,163,751	4,500,000	5,864,583
Fee for membership transfer and issuance of certificate	600,000	600,000	200,000	200,000
Share of PMEX from the income of margins and deposits	56,266,433	27,871,070	21,205,230	9,779,487
Management fee on SGF Trust	1,181,344	1,340,038	253,834	557,376
Infrastructure fee	5,145,000	5,342,000	1,508,000	1,798,000
Recovery of gold custody charges	4,163,654	3,002,671	1,048,546	1,082,834
Income from IT related services	4,234,200	6,736,000	1,417,989	2,170,000
Advertisement income	672,581	1,080,000	180,000	360,000
Auto liquidation charges	339,386	203,400	41,686	72,300
Gain on sale of USB keys	201,664	212,484	31,510	75,624
Front end charges	66,797	309,988	30,502	158,154
	<u>245,750,836</u>	<u>189,415,086</u>	<u>74,359,481</u>	<u>70,682,170</u>

	(Unaudited) Nine months period ended		(Unaudited) Three months period ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	..... Rupees .....			
Salaries and benefits	102,228,305	94,574,015	33,995,751	31,587,998
Gratuity -	5,075,560	4,400,296	1,724,649	1,476,874
Provident fund	5,083,682	4,428,488	1,729,772	1,486,735
Directors' fee	1,620,000	1,095,000	405,000	405,000
Depreciation	5,755,098	6,931,163	2,042,639	2,210,249
Amortization	4,039,762	4,403,622	1,346,587	1,509,338
Communication	3,756,267	4,242,027	1,482,184	1,345,640
Cloud hosting	11,752,423	5,785,100	4,142,585	3,785,100
Utilities	1,509,156	1,685,680	503,992	545,306
Legal and professional	10,944,595	4,003,866	4,915,860	2,061,635
Rent	9,426,649	9,708,389	3,163,530	2,871,605
Repairs and maintenance	5,685,306	6,206,530	1,653,732	1,695,800
Market making / liquidity expenses	-	2,289,897	-	-
Travelling and conveyance				
- Employees and others	793,806	759,243	383,123	283,952
- Directors (Incl. Managing Director)	1,420,856	2,155,004	174,502	637,374
	<u>2,214,662</u>	<u>2,914,247</u>	<u>557,625</u>	<u>921,326</u>
Fee and subscription	22,120,903	696,135	7,806,345	131,847
Security services	547,202	482,240	163,680	163,680
Insurance	315,890	325,712	115,141	103,975
SECP supervision fee	1,841,672	1,491,728	501,502	612,159
Auditors' remuneration	648,000	450,000	195,000	150,000
Marketing expense	5,095,506	4,394,367	1,292,245	886,653
Printing and stationery	173,949	178,471	24,797	77,579
Entertainment	745,420	746,935	364,940	293,098
	<u>200,580,007</u>	<u>161,433,908</u>	<u>68,127,556</u>	<u>54,321,597</u>

	(Unaudited)		(Unaudited)	
	Nine months period ended		Three months period ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	..... Rupees .....			
<b>13. OTHER INCOME - NET</b>				
<i>Income from financial assets</i>				
Mark-up on bank deposits	1,711,825	377,305	403,238	127,424
Return on government securities	5,415,063	2,587,572	2,757,795	1,009,038
Unrealised gain/(loss) on remeasurement of investment at fair value through profit & loss	-	-	43,116	-
Realised (loss) / gain on Sale of investment at fair value through profit & loss	(2,790)	(10,682)	-	-
<i>Income from non - financial assets</i>				
(Loss) / Gain on disposal of equipment	(20,203)	-	(20,203)	-
CGT processing charges	4,322,560	4,582,150	-	2,755,160
Others	1,362,944	977,228	776,444	352,500
	<u>12,789,399</u>	<u>8,513,573</u>	<u>3,960,390</u>	<u>4,244,122</u>

**14. FINANCE COST**

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. Refer note 4.

Note	(Unaudited)		(Unaudited)	
	Nine months period ended		Three months period ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
<b>15. TAXATION</b>				
Current - for the period	15.1	9,584,228	5,745,315	1,633,707
- prior period		-	(33,714)	-
		<u>9,584,228</u>	<u>5,711,601</u>	<u>1,633,707</u>

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

15.2 There is no significant change in deferred tax balance as those reported in the annual financial statements for the year ended June 30, 2018.

	(Unaudited)		(Unaudited)	
	Nine months period ended		Three months period ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
<b>16. EARNINGS PER SHARE</b>				
<b>16.1 Basic earnings per share</b>				
Profit / (Loss) for the period	Rupees	46,793,596	27,886,050	7,976,328
ordinary share holders	Rupees	<u>46,793,596</u>	<u>27,886,050</u>	<u>7,976,328</u>
Weighted average number of shares	Number	<u>31,355,162</u>	<u>31,355,162</u>	<u>31,355,162</u>
Earnings per share	Rupees	<u>1.49</u>	<u>0.89</u>	<u>0.25</u>



	Note	(Unaudited)	
		Nine months period ended	
		March 31, 2019 Rupees	March 31, 2018 Rupees
<b>17. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		56,377,824	33,597,651
Adjustments for non cash charges and other items:			
Depreciation		5,755,098	6,931,163
Amortisation		4,039,762	4,403,622
Finance cost		1,438,907	1,564,706
Provision for gratuity		5,075,560	4,400,296
Provision for provident fund		5,083,682	4,428,488
Unrealised gain on remeasurement of government securities		-	-
Loss / (Gain) on disposal of equipment		20,203	-
Loss / (Gain) on disposal of government securities		2,790	10,682
Mark-up on bank deposits		(1,711,825)	(377,305)
Return on government securities		(5,415,063)	(2,587,572)
Working capital changes	17.1	60,220,038	(8,083,418)
		74,509,152	10,690,662
<b>Cash (used in) / generated from operations</b>		<b>130,886,976</b>	<b>44,288,313</b>
<b>17.1 Working capital changes</b>			
<i>Decrease / (increase) in current assets</i>			
Supplies and consumables		117,536	125,916
Annual subscription receivable		34,882,211	(12,675,000)
Advances, deposits and short-term prepayments		914,232	2,250,168
Other receivables		1,418,805	(8,305,342)
		37,332,784	(18,604,258)
<i>(Decrease) / increase in current liabilities</i>			
Advance annual subscription and other fees		(561,160)	10,386,582
Advance for members admission fee		(750,000)	-
Creditors, accrued and other liabilities		24,198,414	134,258
		22,887,254	10,520,840
		<b>60,220,038</b>	<b>(8,083,418)</b>

## 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:

Relationship with the Exchange	Nature of transactions	(Unaudited)	
		Nine months period ended	
		March 31, 2019	March 31, 2018
Associated undertakings			
Zahid latif securities (Private) Ltd	Receipt of technology fee	-	120,000
	Reimbursement of fees & subscription	75,000	75,000
	Receipt of clearing house deposit	-	10,000
	Receipt of deposit against initial margin	9,864,000	906,886
	Repayment of deposit against initial margin	4,595,528	1,766,938
Rawalpindi Chamber of Commerce	Sponsorship in FINTECH conference	200,000	-
ISE REIT Management Ltd	Rent and utilities payment to ISE REIT Management Ltd	175,149	187,447
Zarai Taraqati Bank Ltd	Reimbursement to ZTBL for directors travelling etc.	93,459	244,040



Relationship with the Exchange	Nature of transactions	(Unaudited)	
		Nine months period ended	
		March 31, 2019	March 31, 2018
PMEX Investor Protection Fund Trust	Payment to fund	1,321,803	878,992
PMEX Gratuity Fund Trust	Payment to fund	20,571,716	4,321,679
PMEX Provident Fund Trust	Payment to fund	10,034,714	8,890,857
PMEX Settlement Guarantee Fund Trust	Payment to fund	29,903,690	15,286,389
Directors	Directors' meeting fee	1,620,000	1,095,000
	Travelling and conveyance expense	1,420,856	2,155,004
Managing Director	Salaries and benefits	15,732,180	12,690,626
	Post employment benefits	1,169,196	1,525,032
Key management personnel	Salaries and benefits	26,354,169	34,754,294
	Post employment benefits	2,593,038	2,879,664

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

19. **DATE OF AUTHORISATION OF ISSUE**

This condensed interim financial information was authorized for issue on April 23, 2019 by the Board of Directors of the Exchange.

20. **GENERAL**

Figures have been rounded off to the nearest Rupee.



CHAIRMAN



CHIEF FINANCIAL OFFICER



MANAGING DIRECTOR



MANAGING DIRECTOR