

Pakistan Mercantile Exchange Limited
Financial Statements
For the quarter ended September 30, 2016

PAKISTAN MERCANTILE EXCHANGE LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2016

		(Unaudited) September 30, 2016	Audited June 30, 2016		(Unaudited) September 30, 2016	Audited June 30, 2016
	Note	Rupees	Rupees		Note	Rupees
EQUITY AND LIABILITIES				ASSETS		
Share capital and reserves				Non-current assets		
Authorised capital 47,200,000 (June 30, 2016: 47,200,000) ordinary shares of Rs. 10 each		<u>472,000,000</u>	<u>472,000,000</u>	Property and equipment	6	22,580,921
2,800,000 (June 30, 2016: 2,800,000) preference shares of Rs. 10 each		<u>28,000,000</u>	<u>28,000,000</u>	Intangible assets	7	15,091,387
Issued, subscribed and paid-up capital 31,355,162 (June 30, 2016: 31,355,162) ordinary shares of Rs. 10 each		313,551,620	313,551,620	Investment in associates		20
Capital reserve - premium on issue of ordinary shares		22,250,000	22,250,000			20
Accumulated loss		<u>(399,767,190)</u>	<u>(400,055,672)</u>			
		(63,965,570)	(64,254,052)			
Non-current liabilities				Current assets		
Long-term deposits		196,150,000	196,150,000	Supplies and consumables		218,395
Current liabilities				Annual subscription receivable		243,620
Staff gratuity payable to fund		38,225,106	38,835,735	- considered good		23,700,000
Settlement guarantee fund	4	1,437,412,690	1,282,415,900	Deposits and short-term prepayments		11,863,264
Gold held on behalf of brokers/clients - SGF		453,382,934	385,128,662	Other receivables		41,639,234
Advance annual subscription and other fee		11,158,304	10,216,779	Short term investments	8	46,493,608
Advance members admission fee		2,500,000	2,500,000	Assets relating to settlement guarantee fund		1,437,412,690
Accrued finance cost		6,273,607	5,734,161	Gold held on behalf of brokers/clients - SGF		453,382,934
Creditors, accrued expenses and other liabilities		22,200,649	34,915,472	Taxation - net		42,710,340
		1,971,153,290	1,759,746,709	Cash and bank balances		8,244,927
Contingencies and commitments						2,065,665,392
	5					1,853,233,634
		<u>2,103,337,720</u>	<u>1,891,642,657</u>			<u>2,103,337,720</u>
						<u>1,891,642,657</u>


MANAGING DIRECTOR


CHIEF FINANCIAL OFFICER


CHAIRMAN


MANAGING DIRECTOR


PAKISTAN MERCANTILE EXCHANGE LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	Note	For the three months period ended	
		September 30, 2016 Rupees	September 30, 2015 Rupees
Operating income	9	53,167,602	54,295,941
Administrative and operating expenses	10	<u>(53,300,381)</u> (132,779)	<u>(44,079,205)</u> 10,216,736
Other income	11	1,514,207	1,354,042
Other charges	12	(21,824)	(10,798)
Finance costs	13	(539,446)	(866,250)
Profit/(Loss) before taxation		<u>820,158</u>	<u>10,693,730</u>
Taxation - net	14	<u>(531,676)</u>	<u>(1,817,934)</u>
Total comprehensive Profit/(loss) for the period		<u><u>288,482</u></u>	<u><u>8,875,796</u></u>
Earnings per share - basic	15	<u><u>0.01</u></u>	<u><u>0.32</u></u>


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PAKISTAN MERCANTILE EXCHANGE LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	Note	September 30, 2016 Rupees	September 30, 2015 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	16	(19,748,026)	13,760,506
Taxes paid - net		(1,085,994)	(1,128,077)
Gratuity paid		(2,183,677)	(3,291,512)
Long term prepayment		-	63,883
Net cash used in operating activities		(23,017,697)	9,404,800
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment		(3,368,494)	-
Proceeds from disposal of property and equipment		-	130,458
Proceeds from sale of investment in government securities		78,886,362	80,005,633
Purchase of investment in government securities		(61,175,400)	(88,098,100)
Mark-up received		921,113	391,842
Net cash generated from / (used in) investing activities		15,263,581	(7,570,167)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash generated from financing activities		-	-
Net (decrease) / increase in cash and cash equivalents	(A+B+C)	(7,754,116)	1,834,633
Cash and cash equivalents at the beginning of the period		15,999,043	6,206,225
Cash and cash equivalents at the end of the period		8,244,927	8,040,858



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PAKISTAN MERCANTILE EXCHANGE LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	Issued, subscribed and paid-up capital	Preference share capital	Capital reserve issue of premium on ordinary shares	Accumulated loss	Total
----- Rupees -----					
Balance at July 01, 2015	275,681,870	28,000,000	22,250,000	(431,724,191)	(105,792,321)
Profit for the three months period ended September 30, 2015	-	-	-	8,875,796	8,875,796
Balance at September 30, 2015	<u>275,681,870</u>	<u>28,000,000</u>	<u>22,250,000</u>	<u>(422,848,395)</u>	<u>(96,916,525)</u>
Balance at July 01, 2016	313,551,620	-	22,250,000	(400,055,672)	(64,254,052)
Profit for the three months period ended September 30, 2016	-	-	-	288,482	288,482
Balance at September 30, 2016	<u>313,551,620</u>	<u>-</u>	<u>22,250,000</u>	<u>(399,767,190)</u>	<u>(63,965,570)</u>



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PAKISTAN MERCANTILE EXCHANGE LIMITED
NOTES TO THE CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Mercantile Exchange Limited ("the Exchange") was incorporated in Pakistan as a public limited company on April 20, 2002 under the Companies Ordinance, 1984. 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 SECP on May 10, 2007 when the Exchange commenced its operations. Its registered office is situated at 3B, 3rd Floor, Bahria Complex IV, Chaudhry Khaliq-uz-Zaman Road, Gizri, Karachi, Pakistan.
- 1.2** The Exchange has been set-up principally to establish, regulate, control and provide physical facilities and marketplace necessary for trading in Commodity Futures Contracts and to perform all allied and incidental functions. This is the first 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.
- 1.3** 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** This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2016.
- 2.2 New standards, amendments to approved accounting standards and new interpretations which became effective during the three months period ended September 30, 2016**
There were certain new standards, amendments to the approved accounting standards and new interpretation issued by the International Accounting Standard Board (IASB) which became effective during the period but are considered not to be relevant or have any significant effect on the Exchange's operations and are, therefore, not disclosed in this condensed interim financial information.
- 2.3 New standards, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Exchange:**
There are certain new amendments to the approved accounting standards that are mandatory for beginning after July 01, 2017, but are considered not to be relevant or have any significant effect on the Exchange's operations and are, therefore, not disclosed in this condensed interim financial information.
- 2.4** The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements of the Exchange for the year ended June 30, 2016.

PAKISTAN MERCANTILE EXCHANGE LIMITED
NOTES TO THE CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

3. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

In preparing this condensed interim financial information, the significant judgements made by management in applying the Exchange's accounting policies and the key resources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2016.

- 3.2** The financial risk management objectives and policies of the Exchange are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2016.

4. SETTLEMENT GUARANTEE FUND		(Unaudited) September 2016 Rupees	(Audited) June 2016 Rupees
Clearing house deposits relating to brokers	4.1	143,923,188	136,032,267
Initial margins - relating to brokers and clients	4.1	1,241,858,560	1,100,042,714
Amount allocated for transfer to SGF Trust	4.1	51,630,942	46,340,919
		<u>1,437,412,690</u>	<u>1,282,415,900</u>

4.1 The Settlement Guarantee Fund has been applied as follows:

Clearing house deposits

Saving / current account		1,070,093	17,278,049
Investment in Treasury Bills	4.1.1	148,336,163	123,663,922
Less: amount allocated for transfer of SGF trust		(5,483,068)	(4,909,704)
		143,923,188	136,032,267

Initial margins

Saving / current account		34,199,130	91,890,653
Investment in Treasury Bills	4.1.1	1,093,626,850	876,621,030
Investment in Pakistan Investment Bonds (PIBs)	4.1.2	156,825,447	165,376,674
Accrued markup		3,319,007	7,549,572
Security deposit/prepayments - Locker (Gold)		36,000	36,000
Less: amount allocated for transfer of SGF trust		(46,147,874)	(41,431,215)
		1,241,858,560	1,100,042,714

Amount allocated for transfer to SGF Trust

Clearing house deposits		5,483,068	4,909,704
Initial margins		46,147,874	41,431,215
		51,630,942	46,340,919
		<u>1,437,412,690</u>	<u>1,282,415,900</u>

4.1.1 The aggregate cost of these treasury bills is Rs.1,241.963 million (June 2016: Rs.988.605 million). These Treasury Bills carry markup rate ranging from 5.76% to 5.90% (June 2016: 5.9% to 6.21%) per annum and will mature on various dates till December 22, 2016.

4.1.2 The aggregate cost of investment in PIBs is Rs. 156.544 million (June 2016: Rs. 156.544 million). These PIBs carry markup rate ranging from 11.25% to 11.5% (June 2016: 11.25% to 11.5%) per annum and will mature on various dates till July 17, 2019.

5. CONTINGENCIES AND COMMITMENTS

There is no significant change in deferred tax balance as those reported in the annual financial statements for the year ended June 30, 2016.

6. PROPERTY AND EQUIPMENT

Following additions at cost and deletions, at cost, were made during the period:-

Additions - Cost

Electrical equipment
Computer equipment

Unaudited	
September 30 2016 Rupees	September 30 2015 Rupees

1,192,580	-
112,650	-
<u>1,305,230</u>	<u>-</u>

Deletions - WDV's

Office equipment
Electrical equipment

-	147,851
-	118,146
<u>-</u>	<u>265,997</u>

7. INTANGIBLE ASSETS

No additions in intangible assets were made during the period (September 2015: Nil).

8. SHORT TERM INVESTMENTS

This represents investments designated as fair value through profit or loss and held in three month Treasury Bills carrying markup rate of 5.8% (June 2016: 5.9%) that will mature on December 08, 2016

9. OPERATING INCOME

Trading fee
Share of PMEX from the income on SGF
Annual membership fee
Entrance fee
Income from IT related services
PMEX infrastructure fee
Advertisement income
Fee for membership transfer and issuance of certificates
Auto liquidation charges
Front end charges
Application fee
Gain on sale of USB keys
Gold vault charges

Unaudited	
Three months period ended	
September 30 2016	September 30 2015

31,701,026	35,217,353
10,753,584	9,992,193
4,337,500	4,237,498
-	2,500,000
2,261,750	1,135,656
1,779,000	-
675,000	650,000
600,000	200,000
23,200	-
56,174	-
-	10,000
43,972	127,920
936,396	225,321
<u>53,167,602</u>	<u>54,295,941</u>

Unaudited
Three months period ended
September 30 **September 30**
2016 **2015**

10. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries and benefits	34,878,207	27,415,242
Directors' fee	540,000	300,000
Depreciation	2,358,430	2,514,125
Amortisation	1,746,757	1,289,729
Communication	1,079,747	1,455,336
Utilities	555,260	453,726
Legal and professional	155,811	413,473
Rent	3,174,612	2,166,000
Repairs and maintenance	1,870,280	1,066,618
Market making / Liquidity expenses	2,353,598	2,690,712
Travelling and conveyance		
- Employees and others	244,403	352,475
- Directors	908,231	622,658
	1,152,634	975,133
Fees and subscription	376,825	474,835
Security services	147,180	120,780
Insurance	102,470	337,988
SECP supervision fee	531,676	421,898
Auditors' remuneration	150,000	150,000
Marketing expenses	1,878,267	1,596,291
Printing and stationery	36,186	69,855
Entertainment	212,441	167,464
	53,300,381	44,079,205

11. OTHER INCOME - NET

Income from financial assets

Mark-up on bank deposits	142,273	63,091
Mark-up on government securities	799,468	1,334,522
Realized gain / (loss) on sale of investment at fair value through profit and loss	(7,023)	5,632

Income from non - financial assets

(Loss)/ gain on disposal of property and equipment	-	(135,539)
Others	579,489	86,336
	1,514,207	1,354,042

12. OTHER CHARGES

Bank charges	17,786	9,408
Others	4,038	1,390
	21,824	10,798

13. FINANCE COST

In respect of accumulated balance of gratuity charged to profit and loss	539,446	866,250
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14. TAXATION

Current	531,676	1,817,934
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14.1 The provision for current income tax is based on 1% of total turnover under section 113 of the Income Tax Ordinance, 2001.

14.2 There is no significant change in deferred tax balance as those reported in the annual financial statements for the year ended June 30, 2016.

	Unaudited	
	Three months period ended	
	September 30 2016	September 30 2015
15. EARNINGS PER SHARE		
Profit for the period	Rupees 288,482	8,875,796
Weighted average number of shares	Number 31,355,162	27,568,187
Earnings per share	Rupees 0.01	0.32

16. CASH GENERATED USED IN OPERATIONS

Profit before taxation	820,158	10,693,730
Adjustments for non cash charges and other items:		
Depreciation	2,358,430	2,514,125
Amortisation	1,746,757	1,289,729
Financial charges	539,446	866,250
Provision for gratuity	1,573,048	1,265,455
Mark-up on bank deposits	(142,273)	(63,091)
Mark-up on treasury bills	(799,468)	(1,334,522)
Loss / (Gain) on disposal of treasury bills	7,023	(5,632)
Loss on sale of property and equipment	-	135,539
Working capital changes	(25,851,147)	(1,601,077)
Cash generated from operations	<u>(19,748,026)</u>	<u>13,760,506</u>

16.1 Working capital changes

Decrease/(increase) in current assets		
Supplies and consumables	25,225	72,080
Annual subscription receivable - considered good	725,000	250,000
Advances, deposits and short-term prepayments	(261,511)	(1,707,340)
Other receivables	(14,566,563)	(1,481,832)
	<u>(14,077,849)</u>	<u>(2,867,092)</u>
Increase/(decrease) in current liabilities		
Advance annual membership and other fee	941,525	(1,713,112)
Advance for membership admission fee	-	750,000
Creditors, accrued and other liabilities	(12,714,823)	2,229,127
	<u>(25,851,147)</u>	<u>(1,601,077)</u>

17. RELATED PARTY TRANSACTIONS

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	
		Three months period ended	
		September 30, 2016	September 30, 2015
Associated undertakings	Payment to Investor Protection Fund Trust	552,672	613,490
	Receipt of technology fee	-	84,000
	Receipt of annual subscription	-	100,000
	Receipt of deposit against initial margin	1,770,507	3,957,000
	Repayment of deposit against initial margin	2,560,000	2,505,152
	Receipt of clearing house deposit	-	1,000,000
	Payment to Provident Fund	3,046,501	935,498
	Payment to Gratuity Fund	-	416,874
	Directors	Directors' meeting fee	540,000
Managing Director	Salaries and benefits	5,360,193	2,419,500
	Post employment benefits	442,038	343,200
Key management personnel (excluding Managing Director)	Salaries and benefits	15,094,620	13,102,781
	Post employment benefits	1,312,692	738,204

Certain key management personnel are also provided with fixed education and medical allowances in accordance with the policy of the Exchange.

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on November 07, 2016 by the Board of Directors of the Exchange.


MANAGING DIRECTOR


CHIEF FINANCIAL OFFICER


CHAIRMAN


MANAGING DIRECTOR