PAKISTAN
MERCANTILE
EXCHANGE
PMEX

HARVESTING PROSPERITY

ANNUAL REPORT**2023**

PAKISTAN MERCANTILE EXCHANGE

PMEX

YOU FUTURES EXCHANGE THE EXCHANGE OF THE FUTURE

ANNUAL REPORT 2023

EXPANDING
MARKET ACCESS & DIVERSITY

STRENGTHENING COLLABORATIONS


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LEVERAGING ADVANCED TECHNOLOGY

ENHANCING
RISK MANAGEMENT

NURTURING TALENT & INNOVATION

VISION

To be amongst the leading mercantile exchanges of the region extending from Istanbul to Jakarta in terms of knowledge, efficiency, innovation, value traded, credibility and standing.

MISSION

To build and develop PMEX capacity to satisfy the diverse needs of our customers, contribute towards shareholders equity, and constantly endeavor to integrate national supply chains with domestic and international Product, Commodity, and Financial markets through innovative financial products and instruments.

Creating state-of-the-art trading and settlement platforms and infrastructure that engenders confidence, brings the domestic economic players to the Exchange platform thereby creating maximum economic value for our stakeholders and the country.

CORE VALUES

Merit

Integrity

Candor

Transparency

Respect

Innovation

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Year 2022-2023 at a Glance

PMEX Welcomes New Board Members and Chairman

PMEX welcomed the following new members to its Board of Directors:

- **Mr. Faisal Ahmed** - Senior Executive Vice President at Consumer Assets Group
- **Mr. Wajahat Aziz Qureshi** - Group Head Asset & Liability Management at NBP
- **Mr. Asif Baig Mirza** - Chief Executive Officer of ABM Securities (Private) Limited

The Exchange also welcomed Mr. Abdul Qadir Memon as the new Chairman of the Board of Directors. Mr. Abdul Qadir Memon is the founder and Chief Advisor of A. Qadir & Company, Taxation and Corporate Laws Consultants (The Legal 500 Asia Pacific Leading Firm), founded in 1980. He is a Fellow of the Institute of Taxation and Management of Pakistan, Certified Director under the Code of Corporate Governance, 2012 by the Securities and Exchange Commission of Pakistan and EXCEL Graduate of Junior Chamber International. Currently, Mr. Memon is serving as Patron of the Pakistan Tax Bar Association, Director of the Institute of Financial Markets of Pakistan, Member of the Alternative Dispute Resolution Committee formed by the Federal Board of Revenue and Member of the Policy Advisory Board of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI).

With the appointment of three new members and the Chairman of the Board, PMEX's Board of Directors now consists of 9 members, three of whom are independent.

PMEX Launches New Futures Contracts

It is an ongoing endeavor of PMEX to offer a diverse range of products capable of catering to market participants of all income strata i.e. investors who invest in commodities on a long term basis, traders who work to earn daily profits based on their market strategy and hedgers who trade to mitigate their risk, using the Commodity Futures Market.

Over the years, PMEX has been successful in increasing market depth as well as creating new opportunities for market participants. The Exchange has also increased the product suite by listing commodities of various asset classes under metals, energy, indices, currencies and agriculture categories, which are being traded actively at leading exchanges around the world along with the local commodities. This has boosted the confidence of market participants and encouraged them to actively trade at the Exchange.

In line with the above, PMEX has listed the following cash-settled futures contracts and made them available for trading from July 25, 2022:

Name of Contract	Contract Symbol
PMEX Micro Gold Futures Contract	**GOMOZ**
PMEX US Equity Futures 2NSDQ100 Index Contract	**2NSDQ100**

The Exchange is confident that by offering trading opportunities in new products, commodity futures brokers will be able to cater to the needs of a wider market segment. Moreover, investors will get the opportunity to diversify their investment portfolios.

PMEX Adopts New Criteria for the calculation of Trading Fee

To keep the PMEX trading fee fair and in sync with the dynamic values of the commodities, the Securities and Exchange Commission of Pakistan (SECP) has approved the adoption of the criteria for the calculation of the trading fee of 0.009% of the contract value for all futures contracts, with a floor fee of Rs. 30 except PMEX Milli Told Gold Futures Contract. IPF will be 1% and the SECP fee will be 10% of the PMEX trading fee. The above-mentioned criteria will become effective from October 03, 2022.

AKDSL-BIPL Merger

PMEX successfully handled the merger of AKD Securities Limited (AKDSL) with and into BIPL Securities Limited (BIPL). This is a unique scenario in the history of the Exchange where two functioning brokerage houses have merged. The Exchange played a pivotal role in this historic merger by smoothly moving all the trading accounts, funds and physical inventory from BIPL to AKDSL. The Exchange also facilitated hassle-free login to new accounts after the merger.

As a consequence of this merger, all properties, assets, rights, liabilities, obligations etc. of AKDSL were transferred to and stand vested in BIPL, and AKDSL was dissolved without winding up. BIPL emerged the surviving/ merged entity with effect from August 01, 2022.

The Trading Right Entitlement (TRE) Certificate of AKDSL issued by the PMEX was surrendered and the Futures Broker license granted under the Futures Brokers (Licensing and Operations) Regulations, 2018 stood canceled.

Subsequently, the name of the surviving entity BIPL Securities Limited has also been changed to AKD Securities Limited.

PMEX Welcomes Huawei Team

Mr. Robert An, Managing Director of South Region, Huawei visited PMEX and met with Ejaz Ali Shah, Managing Director of PMEX.

While briefing Mr. Robert about Exchange's technology infrastructure, Mr. Shah elaborated that PMEX is focused on digital transformation to ensure it can deliver on improving customer experience.

Both the officials discussed developing long-term future strategic cooperation for technological innovations as well as Cloud transformation.

Mr. Robert invited the PMEX team to attend GITEX Global 2022 scheduled from October 10 – 14 in Dubai to explore where industry digitalization is heading, what opportunities it brings, and how digital technologies like cloud, AI, and 5G can be practically applied in different industry scenarios to fully unleash their value.

PMEX Launches New Website

PMEX has unveiled its redesigned website for its customers. The new website has been designed to enhance user experience with streamlined, modern design, improved navigation and functionality along with easy access to essential information that is important to customers and prospective customers alike.

The website offers improved educational information about futures trading, publications, news and careers pages, so visitors can be kept abreast of the latest at the Exchange. The visitors can also sign up for PMEX quarterly newsletter. The new website will be updated regularly with news of product launches, regulatory changes, essential market participants' information, corporate milestones and financial information. Visitors are encouraged to explore the website (**www.pmex.com.pk**) and sign up for the weekly educational webinar about trading futures at a regulated platform.

PMEX Meets Consul General of China in Karachi

Mr. Ejaz Ali Shah, Chairman Global Commodity Trading Platform (GCTP) & Managing Director PMEX along with Mr. Najam Ali, CEO of GCTP, visited the Consulate of China in Karachi and met with Mr. Li Bijian, Consul General in Karachi. During the meeting, bilateral trade and areas of mutual collaboration for boosting exports from Pakistan to China were discussed.

Mr. Shah thanked the CG for taking time out for the meeting and appreciated China's long-standing strategic cooperation in the areas such as regional connectivity, bilateral trade, education, media, and the energy sector in Pakistan. While talking about trade, Mr. Shah underscored that China is Pakistan's second most important trading partner, accounting for 11 percent of Pakistan's total exports. The total exports to China grew from USD 1.86 billion in 2020 to USD 3.04 billion in 2021.

Mr. Shah briefed CG about the upcoming e-commerce platform for trading commodities under the name Global Commodity Trading Platform (GCTP). Highlighting the key features of the digital platform, Mr. Shah elaborated that GCTP will transform the way international buyers procure commodities from Pakistan. The digital platform offers a one-window solution to procure quality certified commodities from Pakistan at a competitive price and get them delivered to the port of their choice upon mutually agreed terms.

Mr. Shah elaborated that China is an import-based market receiving supplies from several countries. The country has been an important trading partner of Pakistan for a long time. The fact of the matter is that Pakistan caters to a small percentage of the import market of China. Considering that Pakistan is producing an array of good quality agri and non-agri commodities, especially minerals and chemicals, the country has much more to offer to China. There is a huge potential for trade lying unrealized between the two countries and GCTP can bridge the trade gap and play a potent role in enhancing export from Pakistan to China.

Mr. Bijian appreciated the novel idea behind the formation of GCTP and agreed to remain in close contact for future collaboration to enhance export from Pakistan to China.

PMEX Hosts British Deputy High Commission Delegation

A delegation of the British Deputy High Commission Karachi comprising of Ms. Martha Monterisi, Second Secretary, Bilateral Prosperity and Mr. Shehryar Aziz, Economic Advisor visited PMEX. Mr. Ejaz Ali Shah welcomed the delegation and thank the members for taking time out for the meeting.

Mr. Shah gave a detailed presentation to the members of the delegation about PMEX. The presentation focused on PMEX's business model, its product suite, technology-driven platform, and ongoing initiatives including Electronic Warehouse Receipts, documentation of physical gold trade, trading of Marketable Government Securities, and Global Commodity Trading Platform (GCTP). While elaborating on GCTP, Mr. Shah briefed that

GCTP is an e-commerce platform for trading commodities. The digital platform bypasses the traditional trade finance mechanism and provides a single-window solution for international buyers to buy commodities from Pakistan with utmost convenience.

Mr. Shah underscored that Pakistan enjoys good bilateral relations with the UK for the last 75 years. At present, the UK is Pakistan's third most important trading partner, accounting for 7 percent of Pakistan's total exports. The total exports to the UK grew from USD 1.73 billion in 2020 to USD 2.11 billion in 2021. Pakistan's exports to the UK are heavily dependent on textile and clothing products whereas Pakistan has immense export potential, which is yet to be tapped. Pakistan has diverse agriculture and non-agriculture commodities, especially minerals and chemicals, which can be exported to the UK through GCTP. This will further cement the trade ties between the two countries.

Both the officials of the British Deputy High Commission appreciated the progress and the upcoming initiatives of the Exchange, especially GCTP. While talking about trade, Ms. Monterisi briefed the PMEX team about the Developing Countries Trading Scheme (DCTS), providing tariff reductions and simpler terms of trade to 65 countries, including Pakistan, which will be implemented early next year. Under the DCTS, Pakistan will continue to benefit from duty-free exports to the UK. In addition, the DCTS will remove tariffs on over 156 additional products. The newly announced DCTS Scheme will be pivotal in boosting Pakistan's exports to the UK.

Both the officials assured the best support of the British Deputy High Commission Karachi to PMEX and GCTP in their future endeavors.

PMEX Signs MoU with Huawei & Systems Limited

PMEX signed a Memorandum of Understanding (MoU) with Huawei Technologies Pakistan (Pvt.) Limited and Systems Limited Pvt. Limited during the Huawei Cloud TechWave Summit for the Middle East and Africa held in Dubai on October 12, 2022.

Under this MoU, Huawei and Systems Limited agreed to offer cutting-edge business solutions to PMEX to transform its business vision into reality through a combination of the latest business methodology and technological tools.

Under the guidance of Huawei and Systems Limited, PMEX has successfully implemented Huawei Cloud platform including technologies such as Huawei Hyperscalers level cloud.

PMEX Enters into Strategic Collaboration with GROWTECH Services

Pakistan Mercantile Exchange (PMEX), the country's only multi-commodity futures exchange, entered into a strategic partnership with GROWTECH Services, a leading agriculture technology company operating in Pakistan. Through this collaboration, GROWTECH Services will provide technological solutions to PMEX and its partners to better meet the agricultural challenges faced by farmers. PMEX will provide training to GROWTECH farmers in using Electronic Warehouse Receipt (EWR) trading platform. Both parties will further develop agri-commerce trading platforms collaboration and work together for the development of futures products in agriculture commodities.

The agreement was signed by Mr. Ejaz Ali Shah Managing Director of PMEX and Mr. Shahnawaz Mahmood Co-Founder, GROWTECH Services.

First Electronic Warehouse Receipt Trades at PMEX

The first Electronic Warehouse Receipt (EWR) of yellow maize was traded at Pakistan Mercantile Exchange (PMEX), the country's only multi-commodity futures exchange. This is a historical event for Pakistan as it marks the dawn of a new age where the agricultural sector of Pakistan can be documented and modernized electronically.

Under the guidance of the Securities and Exchange Commission (SECP), the Government of Pakistan has now completed this initiative from the formation of a Collateral Management Company (CMC), accreditation of warehouses, issuance of the EWR, financing against EWR, and now the trading of EWR at PMEX.

The introduction of EWRs in Pakistan offers three options to the farmers: 1) safekeeping of commodities to avoid distress selling and post-harvest losses, 2) using EWR as collateral for borrowing from financial institutions, and 3) trading of EWRs at the PMEX platform to efficiently sell the produce at a fair price.

The EWR mechanism aims to improve the performance of the agricultural sector by stimulating economic growth both in the agricultural sector and in the construction sector by creating an incentive for the private sector to construct new warehouses. This will increase the capacity of the country to store agricultural produce without wastage, alleviating poverty and reducing shortages of agricultural produce in Pakistan.

PMEX partners with Telenor Pakistan to offer commodity futures trading

Pakistan Mercantile Exchange (PMEX), the country's only multi-commodity futures exchange, signed a Memorandum of Understanding (MoU) with Telenor Pakistan to create awareness of futures trading through the My Telenor App.

Through this partnership, the two companies aim to explore and develop digital linkages in areas of mutual interest. Enabling futures trading in My Telenor App will facilitate millions of customers to benefit from investment opportunities through futures trading.

Chairman SECP Stresses Building Linkages with the Rural Economy

The Chairman of the Securities & Exchange Commission of Pakistan (SECP) Akif Saeed, during his visit to Karachi on January 05, 2023, met with the management and Board of Directors of Pakistan Mercantile Exchange. The Chairman was accompanied by Abdul Rehman Warraich, Commissioner SECP, and the SECP team, including Musarat Jabeen, Executive Director, Chairman's Secretariat, and Asif Iqbal, Head of Department, PRDD-SMD.

The Chairman SECP and his team were welcomed by Mr. Ejaz Ali Shah, Managing Director of PMEX, PMEX Board Members, and senior management. The objective of the meeting was to apprise the newly appointed Chairman and the Commissioner, SECP, of the latest futures market developments, current progress, upcoming initiatives, and challenges, and identify areas where focused efforts and cooperation of PMEX and SECP, the apex regulator, would be required.

Mr. Abdul Qadir Memon, Chairman of PMEX elaborated that the focus of the Exchange is on the 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 such as Marketable Government Securities to the retail investors across the country.

He also briefed the SECP officials about the Exchange's wholly owned subsidiary under the name Global Commodity Trading Platform (GCTP), which will provide an e-commerce platform for exporters where international buyers will purchase certified quality commodities from bonafide sellers in Pakistan at competitive prices and get delivery of purchased goods at the port of their choice.

Chairman SECP reviewed the progress of new contracts on EWR and measures to promote trading activity at the PMEX. He said that PMEX can provide alternate avenues of liquidity to the producers and processors of agricultural commodities which will benefit the farmers and boost economic activity. He highlighted the need for increasing outreach and tapping the potential of remote areas by ensuring the presence of commodity brokers and developing warehouse infrastructure.

PMEX Signs MoU with Uzbek Commodity Exchange

Pakistan Mercantile Exchange (PMEX), the country's first and only multi-commodity futures exchange, signed a Memorandum of Understanding (MoU) with Uzbek Commodity Exchange (UzEx) at its head office in Karachi. Mr. Ejaz Ali Shah, Managing Director of PMEX, and Mr. Badriddinov Ziyoviddin Bositovich, Chairman of the Board of UzEx, were the signatories.

The MoU aims at seeking closer cooperation between the two exchanges. The MoU would pave way for both Exchanges to work in close coordination for the development and enhancement of derivatives and financial markets in Pakistan and Uzbekistan by sharing best global practices, market information, industry knowledge, and cross-training of staff.

This collaboration will facilitate the two exchanges in attaining greater synergy by sharing strength, knowledge, and experience.

UzEx and PMEX excel in their respective domains, UzEx is a leader in spot trading of commodities and PMEX specializes in futures trading. By joining hands, UzEx will help PMEX in introducing spot trading at its platform while PMEX will share its expertise and experience with UzEx in initiating futures trading.

PMEX onboards Tessori Commodities (Pvt.) Limited

Gold is a strategic asset of a country that not only gives protection in times of financial turmoil but also provides a hedge against inflation. At present, proper documentation is not available regarding current gold holdings in Pakistan. PMEX with over 15 years of experience in offering a diverse range of domestic and international products across multiple asset classes including physical gold, is poised to lead the process of regularizing the physical trade of gold and ensuring its availability at the retail level.

In this regard, PMEX has onboarded Tessori Commodities (Pvt.) Limited, a prominent player in the gold market, as a dedicated market maker for physical gold trading. This strategic move demonstrates our unwavering commitment to providing an exceptional trading experience for market participants in the physical gold sector. As an innovative futures exchange, we continuously strive to enhance liquidity, improve market efficiency, and reinforce our position as a premier destination for physical gold trading.

Mr. Ejaz Ali Shah, Managing Director of PMEX said, “We are excited to welcome the Tessori Commodities to our platform. This is a testament to our commitment to creating a robust and liquid trading environment for physical gold. With their expertise, we are confident that we and deliver unparalleled opportunities to our market participants for trading of physical gold.”

PMEX signs MoU with ILMA University to promote industry-academia linkage

PMEX signed a Memorandum of Understanding (MoU) with ILMA University to promote the industry-academia linkage and collaboration. The signing ceremony was held at the PMEX Head Office in Karachi. Ejaz Ali Shah, Managing Director of PMEX, and Prof. Dr. Mansoor uz Zafar Dawood, Vice Chancellor of ILMA University were the signatories.

The MoU aims to foster cooperation between PMEX and ILMA in the areas of research, training & development, and human resource management. The collaboration will enable both organizations to leverage each other's strengths and capabilities to enhance the quality of education and training in the field of commodity futures trading and risk management.

Under the agreement, PMEX and ILMA will jointly develop and offer training programs, seminars, and workshops in the field of commodity futures trading and risk management for professionals, students, and faculty members. The two organizations will also collaborate on research projects and publications related to commodity futures trading.

The MoU between PMEX and ILMA is a step towards strengthening the relationship between academia and industry in Pakistan and promoting collaboration for the mutual benefit of both parties.

PMEX Management visits Uzbek Commodity Exchange

A high-ranking delegation from PMEX, spearheaded by Managing Director Mr. Ejaz Ali Shah, visited the head office of the Uzbek Commodity Exchange in Tashkent, Uzbekistan. This trip came in response to an earlier visit by Mr. Badriddinov Ziyoviddin Bositovich, Chairman of the UzEx Board.

PMEX has signed a Memorandum of Understanding (MoU) with UzEx. This MoU aims to foster a tighter bond between the two exchanges. It establishes a framework for the two entities to collaborate closely to bolster the derivatives and financial markets in both Pakistan and Uzbekistan. This will be achieved through the exchange of best global practices, industry insights, market data, and cross-training initiatives.

Both UzEx and PMEX are eminent in their particular fields. UzEx stands out in spot trading of commodities, whereas PMEX is renowned for futures trading. Through this partnership, UzEx will guide PMEX in launching spot trading on its platform. Conversely, PMEX will extend its proficiency and insights to UzEx to facilitate the commencement of futures trading.

PMEX at 25th Annual Conference of AFM

PMEX participated in the 25th Annual Conference of the Association of Futures Markets (AFM) held in Budapest on June 06, 2023. The Conference brought together clearing houses, exchanges, regulators, and other stakeholders from around the world to discuss the key market trends and business issues.

The two-day conference featured keynotes and panel discussions on a variety of topics, including Trading and Post-Trading in the Central and South European Markets, Emerging Markets in inflationary times, Carbon Markets, Agricultural Commodities, Impact of digitalization on financial and commodity markets, Fintech and Financial Literacy, Energy Trading and Clearing. Mr. Ejaz Ali Shah, Managing Director represented the Exchange at the event.

The conference provided PMEX with a platform for active and engaging discussions. In addition, the event provided an opportunity for the Exchange to establish new partnerships and consolidate existing relationships with AFM members, partner organizations, and market participants from the AFM region.

PMEX signs MoU with TPL Insurance

PMEX signed a Memorandum of Understanding (MoU) with TPL Insurance for the creation of awareness of futures trading through the TPL Tracker App. The MoU between the two companies was signed in the presence of Ejaz Ali Shah, Managing Director of PMEX, and Muhammad Aminuddin, Chief Executive Officer of TPL Insurance.

Under this partnership, the two companies aim to explore and develop digital linkages in areas of mutual interest. Enabling futures trading in TPL Tracker App will facilitate customers across Pakistan to benefit from investment opportunities through futures trading.

Listing of New Futures Contracts based on EWR

PMEX listed the following futures contracts based on Electronic Warehouse Receipts (EWR):

S.No.	Name of Contract	EWR Trading Symbol
1	Kainat Basmati Paddy 1121 Grade A Plus HAFIZABAD	EWRKB1-HFZ
2	Kainat Basmati Paddy 1121 Grade B HAFIZABAD	EWRKB2-HFZ
3	Kainat Basmati Paddy 1121 Grade C HAFIZABAD	EWRKB3-HFZ
4	Kainat Basmati Paddy 1121 Grade D HAFIZABAD	EWRKB4-HFZ

The Exchange will add new contracts, as and when new warehouse locations are accredited by Collateral Management Companies (CMCs).

PMEX launches Series of Awareness Programs on EWR Trading

PMEX, in collaboration with Naymat Collateral Management Company Limited (NCMCL), HBL, Bank of Punjab, and GROWTECH Services, has launched a series of programs to create awareness about the benefits of the Electronic Warehouse Receipts (EWR) mechanism among the farmer. These awareness programs aim to educate smallholder farmers about the three options under the EWR mechanism: 1) the safekeeping of commodities to avoid distress selling and post-harvest losses, 2) using EWR as collateral for borrowing from financial institutions, and 3) trading of EWRs at the PMEX platform.

The first event took place in Depalpur, District Okara. Subsequently, PMEX and its associates hosted the second informative session in Hafizabad. In Dipalpur, two additional programs were organized: one in association with Habib Bank Limited and another with the Bank of Punjab. The aim of these awareness programs was to educate farmers about the EWR mechanism and its benefits including safekeeping, financing, and trading.

These events garnered considerable attention from the farming community. Notably, major institutions like the State Bank of Pakistan and warehouse operators also shared their expertise at these sessions.

PMEX signs MoU with HBL to promote EWR

PMEX and HBL signed a Memorandum of Understanding (MoU) to collaboratively create awareness about the Electronic Warehouse Receipt (EWR) ecosystem being implemented in the country.

Speaking on the occasion, Ejaz Ali Shah, Managing Director – PMEX, said, “We are delighted to enter into a strategic partnership with HBL. We are committed to creating a vibrant, unified national market for indigenous agricultural commodities for ushering in economic growth. Together with HBL, we look forward to working on the propagation of EWR to help farmers achieve greater financial inclusion, avoid distress selling, improve earnings, and facilitate the Government of Pakistan in achieving documentation of trading of agriculture commodities.”

Awareness Programs

Futures Trading 101

The Exchange conducted several online training sessions under the banner "Futures Trading 101". A wide array of people from different walks of life participated in these sessions. The training provided in-depth knowledge about futures trading at the regulated platform of PMEX.

The weekly free-of-cost online training sessions are held on every Wednesday from 4:00 pm to 5:00 pm.

Members of the Pakistan Stock Brokers Association

PMEX organized the seminar "Diversify Your Business to Hedge Your Profit with PMEX" for the members of the Pakistan Stock Brokers Association (PSBA) in Karachi.

Mr. Zahid Mansoor Ali Mansoor, Chief Business Officer of PMEX briefed the members of PSBA about the progress of the Exchange over the years on multiple fronts including enhancement of product portfolio, induction of new members and liquidity providers, extension in trading time to 22 hours, the introduction of Automated Direct Funds Model (ADFM), and digital account opening. He also elaborated on the upcoming initiatives such as bringing the trading of physical gold, trading of Government Securities, Electronic Warehouse Receipts, and the Global Commodity Trading Platform (GCTP).

Mr. Zahid emphasized that by understanding and taking advantage of the economic cycle, political factors, and international events, stock brokers can diversify their business and maximize their profit by bringing equity customers to trade in futures contracts at the PMEX platform.

The session was followed by a Q&A. The members appreciated the progress of the Exchange and initiatives for enhancing customer experience through ADFM and online account opening. The members also gave valuable suggestions to further improve customer convenience.

Corporates

PMEX conducted an exclusive awareness session for TPL ofiice in Karachi, Lahore and Islamabad and Oil & Gas Development Company Limited.

The discourse commenced with a detailed overview of PMEX and its instrumental role in championing futures trading within Pakistan. Representatives from PMEX further delved into the dynamics of futures trading, contrasting it with stock trading.

Attendees were advised to rigorously educate themselves prior to venturing into futures trading, ensuring they make astute investment choices that balance risk with potential returns. Emphasis was also placed on the significance of perusing the investor trading guide, leveraging the demo trading utility, and regularly attending PMEX's weekly informational webinars.

The Q&A segment witnessed active participation from the audience. On the whole, the feedback was positive, with numerous attendees signaling their enthusiasm to delve deeper into the realm of futures trading.

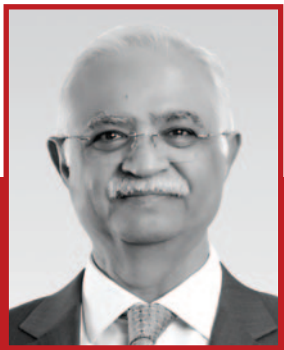
Educational Institutes

PMEX conducted an exclusive awareness session for the faculty and students of

- Shaheed Zulfikar Ali Bhutto Institute of Science and Technology
- National University of Modern Languages (NUML)
- Metropolitan International United College
- University of Turbat
- National University of Computer and Emerging Sciences
- University of Agriculture
- Government College University
- University of Wah
- School of Management Sciences at Quaid-e-Azam University
- Pak Austria Falcon
- Beaconhouse National University
- Lahore Garrison University

PMEX officials briefed the faculty members and students about the futures market in Pakistan. They elaborated on the significance of trading futures on the regulated platform of PMEX and also guided them on Demo Trading, Broker Selection, Digital Account Opening, fund deposit, and Investor Protection. The sessions were followed by Q&A.

BOARD OF DIRECTORS



Abdul Qadir Memon
Chairman

Ejaz Ali Shah
Managing Director

Dr. Rashid Bajwa
Director

Wajahat Aziz Qureshi
Director

Ahmed Chinoy
Director

Dr. Fatima Khushnud
Director

Farrukh H. Khan
Director

Zahid Latif Khan
Director

MANAGEMENT

Ejaz Ali Shah
Managing Director

Farhan Tahir
Chief Financial Officer

Adnan Hafeez
Chief Operating Officer

Syed Mumtaz Ali
Head of Legal & Membership

Zaki ur Rehman
Acting Head of Business

Kashif Rasheed Shaikh
Head of Information Technology

Shehzad Makhani
Chief Risk Officer

Tariq Sabih
Chief Regulatory Officer

Tariq Nafees Siddiqui
Head of Operations

Farrukh Siddiqui
Head of Human Resources

Kashif Shahzad
Head of Internal Audit

COMPANY INFORMATION

Board of Directors

Mr. Abdul Qadir Memon	Chairman
Mr. Ejaz Ali Shah	Managing Director
Dr. Rashid Bajwa	Director
Dr. Fatima Khushnud	Director
Mr. Muhammad Humayun Sajjad	Director
Mr. Wajahat Aziz Qureshi	Director
Mr. Ahmed Chinoy	Director
Mr. Farrukh Khan	Director
Mr. Asif Baig Mirza	Director
Mr. Zahid Latif Khan	Director

CFO & Company Secretary

Mr. Farhan Tahir

Auditors

Grant Thornton Anjum Rahman — Chartered Accountants

Bankers

MCB Bank Limited

Standard Chartered Bank Pakistan Limited

Bank Alfalah Limited

Dubai Islamic Bank Limited

Meezan Bank Limited

Askari Bank Limited

Legal Advisors

MCAS&W Law Associates

Tax Advisor

KPMG Taseer Hadi & Co. — Chartered Accountant

Regulator

Securities and Exchange Commission of Pakistan

Registered Office

3B, 3rd Floor, Bahria Complex IV,
Chaudhry Khaliq-uz-Zaman Road,
Gizri, Karachi

Branch Offices

Islamabad: Office No. G-9 (B),
ISE Towers, Jinnah Avenue,
Blue Area, Islamabad

Lahore: Office No. 3, Mezzanine Floor,
Al Qadir Heights 1, Babar Block,
New Garden Town, Lahore

Committees

Regulatory Affairs Committee

Dr. Rashid Bajwa	Chairman
Dr. Fatima Khushnud	Member
Mr. Abdul Qadir Memon	Member

Risk Committee

Mr. Abdul Qadir Memon	Chairman
Dr. Rashid Bajwa	Member
Dr. Fatima Khushnud	Member
Mr. Ejaz Ali Shah	Member
Mr. Tariq Sabih	Member
Mr. Sahibzada Mansoor Ali	Member (Industry Expert)
Mr. Kashif Alam Khan	Member (Industry Expert)

Audit Committee

Dr. Fatima Khushnud	Chairperson
Mr. Ahmed Chinoy	Member
Mr. Asif Baig Mirza	Member
Mr. Wajahat Qureshi	Member
Mr. Farrukh Khan	Member
Mr. Muhammad Humayun Sajjad	Member

Human Resource and Remuneration Committee

Mr. Abdul Qadir Memon	Chairman
Mr. Ahmed Chinoy	Member
Mr. Farrukh Khan	Member
Mr. Zahid Latif Khan	Member
Mr. Ejaz Ali Shah	Member

OPERATIONAL HIGHLIGHTS

Rupees

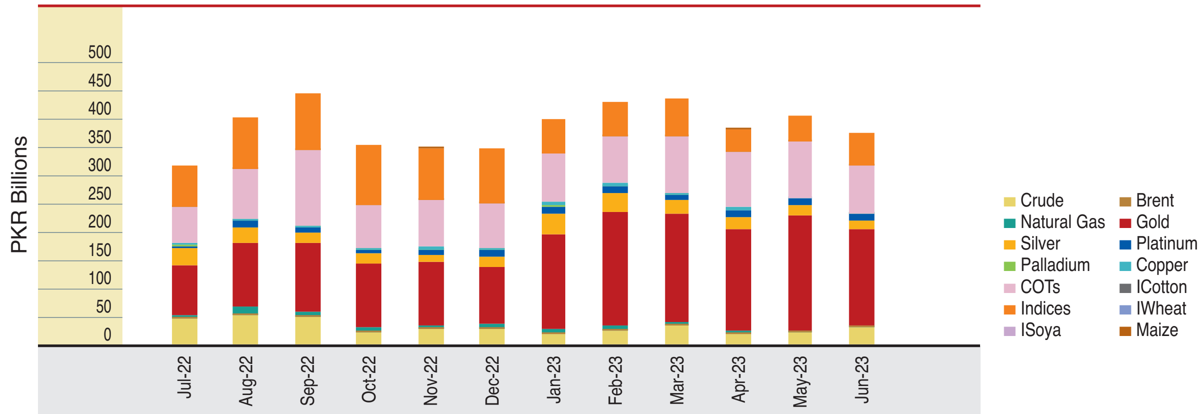
Traded Volume

Traded Volume	2021 - 2022	2022 - 2023	Change
Total traded volume	**3,867,454,189,923**	**4,641,156,429,403**	**20%**
Crude	463,401,279,532	377,348,299,934	**–19%**
Brent	437,572,710	6,782,514,982	**1450%**
Natural Gas	90,278,853,823	86,434,829,050	**–4%**
Gold	1,184,594,406,364	1,764,783,138,534	**49%**
Silver	169,075,156,879	274,117,066,633	**62%**
Platinum	107,365,303,916	117,113,819,887	**9%**
Palladium	1,955,919,043	2,751,423,943	**41%**
Copper	78,914,611,493	43,453,765,965	**–45%**
Currencies	582,831,299,188	1,078,954,776,529	**85%**
Indices	1,185,968,541,060	886,799,337,116	**–25%**
Cotton	2,631,245,916	2,611,933,531	**–1%**
Yellow Maize-EWR	—	5,523,300	**—**
ICorn	—	—	**—**
IWheat	—	—	**—**
ISoya	—	—	**—**

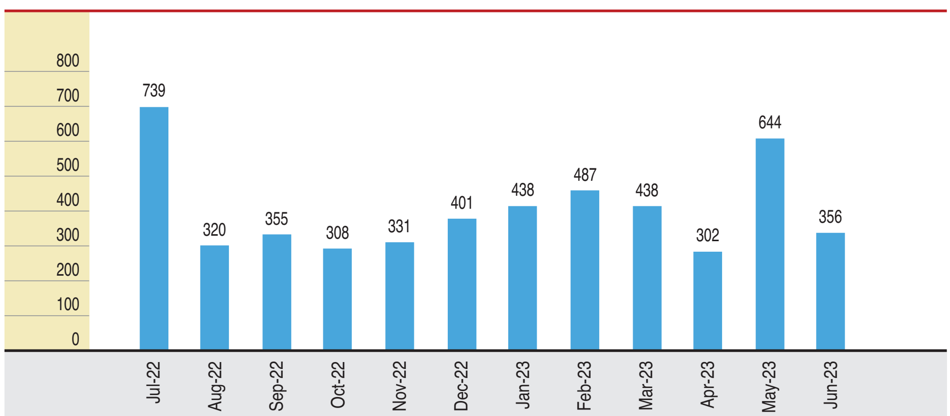
Top Ten Brokers

Ranking	Value	Lots
1	H.G Markets (Pvt.) Limited	H.G Markets (Pvt.) Limited
2	Trust Securities & Brokerage Limited	Rayaan Commodities (Pvt.) Limited
3	Rayaan Commodities (Pvt.) Limited	Blink Capital Management (Pvt.) Limited
4	Blink Capital Management (Pvt.) Limited	Enrichers (Pvt.) Limited
5	Enrichers (Pvt.) Limited	Trust Securities & Brokerage Limited
6	Floret Commodities (Pvt.) Limited	Floret Commodities (Pvt.) Limited
7	Value Stock and Commodities (Pvt.) Limited	AKD Securities Limited
8	JS Global Capital Limited	A.A. Gold Commodities (Pvt.) Limited
9	A.A. Gold Commodities (Pvt.) Limited	Mohammad Munir Mohammad Ahmed Khanani Securities Limited
10	AKD Securities Limited	JS Global Capital Limited

Traded Value



Total Number of Investors (UINs)



DIRECTORS' REPORT

Pakistan Mercantile Exchange Limited
For the Year Ended June 30, 2023

On behalf of Board of Directors Pakistan Mercantile Exchange Limited, we are pleased to present the annual report for the financial year ended June 30, 2023 (FY23) together with the Audited Financial Statements and Auditor's Report thereon.

Global Environment

The FY23 was marked by measured growth attributed to rising interest rates and the ongoing Russia-Ukraine conflict. However, the swift recovery of the Chinese economy, which reopened faster than anticipated, provided some economic relief. Furthermore, supply chain disruptions heightened inflationary stress, prompting central banks worldwide to increase their interest rates. Global trade was further hampered by port congestions in the United States, keeping it relatively muted.

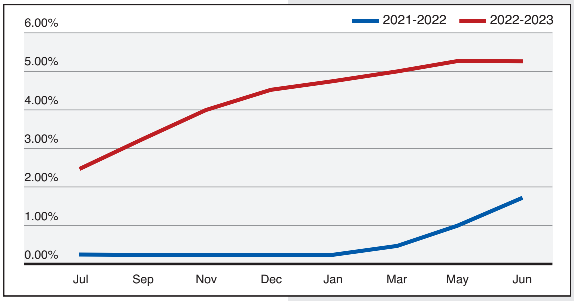
In the global commodity markets, energy prices experienced a downturn despite the sanctions on Russia and the production curtailments by OPEC Plus. This was particularly noticeable in the falling prices of gas and coal. In contrast, the value of precious metals saw an upswing, primarily driven by growing geopolitical uncertainties.

Pakistan's Economic Overview

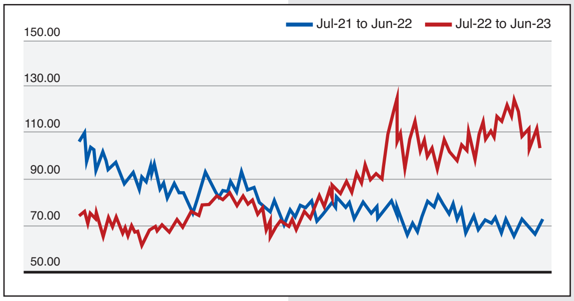
The past year can be counted among the most challenging times in Pakistan's contemporary history. The country's GDP growth stagnated below 0.5%, a stark contrast to the 6.10% increase observed during the previous year. It marked the third occasion in the past half-century that Pakistan recorded GDP growth under one percent.

Factors such as devastating floods, political unrest, multiple payments crisis, and delays in concluding the IMF review put the Pakistani economy under significant strain. Globally high energy and commodity prices further added to the burden by depleting foreign exchange reserves, leading to the depreciation of the Rupee against the US Dollar and fueling inflation.

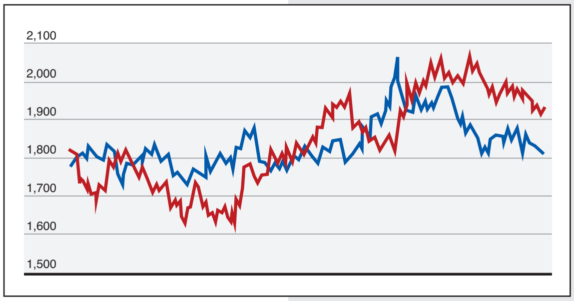
US Interest Rate



Crude Oil US $ / Barrel



Gold US / t OZ



Agriculture sector growth remained below target, mainly because of a shortfall in wheat and cotton crops, despite the best efforts by the government to ensure better availability of funds to farmers. The large-scale manufacturing sector also registered a persistent decline.

The Government of Pakistan succeeded in curbing the trade deficit through import management. While the decrease in imports was substantial, declining exports and remittances led to a continued decrease in foreign exchange reserves.

To combat inflationary pressure, the State Bank of Pakistan (SBP) continued to follow the policy of monetary tightening and increased the policy rate by an aggregate of 825 basis points to 22.00 percent.

The International Monetary Fund's (IMF) Executive Board approved a 9-month Stand-By Agreement (SBA) of US$3 billion for Pakistan. Of this, US$1.2 billion was to be disbursed immediately, with the remainder scheduled for release after two quarterly reviews set for November 2023 and February 2024.

Business Review

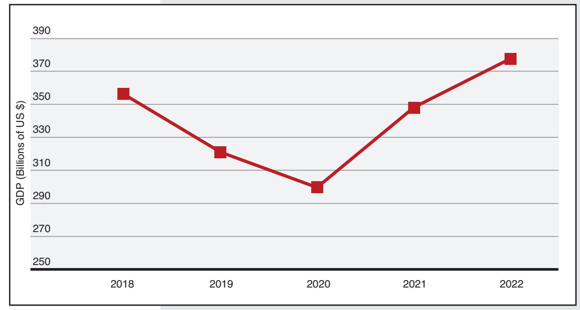
Achievements during FY23

Achieving an All-Time High Profit
PMEX has registered the highest-ever profit after tax for the fiscal year ended on June 30, 2023 (FY23), since its inception in 2007. The Exchange posted a net profit of PKR 199 million in FY23, a growth of 252 percent as compared to the last fiscal year. During this fiscal year, the exchange's operating income surged to PKR 673 million, representing an impressive growth of 80 percent as compared to the previous year.

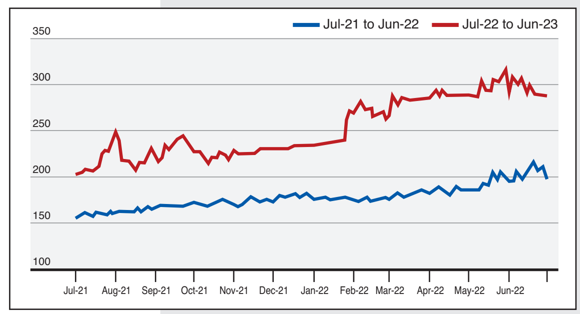
Registering the Highest Traded Volume
The trading volume in FY23 reached a significant milestone of PKR 4.641 trillion, surpassing PKR 3.867 trillion recorded in the corresponding period last year, registering a growth of 20 percent. These are the highest volumes in the history of the Exchange, resulting from volume growth as well as the global hike in commodity prices and depreciation in PKR value.

Connecting to the Local Economy
The Exchange remains committed to bringing the trading of Electronic Warehouse Receipts (EWR) on its platform. Four new contracts of Kainat

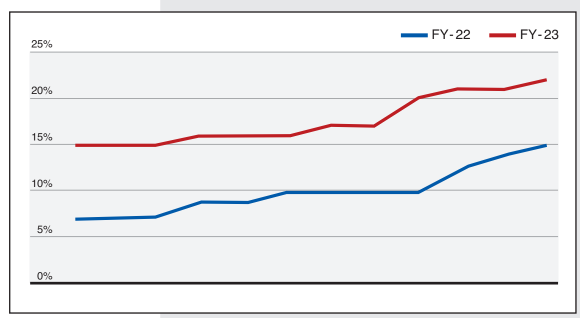
Chart Heading



PKR/USD



Interest Rate



Basmati Paddy (grade A+, B, C, & D) were listed on the Exchange. Further, PMEX in collaboration with Naymat Collateral Management Company Limited (NCMCL), GROWTECH Services, Habib Bank Limited, and Bank of Punjab launched a series of programs to spread awareness about the benefits of the EWR mechanism amongst farmers. The first four programs of the series have successfully been held at Depalpur, District Okara Hafizabad.

Adopting New Criteria for Trading Fee
To keep the PMEX trading fee fair and in sync with the dynamic values of the commodities, the SECP has approved the adoption of the criteria for the calculation of the trading fee i.e., 0.009% of the contract value for all futures contracts, with a floor fee of Rs. 30 except PMEX Milli Told Gold Futures Contract. The above-mentioned criteria became effective on October 03, 2022.

Collaborating through Strategic Alliances
PMEX endeavors to explore innovative ways of doing business and is relentlessly striving to expand its outreach across the country, giving an opportunity to more people to trade futures on its platform. In line with this, the Exchange is establishing strategic alliances with technology-driven entities to capitalize on their digital touchpoints to open commodity trading accounts for their customers thereby enabling them to trade futures at PMEX.

Launching of New Website
PMEX unveiled its revamped website for its customers in October 2022. This new site boasts a modern, simplified design along with superior navigation features for a more user-friendly experience. It ensures that vital information is readily accessible to both existing and potential customers. The site is packed with amplified educational resources on futures trading, publications, and a news section, keeping visitors informed about the latest developments at the Exchange. The site is regularly updated with new product introductions, changes in regulations, crucial information about market participants, corporate achievements, and financial news.

Creating Awareness
The Exchange continued its efforts for creating awareness about the trading of commodities futures in Pakistan. In this regard, PMEX organized several awareness programs for various educational institutes and corporates and weekly webinars for the general audience.

Initiatives Under Development

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 wholly-owned 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.

Introducing New Products
To increase market depth and create new opportunities for market participants, the Exchange plans to introduce Single Stock Futures Contracts. PMEX has prepared contract specifications for six Single Stock Futures (SSF) contracts and submitted these to the Securities & Exchange Commission of Pakistan (SECP) for approval. Once approved, these futures contracts will be listed at the PMEX and offered for trading.

To further enhance the product suit and broaden the retail customer base, the Exchange is working on listing futures contracts of physical gold.

Boosting Trading of Physical Gold
The Exchange plans to bring trading of physical gold to its platform to regularize its trade and ensure its availability at the retail level. The Exchange is in dialogue with the

Government of Pakistan, the Pakistan Gems Jewelry Traders and Exporters Association (PGJTEA), the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) for the establishment of an official gold market. Moreover, a mechanism for depositing and withdrawing physical gold for retail has also been devised to better manage this important strategic asset of the country.

Streamlining Automated Direct Funds Model
To provide a more secure, swift, and seamless customer experience, the Exchange is in the process of introducing the Automated Direct Funds Model (ADFM) functionality integrated with the 1-Bill Top-up model. With this new facility, brokers and their customers will get fast and secure alternative method for funds transfer.

Trading Marketable Government Securities at PMEX
The State Bank of Pakistan has allowed the trading of futures contracts of Government Securities i.e., T-Bills, PIBs etc. at the Exchange. At present, the Exchange is in the process of developing applications for trading. The State Bank of Pakistan has approved direct access to Real Time Gross Settlement System (RTGS) to carry out smooth clearing and settlement of these futures contracts.

Trading in Commodity Futures through Roshan Digital Account
Roshan Digital Accounts (RDA) offer an efficient, secure, and convenient mechanism for Non-Resident Individual Pakistanis (NRIP) to invest in various instruments. PMEX has also sought approval from the SBP to allow NRIPs to trade commodity futures through RDA. As directed by SBP, PMEX has developed a mechanism, in collaboration with the Central Depository Company of Pakistan Limited (CDC), to enable the trading of commodity futures through RDA. The proposed mechanism has been submitted to SBP for approval.

Future Outlook

Going forward, under the able guidance of the SECP and with the unwavering support and direction provided by the Board of Directors, the focus of the Exchange will remain on the development of local commodities, propagation of the Electronic Warehouse Receipts (EWR) mechanism, documentation of gold trading through the Exchange, making exchange services available throughout the country and introducing safe investment opportunities such as Marketable Government Securities to the retail investors across the country.

We are also aggressively working towards launching GCTP, which will act as a historic milestone in revolutionizing the way bulk commodity trading takes place between international buyers and local sellers. The Exchange plans to integrate GCTP with the trading of EWR at PMEX. The integration of a documented local commodity market with GCTP would not only result in opening new international markets for indigenous commodities but also increase exports of agri and non-agri commodities, thereby increasing the foreign exchange reserves of the country.

Financial Results

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

	30-Jun-23	30-Jun-22
	(Rs. in million)	
Trading Fee - net	**400.80**	227.02
Operating income	**676.90**	373.12
Profit before taxation	**280.02**	68.45
Net profit after taxation (total comprehensive income)	**199.50**	56.73
	(Rupees)	
Earnings per share – basic and diluted	**6.36**	1.81

The trading fee has improved by Rs. 173.80 million (76%), and operating income has increased by Rs. 303.80 million (81%).

The positive reflections of deferred tax of Rs. 50.75 million (Note 30.2) and unascertained value of 20 Offices in Old Hyatt Regency Hotel Building (Note 20.3) have not been recorded due to uncertainties attached with respect to value and timings, etc.

On the taxation contingencies side, as detailed in note 16 to the financial statements, there is one major case in income tax and two cases of Sindh Revenue Board, where PMEX is in dispute with the tax authorities. Although, the monetary impact of the tax disputes will be significant in case of unfavorable decisions, the management expects favorable decisions in these cases and, therefore, based on legal opinion, have not made any provision in the financial statements.

As required by the Companies Act, 2017, consolidated financial statements along with auditors' report thereon are being separately presented incorporating a wholly owned subsidiary Global Commodity Trading Platform (Private) Limited, which has been incorporated for launch of an e-commerce platform GCTP for export of commodities.

Board of Directors

The Board comprised of 8 directors including Managing Director, in which 6 directors represent shareholders and remaining three are independent directors. Directors representing shareholders comprised of two from National Bank of Pakistan, two from Pakistan Stock Exchange Limited, one from ISE Towers REIT and one from LSE Financial Services Limited.

Current Board of Directors is comprised of the following:

SN	Name	Designation	Status
1.	Mr. Abdul Qadir Memon	Chairman	Independent -Non-executive
2.	Mr. Ejaz Ali Shah	Managing Director	Executive
3.	Dr. Fatima Khushnud	Director	Independent -Non-executive
4.	Dr. Rashid Bajwa	Director	Independent -Non-executive
5.	Mr. Ahmed Chinoy	Director	Non-executive
6.	Mr. Farrukh Khan	Director	Non-executive
7.	Mr. Wajahat Qureshi	Director	Non-executive
8.	Mr. Zahid Latif Khan	Director	Non-executive

The names of the persons who, at any time during the financial year, were directors of the Exchange, along with complete attendance of Board meeting during 2022-23 is annexed at "A".

The details of regulatory Board Committees are annexed at "B".

Directors' Remuneration

Non-executive directors are paid fee for attending Board and Committee meetings along with reimbursement for travelling and accommodation for the purpose of meeting as approved by the Board and authorized in Articles of Association of the Exchange.

Corporate Governance

Under Regulation 5(2)(k) of Futures Exchanges (Licensing and Operations) Regulations, 2017, the Exchange is to comply with Code of Corporate Governance for listed companies to the extent consistent with the Futures Market Act, 2016 and the rules or regulations made thereunder. Accordingly, Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 along with auditors' review report on the same is also being separately presented.

Principal Risks and Uncertainties

Accompanied with the continual increase in client base, the Exchange may witness significant increase in trading volumes. Such situation may lead to exhaustion of Market Maker's financial capacity, and may result in financial/opportunity loss to market participants. Foreseeing above, the Exchange has cultivated multiple Market Makers who maintains excess liquidity to cater large volumes. However, the Exchange is continuously making efforts to induct liquidity providers with strong financial backbone and creditworthiness (like banks) to minimize this risk.

Further, being an actively regulated entity, PMEX face tough competition with unregulated market, offering similar products with lower transaction costs and less compliance restrictions to the investors. This leaves Exchange directly exposed to business risk. In order to cater this, the Exchange conducts investor awareness sessions and is making continuous efforts to bring investors on regulated platform of the Exchange. Additionally, PMEX is also rigorously following up for enforcement of law by relevant authorities.

Details of Shareholding

Details of Shareholding are annexed at "C".

Auditors

The present auditors Grant Thornton Anjum Rahman, Chartered Accountants retire and being eligible have offered themselves for reappointment. The Board Audit Committee has suggested and the Board of Directors has recommended their re-appointment as statutory auditors for the approval of the shareholders.

Acknowledgement

The Directors acknowledge appreciation for the continuous support and guidance by the market regulators, the Securities and Exchange Commission of Pakistan and State Bank of Pakistan.

We are also thankful to the employees of the Exchange for their dedication and hard work throughout the year and also our valued brokers without which the equation cannot be completed.

Lastly, we appreciate the confidence of the shareholders in the endeavor to realize the vision of a thriving commodity and futures market in Pakistan.

Managing Director

Chairman

Karachi: 29 August 2023

ANNEXURE A

Board Meeting Attendance

Total eight (8) meetings of Board of Directors were held during 2022-23. Attendance history during the tenure of directorship was as follows:

Director		Meeting held during the directorship	Meetings attended
1.	Mr. Abdul Qadir Memon	8	8
2.	Mr. Ejaz Ali Shah	8	8
3.	Dr. Rashid Bajwa	8	7
4.	Dr. Fatima Khushnud	8	8
5.	Mr. Ahmed Chinoy	8	8
6.	Mr. Farrukh Khan	8	6
7.	Mr. Faisal Ahmed*	6	5
8.	Mr. Wajahat Qureshi	8	8
9.	Mr. Zahid Latif Khan	8	7

* Resigned during the year

ANNEXURE B

Committees of Board of Directors

The Board constituted following regulatory committees comprising of members of the Board and industry experts. The composition of the Committees as on 30-Jun-23 and attendance during the year was as under:

Committees / Members		Meeting held during the tenure	Meetings attended
Audit Committee			
1.	Dr. Fatima Khushnud – Chairperson	4	4
3.	Mr. Ahmed Chinoy	4	4
4.	Mr. Faisal Ahmed (Resigned during the year)	4	4
5.	Mr. Farrukh Khan	4	2
6.	Mr. Wajahat Qureshi	4	4
Human Resource Committee			
1.	Mr. Abdul Qadir Memon – Chairman	4	4
2.	Dr. Ejaz Ali Shah	4	4
3.	Mr. Farrukh Khan	4	3
4.	Mr. Ahmed Chinoy	4	4
5.	Mr. Faisal Ahmed (Resigned during the year)	4	4
6.	Mr. Zahid Latif Khan	4	4
Regulatory Affairs Committee			
1.	Dr. Rashid Bajwa – Chairman	4	4
2.	Dr. Fatima Khushnud	4	4
3.	Mr. Abdul Qadir Memon	4	4
Risk Committee			
1.	Mr. Abdul Qadir Memon – Chairman	4	4
2.	Dr. Fatima Khushnud	4	4
3.	Dr. Rashid Bajwa	4	4
4.	Mr. Sahibzada Mansoor Ali (industry expert)	3	3
5.	Mr. Kashif Alam Khan (industry expert)	3	3
6.	Mr. Ejaz Ali Shah – MD	4	4
7.	Mr. Tariq Sabih – CRO	4	4

ANNEXURE C

Shareholding pattern as of June 30, 2023

Shareholdings	No. of shareholders	Total shares held
From 1 to 100 shares	11	46
From 101 to 900,000 shares	–	–
From 900,001 to 1,000,000 shares	2	1,818,181
From 1,000,001 to 3,000,000 shares	2	4,405,842
From 3,000,001 to 6,500,000 shares	1	5,568,181
From 6,500,001 to 8,950,000 shares	1	8,909,052
From 8,950,001 to 9,000,000 shares	1	10,653,860
Total	**18**	**31,355,162**

Categories of shareholders		No. of shareholders	Share held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children		3	8	–
1. Mr. Abdul Qadir Memon – Chairman	3			
2. Dr. Fatima Khushnud – Director	2			
3. Dr. Rashid Bajwa – Director	3			
Associated Companies, undertakings and related parties (including banks)		3	25,131,093	80.15%
1. National Bank of Pakistan	10,653,860			
2. Pakistan Stock Exchange	8,909,052			
3. ISE Towers REIT	5,568,181			
NIT and ICP		–	–	–
Banks Development Financial Institutions, Non-Banking Financial Institutions (excluding related parties)		4	6,224,023	19.85%
Insurance Companies		–	–	–
Modarabas and Mutual Funds		–	–	–
Other Shareholders holding 10% or more		–	–	–
Others (individual promoters) - Local		8	38	–
- Foreign		–	–	–
Total		**18**	**31,355,162**	**100.00%**

SIX YEARS' FINANCIAL HIGHLIGHTS

Financial Years Ended on June 30

	2023	2022	2021	2020	2019	2018
Balance Sheet						
Shareholders' equity	305,876,136	106,390,746	49,665,630	40,991,799	9,159,588	(37,714,923)
Long term deposits	161,394,912	161,394,912	161,264,381	160,319,915	163,895,317	197,650,000
Staff gratuity payable to fund	–	–	707,556	16,312,654	15,624,300	44,674,627
Margin and deposit with gold	4,161,391,966	2,631,589,077	2,337,246,204	2,514,037,889	2,700,727,066	2,085,665,389
Non-current assets	56,358,595	60,336297	47,982,974	60,456,707	30,618,928	29,283,048
Long term investments	1,394,186	6,858,367	20	20	20	20
Total Current assets	4,712,956,170	2,958,920,939	2,615,266,494	2,802,115,922	2,935,195,218	2,314,109,099
Operational Results						
Total Income	908,223,510	397,026,172	316,505097	344,131,071	337,057,063	276,199,319
Total Expenses	456,086,787	328,576,672	303,239,875	306,386,295	273,988,078	226,706,170
Profit / (loss) after taxation	199,485,390	56,725,116	8,673,381	31,832,211	63,068,984	41,113,028
Earnings per share (EPS)	**6.36**	1.81	0.28	1.02	1.67	1.31

Grant Thornton

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Karachi, Pakistan

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Pakistan Mercantile Exchange Limited
Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pakistan Mercantile Exchange Limited (the Company) for the year ended **June 30,2023** as required under Regulation 5(2)(k) of Future Exchanges (Licensing and Operations) Regulations, 2019 and in accordance with the requirements of Regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Companies corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company's for the year ended **June 30, 2023.**

Following instances of non-compliance with the requirements of the Regulations was observed, which are stated appropriately stated in the Statement of Compliance:

Reference in Statement of Compliance	Reference of the Regulation	Description
Paragraph 10	Section 24	The position of Chief Financial Officer and Company Secretary are held by the same person.
Paragraph 19	Section 10(3)(v)	Annual evaluation of the Board, its members and of its committees was not carried out during the year.

Grant Thornton Anjum Rahman
Chartered Accountants

Place:
Date:
UDIN:

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

For the Year Ended June 30, 2023

Pakistan Mercantile Exchange Limited **(the Exchange)** is required under Regulation 5(2)(k) of Futures Exchanges (Licensing and Operations) Regulations, 2017 **(the Regulations)** to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019 **(the Code)** to the extent consistent with the Futures Market Act, 2016.

The Exchange has complied with the requirements of the Code in the following manner:

1. The total number of directors on June 30, 2023 is ten (10) including the Managing Director as per the following:
   a. Male: 9
   b. Female: 1

2. The composition of the Board on June 30, 2023 is as follows:
   (i) Independent directors – Three (03)
   (a) Mr. Abdul Qadir Memon
   (b) Dr. Fatima Khushnud
   (c) Dr. Rashid Bajwa

   (ii) Non-executive directors – Six (06)
   (a) Mr. Ahmed Chinoy
   (b) Mr. Farrukh Khan
   (c) Mr. Wajahat Aziz Qureshi
   (d) Mr. Zahid Latif Khan

   (iii) Executive director – Mr. Ejaz Ali Shah - Managing Director

   (iv) Female director – Dr. Fatima Khushnud

3. The directors have confirmed that none of them is serving as a director on more than seven (07) listed companies.

4. The Exchange has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Exchange along with its supporting policies and procedures.

5. The Board has developed vision and mission statements, overall corporate strategy and significant policies of the Exchange. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Exchange.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act), the Regulations and the Code.

7. All the meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act, the Regulations and the Code with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act, the Regulations and the Code.

9. Eight out of ten directors have the prescribed certification under Director Training Program offered by institutions approved by the Securities and Exchange Commission of Pakistan (SECP). Remaining directors are encouraged to acquire the certification.

10. There was no new appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year. However, their remuneration and terms & conditions of employment are in compliance with relevant requirements of the Code. The provision of the Code in respect of segregating the positions of company secretary and chief financial officer is considered specific for listed entities only.

11. Chief Financial Officer and Chief Executive Officer/Managing Director duly endorsed the financial statements before approval of the Board.

12. The Board has formed following committees comprising of members given below:

a) Audit Committee

(i)	Dr. Fatima Khushnud	Chairperson
(ii)	Mr. Ahmed Chinoy	Member
(iii)	Mr. Farrukh Khan	Member
(iv)	Mr. Wajahat Aziz Qureshi	Member

b) Human Resource (HR) and Remuneration Committee

(i)	Mr. Abdul Qadir Memon	Chairman
(ii)	Mr. Ejaz Ali Shah - MD	Member
(iii)	Mr. Ahmed Chinoy	Member
(iv)	Mr. Farrukh Khan	Member
(v)	Mr. Zahid Latif Khan	Member

(Note: The function of Nomination Committee has been assigned to the HR and Remuneration Committee.)

c) Risk Committee

(i)	Mr. Abdul Qadir Memon	Chairman
(ii)	Mr. Ejaz Ali Shah - MD	Member
(iii)	Dr. Fatima Khushnud	Member
(iv)	Dr. Rashid Bajwa	Member
(v)	Mr. Tariq Sabih - CRO	Member
(vi)	Mr. Sahibzada Mansoor Ali	Member (Industry expert)
(vii)	Mr. Kashif Alam Khan	Member (Industry expert)

d) Regulatory Affairs Committee

(i)	Dr. Rashid Bajwa	Chairman
(ii)	Mr. Abdul Qadir Memon	Member
(iii)	Dr. Fatima Khushnud	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee held during the year was as follows:

	Name of Committe	**Number of Meetings**
a)	Audit Committee	4
b)	HR and Remuneration Committee	4
c)	Risk Committee	4
d)	Regulatory Affairs Committee	4

15. The Board has set up an effective internal audit function.

16. The statutory auditors of the Exchange have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Exchange.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations and the Code or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of Clauses 3, 6, 7, 8, 27, 32, 33 and 36 of the Code have been complied with.

19. Provision of Clause 10(3)(v) relating to annual evaluation of performance of the Board, its members and of its committees was not applicable due to election of six directors in May 2022 but the Board was completed after approval of appointment of three independent directors by SECP in July 2022.

Managing Director

Chairman

Dated: August 29, 2023
Place: Karachi

Grant Thornton

Grant Thornton Anjum Rahman
1st & 3rd Floor,
Modern Motors House
Beaumont Road,
Karachi, Pakistan

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INDEPENDENT AUDITOR'S REPORT

To the Members of Pakistan Mercantile Exchange Limited
Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Pakistan Mercantile Exchange Limited** (the Company), which comprise of the unconsolidated statement of financial position as at **June 30, 2023,** and the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023, and of the profit or loss and other comprehensive income, changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual report for the year ended June 30, 2023, but does not include the unconsolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Grant Thornton

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity, and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb.**

Grant Thornton Anjum Rahman

Chartered Accountants

Place: Karachi
Date: September 22, 2023
UDIN: AR202310126IguK48zsa

Unconsolidated Statement of Financial Position

As at June 30, 2023

	Note	2023	2022
		Rupees	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 100,000,000 (June 30, 2022: 100,000,000) ordinary shares of Rs. 10 each	7.1	**1,000,000,000**	1,000,000,000
Issued, subscribed and paid-up share capital	7.2	**313,551,620**	313,551,620
Reserves	8	**(7,675,484)**	(207,160,874)
Total shareholders' equity		**305,876,136**	106,390,746
Non-current liabilities			
Long-term deposits	9	**161,394,912**	161,394,912
Lease liabilities	10	**16,749,150**	25,009,308
		178,144,062	186,404,220
Current liabilities			
Staff provident fund	11	**2,150,896**	242,839
Margins and deposits	12	**2,072,031,116**	1,849,257,707
Payable to SGF trust	13	**16,125,486**	8,451,408
Gold held on behalf of brokers / clients		**2,089,360,850**	782,331,370
Advance annual subscription and other fee	14	**15,961,391**	17,080,922
Current portion of lease liability	10	**9,523,171**	13,416,861
Creditors, accrued and other liabilities	15	**80,141,657**	55,681,163
		4,285,294,567	2,726,462,270
		4,769,314,765	3,019,257,236
Contingencies and commitments	16		

The annexed notes from 1 to 36 form an integral part of these unconsolidated financial statements.

Chairman

Rupees

	Note	2023	2022
ASSETS			
Non-current assets			
Property and equipment	17	**34,637,596**	21,697,704
Right of use assets	18	**18,935,265**	29,882,141
Intangible assets	19	**1,391,548**	1,898,086
Long term investments	20	**1,394,186**	6,858,367
		56,358,595	60,336,298
Current assets			
Supplies and consumables		**–**	429,264
Annual subscription receivable	21	**55,557,783**	48,074,453
Advance, deposits and prepayments	22	**13,055,278**	8,620,397
Other receivables	23	**50,005,811**	36,448,999
Short term investments	24	**2,455,791,578**	1,968,105,501
Gold held on behalf of brokers/clients		**2,089,360,850**	782,331,370
Taxation - net		**4,397,573**	55,881,558
Cash and bank balances	25	**44,787,297**	59,029,398
		4,712,956,170	2,958,920,939
		4,769,314,765	3,019,257,236

Managing Director

Chief Financial Officer

Unconsolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended June 30, 2023

	Note	2023 (Rupees)	2022 (Rupees)
Operating income	26	**676,898,060**	373,106,570
Operating and administrative expenses	27	**(445,572,610)**	(320,491,272)
		231,325,450	52,615,298
Other income	28	**59,200,817**	23,919,602
Share of loss from subsidiary	20	**(5,464,181)**	(3,141,653)
Finance costs	29	**(5,048,996)**	(4,943,747)
Profit before taxation		**280,013,090**	68,449,500
Taxation	30	**(80,527,700)**	(11,724,384)
Net profit after taxation		**199,485,390**	56,725,116
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**199,485,390**	56,725,116
Earnings per share - basic and diluted	31	**6.36**	1.81

The annexed notes from 1 to 36 form an integral part of these unconsolidated financial statements.

Chairman

Managing Director

Chief Financial Officer

Unconsolidated Statement of Cash Flows

For the Year Ended June 30, 2023

	Note	2023 (Rupees)	2022 (Rupees)
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**280,013,090**	68,449,500
Adjustments for non-cash and other items:			
Depreciation on operating assets	17	**9,655,329**	8,092,563
Depreciation on right of use assets	18	**12,836,173**	12,535,298
Amortization on intangible assets	19	**641,106**	1,771,945
Provision for gratuity	23.1	**10,889,944**	7,999,644
Provision for provident fund	11	**11,041,742**	22,987,645
Unrealized loss/(gain) on remeasurement of investment at FVTPL		**4,300,893**	(242,733)
Realized loss on investment at fair value through profit or loss		**38,769**	28,677
Return on government securities		**(45,546,442)**	(9,643,995)
Mark-up on bank deposits		**(8,334,844)**	(3,304,913)
Loss on disposal of property and equipment		**–**	(147,355)
Share of loss from subsidiary	20.2	**5,464,181**	3,141,653
Provision for expected credit loss	21.1 & 23.2	**1,607,718**	475,626
		282,607,659	112,143,557
Working capital changes			
Decrease / (increase) in current assets			
Supplies and consumables		**429,264**	–
Annual subscription receivable		**(8,714,382)**	(16,236,683)
Deposits and prepayments		**(4,434,881)**	(666,932)
Other receivables		**(13,933,478)**	9,211,151
		(26,653,477)	(7,692,464)
(Decrease) / increase in current liabilities			
Advance annual subscription and other fee		**(1,119,531)**	3,093,425
Creditors, accrued and other liabilities		**26,392,194**	(5,756,843)
		25,272,663	(2,663,418)
Cash generated from operations		**281,226,845**	101,787,675
Long-term deposits paid - net		**–**	130,531
Taxes paid		**(29,043,718)**	(2,084,655)
Provident fund paid	11	**(9,133,685)**	(7,999,644)
Gratuity paid	23.1	**(10,889,944)**	(22,987,645)
Net cash generated from operating activities		**232,159,498**	68,846,262
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	17	**(24,534,183)**	(10,015,688)
Proceeds from disposal of property and equipment		**1,938,962**	363,022
Purchase of intangible assets		**(134,568)**	(2,530,780)
Purchase of investment in government securities		**(1,036,086,698)**	(597,647,308)
Proceeds from sale of investment in government securities		**844,994,398**	529,978,966
Mark-up received on bank deposits		**8,334,844**	3,427,283
Net cash used in investing activities		**(205,487,246)**	(76,424,505)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Payment against lease liability		**(14,043,146)**	(11,874,704)
Net cash used in financing activities		**(14,043,146)**	(11,874,704)
Net increase in cash and cash equivalents	(A+B+C)	**12,629,106**	(19,452,948)
Cash and cash equivalents at the beginning of the year		**25,156,032**	44,608,980
Cash and cash equivalents at the end of the year		**37,785,138**	25,156,032
Cash and cash equivalents relating to margins and deposits at the end of the year		**7,002,159**	33,873,367
Cash and cash equivalents at the end of the year including margins and deposits	25	**44,787,297**	59,029,398

The annexed notes from 1 to 36 form an integral part of these unconsolidated financial statements.

Chairman | Managing Director | Chief Financial Officer

Unconsolidated Statement of Changes in Equity

For the Year Ended June 30, 2023

	Issued, subscribed and paid-up share capital	Capital reserve Shares premium	Reveune reserve Accumulated losses	Total reserves	Total shareholders' equity
	Rupees				
Balance as at June 30, 2021	313,551,620	22,250,000	(286,135,990)	(263,885,990)	49,665,630
Total comprehensive income for the year ended June 30, 2022	–	–	56,725,116	56,725,116	56,725,116
	–	–	56,725,116	56,725,116	56,725,116
Balance at June 30, 2022	**313,551,620**	**22,250,000**	**(229,410,874)**	**(207,160,874)**	**106,390,746**
Total comprehensive income for the year ended June 30, 2023	**–**	**–**	**199,485,390**	**199,485,390**	**199,485,390**
	–	**–**	**199,485,390**	**199,485,390**	**199,485,390**
Balance as at June 30, 2023	**313,551,620**	**22,250,000**	**(29,925,484)**	**(7,675,484)**	**305,876,136**

The annexed notes from 1 to 36 form an integral part of these unconsolidated financial statements.

Chairman

Managing Director

Chief Financial Officer

Notes to the Unconsolidated Financial Statements

For the Year Ended June 30, 2023

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 30 June 2023, the net equity of the Exchange amounted to Rs. 305.8 million. During the year, the Exchange earned a net profit of Rs. 199.5 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.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) 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 IFRS, the provision of and directives issued under the Companies Act, 2017 have been followed.

3 BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for certain investments that are carried at fair value through profit and loss.

3.2 These financial statements are presented in Pak Rupee which is the Exchange's functional and presentation currency.

4 NEW STANDARDS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS

4.1 **Initial application of standards, amendments or interpretations to existing standards**
The following amendments and interpretations to published accounting and reporting standards that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

4.2 **Amendments and interpretations to accounting and reporting standards that became effective in the current year**
There were certain amendments and interpretations to published accounting and reporting standards that are applicable for the financial year beginning on July 1, 2022 but does not have any significant impact on the Company's financial reporting and therefore, have not been disclosed in these financial statements.

4.3 **Standards and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company**
There is a standard and certain amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company for the financial year beginning on July 1, 2022. The standard and amendments are not expected to have any material impact on the Company's financial reporting and, therefore, have not been disclosed in these financial statements.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 **Margins and deposits**
Margins and deposits represents initial margins and clearing house deposits received from brokers / clients. Assets acquired from the margins and deposits comprise of cash and investments in government securities etc. These are measured at amortized cost.

5.2 **Gold held on behalf of brokers / clients**
Exchange holds gold on behalf of their brokers and clients in fiduciary capacity which is valued using closing rate of gold.

5.3 **Taxation**
Income tax is recognized in the statement of profit or loss except to the extent that relates to items recognized directly in equity and other comprehensive income in which case it is recognised directly in equity.

Current
Provision for current taxation is based on taxable income at current rates of taxation after taking into account all tax credits and tax rebates available, if any.

Deferred
Deferred tax is recognized using the statement of financial position method for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts appearing in these unconsolidated financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

5.4 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any, except for capital work-in-progress which is stated at cost less impairment losses, if any.

Subsequent costs are included in the assets carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Exchange and the cost of the item can be measured reliably.

Depreciation is charged to the unconsolidated statement of profit or loss using the straight-line method in accordance with the rates specified in note 17 to these unconsolidated financial statements after taking into account residual value, if significant. The residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month in which assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains or losses arising on disposal of property and equipment are included in the statement of profit or loss in the year of disposal. Repairs and maintenance are charged to statement of profit or loss account in the period in which these are incurred.

5.5 Right of use assets and related liabilities

At the inception of a contract, the Exchange assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The extension and termination options are incorporated in determination of lease term only when the Exchange is reasonably certain to exercise these options.

Leases are recognized as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Exchange.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Exchange's incremental borrowing rate. Generally, the Exchange uses its incremental borrowing rate as the discount rate. Lease payment includes fixed payments with annual increments. The lease liabilities are subsequently measured at amortized cost using the effective interest rate.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any and adjusted for certain remeasurements of lease liability. At transition, the Exchange recognized right to use assets equal to the present value of lease payments.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

5.6 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Exchange and that the cost of such asset can also be measured reliably. Generally, costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as intangible assets. Direct costs include the purchase cost of software and related overhead costs.

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method with the rates specified in note 19 to these unconsolidated financial statements. Amortization on additions and deletions of intangible assets during the year is charged in proportion to the period of use. The useful lives and amortization method are reviewed, and adjusted, if appropriate, at each reporting date.

Intangible assets having an indefinite useful life are stated at cost. Provisions are made for permanent impairment in value of these assets, if any.

Gains and losses on disposal of intangible assets are taken to the statement of profit or loss in the period in which these arise.

5.7 Long term investments

Investments in subsidiary is accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition profits/loss of the subsidiary . The unconsolidated statement of profit or loss reflects the share of profit or loss from results of the operations of the subsidiary. Where there has been a change recognised in the other comprehensive income, the Exchange recognises it in its other comprehensive income. The Exchange determines at each reporting date whether there is any objective evidence that the investment in the subsidiary is impaired. If this is the case the Exchange calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises the same in the unconsolidated statement of profit or loss.

5.8 Financial instruments

5.8.1 Initial recognition and measurement

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

5.8.2 Classification and subsequent measurement

The Exchange classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

Financial assets

The Exchange classifies its financial assets as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL).

Financial assets at FVTPL

These financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the statement of profit or loss. Interest income is also recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortized cost and are subject to impairment under Expected Credit Loss (ECL) model.

Financial liabilities

All financial liabilities of the Exchange are subsequently measured at amortised cost using effective interest method.

5.8.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Exchange has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Exchange has:

(a) Transferred substantially all of the risks and rewards of the asset;

(b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Exchange has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Exchange's continuing involvement in the asset. In that case, the Exchange also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Exchange has retained. The Exchange derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

5.8.4 Impairment of financial assets

The Exchange holds annual subscription receivable and other receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9. Therefore, the Exchange does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Exchange's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Exchange uses the provision matrix as a practical expedient to measuring ECLs on annual subscription receivable and other receivables based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature.

5.8.5 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the unconsolidated financial statements only when the Exchange has a legally enforceable right to offset the recognised amounts and the Exchange intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.9 Annual subscription receivables

Annual subscription is recognised initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment, if any. A provision for impairment is recognised when there is objective evidence that the Exchange will not be able to collect the amount due in accordance with the original terms of the receivable. Balances considered bad and irrecoverable are written off when identified.

5.10 Supplies and consumables

Universal Serial Bus (USB) keys held are valued at the lower of cost determined on the weighted average method and net realizable value.

5.11 Cash and cash equivalents

These are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and bank balance.

5.12 Provisions and contingent liabilities

Provisions are recognized when the Exchange has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each financial position date and adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Exchange, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed and not recognized as liability in the unconsolidated statement of financial position.

5.13 Staff retirement benefits

Gratuity fund

The Exchange is operating a defined contribution gratuity fund for all its permanent employees. The Exchange contributes @ 8% of basic salary on monthly basis.

Provident fund

The Exchange is operating a defined contribution provident fund for all its permanent employees. Both the Exchange and employees contribute equally @ 8% of basic salary on monthly basis.

5.14 Foreign currency transactions and translation

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies, if any, are translated into Pak Rupee at the rates of exchange approximating those prevailing on the reporting date. Exchange differences are taken to the statement of profit or loss.

5.15 Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Exchange and the amount of revenue can be measured reliably. The revenue arising from different activities of the Exchange is recognized on the following basis:

- Trading fee is recognized on execution of transactions.
- Share of PMEX in the income of margins and deposits, SGF management fee annual membership fee and return on investments / bank accounts are recognized on accrual basis.
- Entrance fee, fee for membership transfer and issuance of certificate are recognized on accrual basis.
- Infrastructure fee and gold custody charges are recognized on accrual basis.
- Advertisement income is recognized when service is rendered.
- Fee for membership transfer and issuance of certificates is booked when the membership is transferred.
- Capital gain is recognised at the time of sale of investments.

5.16 Earnings per share

The Exchange presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Exchange by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan, 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.

Areas where various assumptions and estimates are significant to the Exchange's unconsolidated financial statements or where judgement was exercised in application of accounting policies are as follows:

- Determination of useful lives and residual values of property and equipment, and intangible assets (note 5.4 , 5.6 ,17 and 19);
- Classification and valuation of financial instruments (note 5.8 and 24);
- Provision for taxation (note 5.3 and 30);
- Determination of right of use asset and lease liability (note 5.5 , 10 and 18).

7 SHARE CAPITAL

7.1 Authorized share capital

Number of Shares			Rupees	
2023	2022		**2023**	2022
100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	**1,000,000,000**	1,000,000,000

7.2 Issued, subscribed and paid-up share capital

Number of Shares				Rupees	
2023	2022		Note	**2023**	2022
31,355,162	31,355,162	Ordinary shares of Rs. 10/- each fully paid in cash	7.3	**313,551,620**	313,551,620

7.3 Ordinary shares of the Exchange held by related parties as at June 30 by:

	2023	2022	**2023**	2022
	Shareholding %		**Number of shares**	
Associates				
National Bank of Pakistan	**33.98%**	33.98%	**10,653,860**	10,653,860
Pakistan Stock Exchange (Guarantee) Limited	**28.41%**	28.41%	**8,909,052**	8,909,052
ISE Tower REIT Management Limited	**17.76%**	17.76%	**5,568,181**	5,568,181
LSE Financial Services Limited	**7.25%**	7.25%	**2,272,727**	2,272,727
Others				
Zarai Taraqiati Bank Limited	**2.90%**	2.90%	**909,091**	909,091
Pak Brunei Investment Company Limited	**6.80%**	6.80%	**2,133,115**	2,133,115
Pakistan Kuwait Investment Company (Private) Limited	**2.90%**	2.90%	**909,090**	909,090
Others - individuals	**0.00%**	0.00%	**46**	46
	100.00%	100.00%	**31,355,162**	31,355,162

7.4 The Exchange has only one class of ordinary shares which carries no right to fixed income. The holders of shares are entitled to receive dividends from time to time and are entitled to one vote per share at meeting of the Exchange. All shares rank equally with regards to Exchange's residual assets.

8 RESERVES

	Note	2023 (Rupees)	2022 (Rupees)
Capital Reserve			
Share premium	8.1	**22,250,000**	22,250,000
Revenue Reserve			
Accumulated losses		**(29,925,484)**	(229,410,874)
		(7,675,484)	(207,160,874)

8.1 The reserve can be utilised by the Exchange only for the purposes specified in section 81 of the Companies Act, 2017.

9 LONG-TERM DEPOSITS

	Note	2023 (Rupees)	2022 (Rupees)
Security deposits from members	9.1	**158,494,912**	158,494,912
Clearing house deposits	9.2	**2,900,000**	2,900,000
		161,394,912	161,394,912

9.1 This represents security deposits of Rs. 750,000 and Rs. 500,000 received from each for universal and specific memberships, respectively, received from members who were granted memberships before July 04, 2007. These deposits are interest free, adjustable on default, and refundable on transfer of membership.

9.2 This represents interest free, adjustable and refundable clearing house deposits of Rs. 100,000 received from members, required to deposited this amount before commencement of operations of the Exchange for futures trading but have not yet commenced trading. These deposits will be transferred to margins and deposits upon commencement of trading by the respective members.

10 LEASE LIABILITIES

	2023 (Rupees)	2022 (Rupees)
Balance at beginning of the year	**38,426,169**	34,736,891
Addition in lease liability	**–**	15,563,981
Modification in lease liability	**1,889,298**	–
Finance cost	**4,772,572**	4,758,121
Prepaid / adjusted during the year	**(18,815,718)**	(16,632,824)
	26,272,321	38,426,169
Current portion under current liabilities	**(9,523,171)**	(13,416,861)
Balance at the end of the year	**16,749,150**	25,009,308

These liabilities represent registered offices against right to use of assets located in Karachi and branch offices located in Lahore and Islamabad with estimated lease terms between 3 to 5 years. These are discounted using incremntal borrowing rate of 1 year KIBOR + 3% per annum.

The future minimum lease payments to which the Exchange is committed under the agreements will be due as follows:

Particulars	Upto one year	From on to five year	Over five year	Total
Minimum lease payments	18,013,819	10,971,667	–	**28,985,486**
Finance cost allocated to future periods	(1,264,669)	(1,448,497)	–	**(2,713,166)**
Present value of minimum lease payments	16,749,150	9,523,170	–	**26,272,320**

11 STAFF PROVIDENT FUND

	Note	Rupees 2023	2022
Staff provident fund payable	11.1	**2,150,896**	242,839

11.1 Movement of provident fund payable is as follows:

Balance at the beginning of the year		**242,839**	1,658,601
Employer contribution for the year	27	**11,041,742**	9,302,867
Employee contribution for the year		**11,041,742**	9,302,867
Payments made to the fund		**(20,175,427)**	(20,021,496)
Balance at the end of the year		**2,150,896**	242,839

11.2 Contributions towards the fund have been deposited in a separate bank account of trust the balance of which as at June 30, 2023 is Rs. 11,041,742 (2022: Rs.9,302,867). Permanent withdrawal of contribution from fund's account to respective employees' VPS account made on monthly basis.

11.3 The fund has been invested in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

12 MARGINS AND DEPOSITS

	Note	Rupees 2023	2022
Clearing house deposits relating to brokers	12.1	**156,499,338**	152,317,152
Initial margins relating to brokers and clients	12.1	**1,915,531,778**	1,696,940,555
	12.2	**2,072,031,116**	1,849,257,707

12.1 The above margins and deposits has been applied as follows:

	2023	2022
	Rupees	
Clearing house deposits		
Balance with banks (saving and current)	**2,252,714**	1,045,549
Investment in Treasury Bills	**155,454,518**	151,956,174
Less: amount allocated for transfer to SGF Trust	**(1,207,894)**	(684,571)
	156,499,338	152,317,152
Initial margins		
Balance with banks (savings and current)	**4,749,445**	32,827,818
Investment in Treasury Bills	**1,917,890,893**	1,666,026,489
Investment in Term deposit receipt	**10,124,932**	10,100,685
Security deposit / prepayments - Locker (Gold)	**36,000**	36,000
Less: amount allocated for transfer to SGF Trust	**(14,917,592)**	(7,766,837)
NCCPL payable	**(2,351,900)**	(4,283,600)
	1,915,531,778	1,696,940,555
	2,072,031,116	1,849,257,707

12.2 All brokers are required to pay and maintain a minimum clearing house deposit of Rs. 500,000, or such other amount, as may be specified by the Exchange from time to time with the Exchange prior to being eligible to trade for their own account as well as on behalf of their clients. Clearing house deposits determine the maximum value of open positions or exposure that a broker can take across all his clients and across all contracts in all commodities. Brokers can increase their exposure with additional clearing house deposits. Margins, as determined by the Exchange from time to time, are deposited and maintained by brokers on all open positions of their own and clients.

Margin and deposits are placed in bank accounts and in investment securities. As per SECP letter dated August 17, 2015, the Exchange is allocating 50% of the amount calculated by applying a rate 50 basis below the minimum bank profit rate on the average monthly margin and deposit to the SGF Trust. The residual amount from income / profit / gain from investment of margins and deposits is disclosed as a share of the PMEX in the income from margins and deposits as disclosed in note 26.

12.3 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 rate of gold.

13 PAYABLE TO SETTLEMENT GUARANTEE FUND TRUST

	Note	2023	2022
		Rupees	
Payable to SGF trust as allocated from income earned on			
- clearing house deposits	13.1	**1,207,894**	684,571
- initial margins	13.1	**14,917,592**	7,766,837
		16,125,486	8,451,408

13.1 Movement for the year is as follows:

	Note	Rupees 2023	2022
Balance at the beginning of the year		**8,451,408**	3,065,670
Amount allocated from income earned on :			
- clearing house deposits		**11,584,827**	4,985,475
- initial margins		**148,694,836**	52,089,564
		160,279,663	57,075,039
Amount transferred during the year		**(152,605,586)**	(51,689,301)
Balance at the end of the year		**16,125,485**	8,451,408

14 ADVANCE ANNUAL SUBSCRIPTION AND OTHER FEE

Advance annual subscription fee		**14,061,391**	15,160,705
Advance transfer fee		**1,750,000**	1,750,000
Others		**150,000**	170,217
		15,961,391	17,080,922

15 CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued expenses		**41,923,741**	32,705,252
Payable to NCCPL	15.1	**11,573,378**	4,284,452
Payable to SECP	15.2	**7,951,372**	5,042,151
Other liabilities		**7,765,194**	7,235,310
Creditors		**6,350,971**	2,348,368
Withholding tax payable		**2,623,277**	3,591,905
Advance against shares	15.3	**1,480,000**	–
Payable to market makers		**473,724**	473,724
		80,141,657	55,681,162

15.1 This represents amount recovered from clients against CGT processing charges payable to NCCPL.

15.2 This includes SECP transaction fee and supervision fee of Rs.3.4 million (2022: Rs.2.409 million) and Rs. 4.4 million (2022: Rs. 2.6 million) respectively.

15.3 This represents the amount of advance received against shares which will be transferred to the employees of the Exchange.

16 CONTINGENCIES AND COMMITMENTS

16.1 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 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. Currently, Exchange has filed an application to Sindh High Court on 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. 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 financial statements.

During the year ended 30 June 2020, two separate show-cause notices dated 8 November 2019 and 28 November 2019 were issued by Assistant Commissioner, Sindh Revenue Board for recovery of alleged short payment of Sindh Sales tax amounting to Rs. 24.17 million and Rs. 29.57 million for the tax years 2014-15 and 2015-16 respectively. The Exchange filed Constitutional Petition Nos. 1344/2020 and 1345/2020 before Sindh High Court against these show cause notices and the Court has passed an interim order on 9 March 2020 restraining the Assistant Commissioner, Sindh Revenue Board from passing any final assessment order. During the year, the petition was withdrawn on the advise of legal advisor due to risk of dismissal with direction to conclude within specified time due to the decision of Supreme Court of Pakistan Further, during the period, Assistant Commissioner has issued fresh show cause notices for these years on which tax advisor is followig up. The management of the Exchange, based on legal advisors opinion, believes that the Exchange has reasonable position in respect of these litigations. Hence, no provision for any liability which may arise in this regard has been made in these unconsolidated financial statements.

16.2 Commitment

There are no commitments as at June 30, 2023 (June 30, 2022 : Nil).

17 PROPERTY AND EQUIPMENT

	Note	2023	2022
		Rupees	
Operating fixed assets	17.1	**34,637,596**	21,697,704

17.1 Operating fixed assets

Rupees

	2023						
	Owned						
	Leasehold improvements	Furniture and fittings	Office equipment	Electrical equipment	Computer equipment	Motor vehicles	Total
For the year ended June 30, 2023							
Opening net book value	3,826,921	33,799	257,308	5,477,496	7,336,817	4,765,362	21,697,703
Additions during the year	–	128,000	639,772	100,524	7,680,568	15,985,320	24,534,184
Disposals during the year							
- Cost	–	–	–	–	–	(7,944,156)	(7,944,156)
- Accumulated depreciation	–	–	–	–	–	6,005,194	6,005,194
	–	–	–	–	–	(1,938,962)	(1,938,962)
Depreciation for the year	(810,920)	(44,250)	(263,900)	(1,820,713)	(3,966,932)	(2,748,614)	(9,655,329)
Closing net book value	3,016,001	117,549	633,180	3,757,307	11,050,453	16,063,106	34,637,596
As at June 30, 2023							
Cost	18,344,093	5,268,697	3,229,590	14,378,700	54,314,091	18,780,817	114,315,988
Accumulated depreciation	(15,328,092)	(5,151,148)	(2,596,410)	(10,621,393)	(43,263,638)	(2,717,711)	(79,678,392)
Net book value	3,016,001	117,549	633,180	3,757,307	11,050,453	16,063,106	34,637,596

	2022						
	Leasehold improvements	Furniture and fittings	Office equipment	Electrical equipment	Computer equipment	Motor vehicles	Total
Operating fixed assets							
For the year ended June 30, 2022							
Opening net book value	348,843	262,535	532,337	2,351,840	9,581,398	6,913,293	19,990,246
Additions	3,829,882	–	–	4,567,605	1,618,200	–	10,015,687
Disposals during the year							
- Cost	–	–	(250,001)	(335,648)	(3,328,162)	–	(3,913,811)
- Accumulated depreciation	–	–	245,834	335,648	3,116,662	–	3,698,144
	–	–	(4,167)	–	(211,500)	–	215,667
Depreciation for the year	(351,804)	(228,736)	(270,862)	(1,441,949)	(3,651,281)	(2,147,931)	(8,092,563)
Closing net book value	3,826,921	33,799	257,308	5,477,496	7,336,817	4,765,362	22,129,037
As at June 30, 2022							
Cost	18,344,093	5,140,697	2,589,818	14,278,176	46,633,523	10,739,653	97,725,961
Accumulated depreciation	(14,517,172)	(5,106,898)	(2,332,510)	(8,800,680)	(39,296,706)	(5,974,291)	(76,028,258)
Net book value	**3,826,921**	**33,799**	**257,308**	**5,477,496**	**7,336,817**	**4,765,362**	**21,697,704**
Rate of depreciation (%)	20	20	20	20	25	20	

17.2 Included in cost of opertaing assets are fully depreciated assets still in use aggregating to Rs. 70.9 million (2022: Rs. 50.11 million).

18 RIGHT OF USE ASSETS

	Note	2023	2022
		Rupees	
Gross carrying value			
Opening Cost		**65,730,682**	50,166,701
Addition in lease		**–**	15,563,981
Modification		**1,889,298**	–
Accumulated depreciation		**(48,684,714)**	(35,848,541)
Net book value	18.1	**18,935,266**	29,882,141
Net carrying value			
Opening WDV/Cost		**29,882,141**	26,853,458
Addition in lease		**–**	15,563,981
Modification		**1,889,298**	–
Depreciation for the year	27	**(12,836,173)**	(12,535,298)
Closing WDV		**18,935,266**	29,882,141

18.1 These represent registered office located in Karachi and branch offices located in Lahore and Islamabad and are depreciated at the rate of 20%, 33.33% and 33.33% respectively.

19 INTANGIBLE ASSETS

	Note	2023	2022
		Rupees	
Gross carrying value			
Cost		**56,412,905**	53,882,125
Additions		**134,568**	2,530,780
Accumulated amortization		**(55,155,925)**	(54,514,819)
Net book value		**1,391,548**	1,898,086
Net carrying value			
Opening net book value		**1,898,086**	1,139,251
Additions		**134,568**	2,530,780
Amortization for the year	27	**(641,106)**	(1,771,945)
Closing net book value		**1,391,548**	1,898,086
Rate of amortization (%)		**25**	25

20 LONG TERM INVESTMENTS

Subsidiary			
Global Commodity Trading Platform ((Private) Limited (Rs. 1 million ordinary shares of Rs. 10 each)	20.1	**1,394,166**	6,858,347
Associates			
NCEL Building Management Limited	20.3	**10**	10
Institute of Financial Market of Pakistan	20.4	**10**	10
		1,394,186	6,858,367

20.1 Subsidiary

	Note	2023	2022
		Rupees	
Cost		**10,000,000**	10,000,000
Share of loss	20.2	**(8,605,834)**	(3,141,653)
		1,394,166	6,858,347

20.2 Share of loss

	2023	2022
Opening	**(3,141,653)**	–
For the year	**(5,464,181)**	(3,141,653)
Closing	**(8,605,834)**	(3,141,653)

On 29 July 2021, the Exchange has set up a wholly owned subsidiary "Global Commodity Trading Platform (Private) Limited (GCTP)" in Karachi to offer an e-commerce platform for export of commodities. However, as of 30 June 2023, GCTP has not yet commenced its business operations.

20.3 NCEL Building Management Limited

The Exchange, during 2003-04, received advances of Rs. 645.2 million from its contributing members (Rs. 2.5 million against each office space) for the acquisition of Old Hyatt Regency Hotel Building (the Building) on Pakistan Railway land in Karachi. The Building, along with certain equipment, was offered for sale by the Privatization Commission (PC), Government of Pakistan .In 2003, Aqeel Karim Dhedhi Securities (Private) Limited (AKDS) participated in the bidding on behalf of the Exchange and was declared successful bidder on the bid price of Rs. 530 million which was paid by the Exchange from the advances received from members to the PC directly. PC transferred the leasehold rights of the Building to AKDS for Commodity Exchange. The Exchange had simultaneously entered into a Property Sale Agreement with AKDS for acquisition of the Building on behalf of its members to construct building and rooms for contributing members. However, to transfer the leasehold rights of the land from AKDS, a No Objection Certificate (NOC) from Pakistan Railway is still awaited.

On April 26, 2007, the Exchange decided to transfer all the assets and liabilities relating to the Building to a separate entity. Accordingly, a new company NCEL Building Management Limited (NCELBM) was incorporated on June 12, 2007. Presently, the Exchange holds one share and one seat on the Board of Directors of NCELBM.

According to the novation agreement executed between the Exchange, AKDS, NCELBM and representatives of contributing members on November 27, 2007, in consideration of facilitating the acquisition of rights, titles and interests in the Building and for facilitating the arrangement in relation to ownership, construction, refurbishment and management and coordination of all efforts in relation to the project pertaining to the Building up to November 30, 2007, the Exchange will be entitled to the following on completion of project:

- issuance of 20 fully paid ordinary shares of NCEL Building Management Limited representing its ownership of allotment rights in 20 office units without being required to pay any consideration in cash or otherwise;
- allotment of 20,000 square feet on a gross basis of adjoining fully completed and finished floor space representing 20 office units; and
- a permanent seat on the Board of NCEL Building Management Limited.

20.4 Institute of Financial Market of Pakistan

The Exchange holds 2.63% (2022 : 2.63%) ordinary shares of the Institute of Financial Market of Pakistan.

	Note	2023	2022
		Rupees	
Cost		**1,000,000**	1,000,000
Less: impairment		**(999,990)**	(999,990)
		10	10

21 ANNUAL SUBSCRIPTION RECEIVABLES

	Note	2023	2022
Considered good			
Annual subscription receivable		**55,557,781**	48,074,453
Considered doubtful			
Annual subscription receivable		**4,050,234**	2,819,181
Provision of doubtful receivables	21.1	**(4,050,234)**	(2,819,181)
		–	–
		55,557,781	48,074,453

21.1 Movement in Provision of doubtful receivables

	Note	2023	2022
Balance at the beginning of the year		**2,819,181**	2,453,554
Charge for the year	27	**1,231,052**	365,627
Balance at the end of the year		**4,050,233**	2,819,181

22 ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2023	2022
Advances and deposits		**5,114,451**	3,495,838
Prepaid expenses		**7,940,827**	5,124,559
		13,055,278	8,620,397

23 OTHER RECEIVABLES

	Note	2023	2022
Considered good			
Receivable from members		**35,270,895**	30,564,267
Receivable from SGF Trust		**5,017,334**	884,410
Staff gratuity	23.1	**243,483**	2,597,359
Others		**9,474,099**	2,402,963
		50,005,811	36,448,999
Considered doubtful			
Receivable from members		**1,453,341**	1,076,675
Receivable from NCEL Building Management Limited		**1,168,925**	1,168,925
		2,622,266	2,245,600
Provision for doubtful receivables	23.2	**(2,622,266)**	(2,245,600)
		–	–
		50,005,811	36,448,999

23.1 Staff gratuity

	Note	2023 Rupees	2022 Rupees
Balance at the beginning of the year		**2,597,359**	425,732
Charge for the year	27	**(10,889,944)**	(9,264,619)
Payments made to the fund		**8,181,152**	5,784,134
Payments made to outgoing employees on behalf of the fund		**–**	5,652,112
Receivable against interest on employee loans		**354,916**	–
Balance at the end of the year		**243,483**	2,597,359

23.2 Movement in Provision of doubtful receivables

	2023	2022
Balance at the beginning of the year	**2,245,600**	2,135,601
Charge for the year	**376,666**	109,999
Balance at the end of the year	**2,622,266**	2,245,600

24 SHORT TERM INVESTMENTS

	Note	2023	2022
Investments in Treasury Bills - margins and deposits		**2,069,874,822**	1,817,982,663
Investments in Treasury Bills - Exchange		**375,791,824**	140,022,153
Investments in Term Deposit Receipts - margins and deposits		**10,124,932**	10,100,685
	24.1	**2,455,791,578**	1,968,105,501

24.1 These represent market treasury bills carried at FVTPL having cost of Rs. 2,382.8. (2022: 1,929.81) million and interest accrued thereon of Rs. 66.8 (2022: 27.95) million. The effective rate of return ranges between 16.8% to 21.9% (2022: 13.19% to 15.12%) per annum. These will mature on various dates up to October 2023

25 CASH AND BANK BALANCES

	Note	2023	2022
Cash at banks			
- in current accounts		**743,087**	1,497,754
- in saving accounts	25.1	**43,976,856**	57,511,751
		44,719,943	59,009,506
Cash in hand		**67,354**	19,892
		44,787,297	59,029,398

25.1 These accounts carry mark up at the rate of 12.5% to 19.5% per annum (2022: 9.75% to 10.75%).

26 OPERATING INCOME

	Note	2023	2022
		Rupees	
Trading fee - net	26.1	**400,791,694**	227,017,786
Share of PMEX in the income of margins and deposits	12.2	**209,639,393**	96,970,147
SGF management fee	26.2	**9,484,941**	6,354,262
Annual membership fee		**23,574,500**	23,537,500
Entrance fee		**13,000,000**	3,500,000
Infrastructure fee		**7,435,000**	7,476,000
Advertisement income		**3,119,720**	1,477,500
Fee for membership transfer and issuance of certificates		**1,400,000**	1,400,000
Miscellaneous		**420,000**	485,000
Recovery of gold custody charges		**8,032,812**	4,888,375
		676,898,060	373,106,570

26.1 Trading fee - net

Trading fee	**401,391,694**	232,328,724
Rebates	**(600,000)**	(5,310,938)
	400,791,694	227,017,786

26.2 SGF management fee

Management fee	**10,717,983**	7,180,316
Sales tax	**(1,233,042)**	(826,054)
	9,484,941	6,354,262

27 OPERATING AND ADMINISTRATIVE EXPENSES

	Note	2023 (Rupees)	2022 (Rupees)
Salaries and benefits	27.1	**242,862,505**	189,862,680
Gratuity fund	23.1	**10,889,944**	9,264,619
Provident fund	11	**11,041,742**	9,302,867
Directors' fee	33.2	**5,538,000**	1,530,000
Fee and subscription		**59,005,290**	38,262,084
Depreciation on right of use assets	18	**12,836,173**	12,535,298
Cloud hosting		**33,720,824**	15,234,683
Repairs and maintenance		**11,068,412**	7,095,966
Depreciation on operating assets	17	**9,655,329**	8,092,563
Legal and professional		**10,643,597**	5,341,409
Communication		**9,029,322**	5,810,890
Marketing expense		**8,244,217**	5,434,132
Amortization on intangible assets	19	**641,106**	1,771,945
Utilities		**3,871,928**	2,982,300
SECP supervision fee	27.2	**4,449,262**	2,629,563
Rent		**200,000**	–
Security services		**747,120**	747,120
Auditors' remuneration	27.3	**1,028,390**	934,900
Provision for ECL			
- annual subscription receivable	21.1	**1,231,052**	365,627
- other receivables	23.2	**376,666**	109,999
		1,607,718	475,626
Entertainment		**1,948,317**	1,045,934
Travelling and conveyance			
- Employees and others		**2,015,187**	137,765
- Directors	33.2	**3,210,313**	1,123,866
		5,225,500	1,261,631
Insurance		**888,130**	694,216
Printing and stationery		**429,784**	180,845
		445,572,610	320,491,272

27.1 Total number of employees as at June 30, 2023 is 85 (2022: 79). Average number of employees during the year ended June 30, 2023 is 84 (2022: 79).

27.2 This represents 1% supervision fee on operating income (Entrance fees, Annual membership fees, Exchange Trading Fees, Fee for memberhip transfer and issuance of certificates, Application fee and Infrastructure Fees) of the Exchange as levied by SECP vide its S.R.O.1351(I)/2012 dated October 25, 2012.

27.3 Auditors' remuneration

	Note	2023	2022
		Rupees	
Standalone financial statements		**584,430**	531,300
Consolidated financial statements		**110,000**	100,000
Review of interim financial information		**208,725**	189,750
Code of Corporate Governance		**41,745**	37,950
Out of pocket expenses		**83,490**	75,900
		1,028,390	934,900

28 OTHER INCOME

Income from financial assets		
Mark-up on government securities	**45,546,442**	9,643,995
Mark-up on bank deposits	**8,334,844**	3,304,913
Unrealized gain on remeasurement of investment at fair value through profit or loss	**(4,300,893)**	242,733
Realized on sale of investment at fair value through profit or loss	**(38,769)**	(28,677)
Income from non - financial assets		
Gain on disposal of equipment	**–**	147,355
CGT processing charges	**9,333,693**	8,236,510
Others	**325,500**	2,372,773
	59,200,817	23,919,602

29 FINANCE COST

Interest cost on right of use assets	**4,772,572**	4,758,121
Bank charges	**276,424**	185,627
	5,048,996	4,943,747

30 TAXATION

Current - for the year	30.1	**72,978,228**	11,724,384
Super Tax - for the year	30.1	**7,549,472**	–
		80,527,700	11,724,384

30.1 The provision for current income tax is based on @ 29% of the taxable income and 3% of super tax.

30.2 The Exchange has not recognised deferred tax asset amounting to Rs. 50.75 million as at June 30, 2023 (2022: Rs 35.27 million) on deductible temporary differences aggregating to Rs. 72.79 million as at June 30, 2023 (2022: Rs. 66.31 million) 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.

31 EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of the basic and diluted earnings per share is based on the following data:

31.1 **Basic earnings per share**
The earnings per share as required under IAS 33 "Earnings per share" is given below:

	2023	2022
Profit attributable to ordinary shareholders (Rupees)	**199,485,390**	56,725,116
Weighted average number of ordinary shares (Number of shares)	**31,355,162**	31,355,162
Earnings per share (Rupees)	**6.36**	1.81

31.2 **Diluted earnings per share**
There are no shares that are dilutive in nature.

32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 **Financial instruments by category**

	2023 (Rupees)	2022 (Rupees)
Financial assets		
At Fair value through profit or loss		
Investment in Market Treasury Bills	**2,445,666,646**	1,958,004,816
At amortised cost		
- Annual subscription receivable -considered good	**55,557,781**	48,074,453
- Deposits	**5,114,451**	3,495,838
- Other receivables	**50,005,811**	36,448,999
- Investment in term deposit receipt	**10,124,932**	10,100,685
- Cash and bank balances	**44,787,297**	59,029,398
	2,611,256,918	2,115,154,189
Financial liabilities		
At amortized cost		
- Long-term deposits	**161,394,912**	161,394,912
- Staff gratuity fund	**(243,483)**	–
- Staff provident fund	**2,150,896**	242,839
- Margins and deposits	**2,072,031,116**	1,849,257,707
- Payable to SGF Trust	**16,125,486**	8,451,408
- Creditors, accrued expenses and other liabilities	**80,141,657**	55,681,163
	2,331,600,584	2,075,028,029

32.2 Fair values of financial assets and liabilities

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

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

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

Level-1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level-2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level-3 Inputs for asset or liability that are not based on observable market data (unobservable inputs).

Investments in Market Treasury Bills are valued under Level 2 valuation method.

32.3 Financial risk factors

The Exchange is exposed to market risk (including price risk and interest rate risk), credit risk and liquidity risk arising from its business activities. The Exchange overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Exchange's financial performance.

The Board of Directors has overall responsibility for the oversight of financial risk management for the Exchange. To assist the Board in discharging its oversight responsibility, the management has been made responsible for identifying, monitoring and managing the Exchange's financial risk exposures.

The main financial risks that the Exchange is exposed to and how they are managed are set out below:

32.3.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. As the Exchange has no significant interest-bearing assets and liabilities, the Exchange's income and operating cash flows are substantially independent of changes in market interest rates. At June 30, 2023, if interest rates on Exchange's net financial assets had been 1% higher / lower with all other variables held constant, profit for the year would have been lower / higher by Rs. 0.72 million (2022: Rs. 0.568 million).

b) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, the Exchange is not exposed to any foreign currency risk.

c) Other price risk

The Exchange is not exposed to other price risk as at June 30, 2023.

32.3.2 Credit risk

Credit risk and concentration of credit risk

Credit risk represents the risk of loss if the counter parties fail to perform as contracted. The Exchange's credit risk is primarily attributable to its receivables, balances at banks and other financial assets. Total financial assets of the Exchange are subject to credit risk except cash.

Credit quality of financial instruments and cash deposits

The Exchange limits its exposure to credit risk by investing in liquid securities and only with counterparties that have a good credit rating. The credit quality of Exchange's bank balance can be assessed with reference to external credit rating as follows:

Name of Bank	Rating agency	Rupees	Rating	
			short term	long term
Standard Chatered Bank	PACRA	**298,687**	A1+	AAA
MCB bank limited	PACRA	**43,007,576**	A1+	AAA
Bank Al Falah	PACRA	**703,536**	A1+	AA+
Meezan Bank	JCRVIS	**275,768**	A1+	AAA
Summit Bank	N/A	**59,660**	Suspended	
Askari Commercial Bank Limited	PACRA	**374,716**	A1+	AA+
		44,719,943		

32.3.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funds. Currently the Exchange is in consolidating phase of its operations and foresee continuing profitable operations in future and also in process of raising fresh equity. the Exchange has an effective cash management and planning policy in order to maintain flexibility in its funding. Exchange believes that it will have enough funds through profitable operations to have minimal liquidity risk.

Currently, the Exchange has no material external borrowings.

Following are the contractual maturities of financial liabilities.

	Rupees		
	2023		
	Carrying amount / contractual cash flow	Maturity up to one year	Maturity after one year
Financial liabilities			
Long-term deposits	**161,394,912**	**–**	**161,394,912**
Lease liabilities	**26,272,321**	**9,523,171**	**16,749,150**
Staff gratuity fund	**–**	**–**	**–**
Staff provident fund	**2,150,896**	**2,150,896**	**–**
Margins and deposits	**2,072,031,116**	**2,072,031,116**	**–**
Payable to SGF Trust	**16,125,486**	**16,125,486**	**–**
Creditors, accrued expenses and other liabilities	**72,190,285**	**72,190,285**	**–**
	2,350,165,016	**2,172,020,954**	**178,144,062**

	Rupees		
	2022		
	Carrying amount / contractual cash flow	Maturity up to one year	Maturity after one year
Financial liabilities			
Long-term deposits	161,394,912	–	161,394,912
Lease liabilities	38,426,169	13,416,861	25,009,308
Staff provident fund	242,839	242,839	–
Margins and deposits	1,849,257,707	1,849,257,707	–
Payable to SGF Trust	8,451,408	8,451,408	–
Creditors, accrued expenses and other liabilities	50,639,011	50,639,011	–
	2,108,412,045	1,922,007,826	186,404,220

32.4 Capital risk management

The Exchange has a policy of active capital management through which it seeks to maintain an optimal structure to reduce its cost of capital and to provide returns to its shareholders, whilst fulfilling its obligations to the relevant regulatory authorities and other stakeholders.

The Exchange's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders in future and to maintain an optimal capital structure to reduce the cost of capital.

Capital is defined as the financial resources that are raised by the Exchange from its shareholders (equity capital) and from its lenders / members (debt capital). Security deposits and clearing house deposits received from the members are treated as debt for the purposes of risk management. Details of the Exchange's capital are stated in note 7 to these financial statements.

33 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND EXECUTIVES

33.1 The aggregate amounts charged during the year in respect of directors' meeting fee and reimbursement for their travelling and accommodation, is disclosed in note 27. No other remuneration or benefit is given during the year.

33.2 During the year the amount charged in respect of remuneration, including certain benefits, to the Chief Executive Officer, Executives of the Exchange are given below:

	Rupees					
	2023	2022	2023	2022	2023	2022
	Managing Director/CEO		Non-Executive Directors		Executives	
Managerial remuneration	**28,933,200**	24,624,000	**–**	–	**95,787,013**	75,634,464
Allowances	**2,651,100**	–	**–**	–	**47,860,570**	28,642,216
Bonus	**6,500,000**	5,546,520	**–**	–	**10,408,520**	8,834,322
Retirement benefits - Gratuity	**2,104,236**	1,790,832	**–**	–	**7,283,109**	5,388,328
Provident fund	**2,104,236**	1,790,832	**–**	–	**7,283,109**	5,388,328
Directors' fee	**–**	–	**5,538,000**	1,530,000	**–**	–
Others	**–**	2,292,000	**3,210,313**	1,123,866	**822,000**	–
	42,292,772	36,044,184	**8,748,313**	2,653,866	**169,444,321**	123,887,658
Number of persons	**1**	1	**9**	9	**28**	23

33.3 In addition to above, the Managing Director has been provided with two Company maintained vehicle.

34 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of associated companies, staff retirement benefit funds, investors' funds, directors and key management personnel.

Details of transactions with related parties, other than those disclosed elsewhere in financial statements are as follows:

Rupees

Name of related party	Relationship with exchange	Nature of transaction	2023	2022
Zahid Latif Securities (Private) Limited	Associated undertakings by virtue of common directorship	Repayment of clearing house deposit	**5,500,000**	(16,111,286)
ISE REIT Management Limited	Associated undertaking by virtue of major shareholding	Rent and utilities payment	**3,027,079**	1,586,322
PMEX Gratuity Fund Trust		Payment to fund	**10,889,944**	9,264,619
PMEX Provident Fund Trust		Payment to fund	**22,083,484**	18,605,734
PMEX Settlement Guarantee Fund Trust		Payment to fund	**160,279,665**	57,075,039
PMEX Investor Protection Fund Trust		Payment to fund	**3,758,798**	1,788,563
Key management personnel (excluding Managing Director)			**128,418,785**	65,380,076

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

34.2 The outstanding balances with related parties as at June 30, 2023 are included in the respective notes to these unconsolidated financial statements.

34.3 The remuneration to the Managing Director is disclosed in note 33.2 to the unconsolidated financial statements.

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **29 August 2023** by the Board of Directors of the Exchange.

36 GENERAL

Figures have been reounded off to the nearest Rupee.

Chairman | Managing Director | Chief Financial Officer

Grant Thornton

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INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Mercantile Exchange Limited
Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **Pakistan Mercantile Exchange Limited and its subsidiary** (the Group), which comprise the consolidated statement of financial position as at **June 30, 2023,** and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the consolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing (the Group's) ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate (the Group) or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing (the Group's) financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

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auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is **Muhammad Shaukat Naseeb.**

Grant Thornton Anjum Rahman

Chartered Accountants

Place: Karachi
Date: September 22, 2023
UDIN: AR202310126eZb8hGPT4

Consolidated Statement of Financial Position

As at June 30, 2023

Rupees

	Note	2023	2022
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 100,000,000 (June 30, 2022: 100,000,000) ordinary shares of Rs. 10 each	7.1	**1,000,000,000**	1,000,000,000
Issued, subscribed and paid-up share capital	7.2	**313,551,620**	313,551,620
Reserves	8	**(7,685,484)**	(207,170,874)
Total shareholders' equity		**305,866,136**	106,380,746
Non-current liabilities			
Long-term deposits	9	**161,394,912**	161,394,912
Lease liabilities	10	**16,749,149**	25,009,308
		178,144,061	186,404,220
Current liabilities			
Staff provident fund	11	**2,150,896**	242,839
Margins and deposits	12	**2,072,031,116**	1,849,257,707
Payable to SGF trust	13	**16,125,486**	8,451,408
Gold held on behalf of brokers / clients		**2,089,360,850**	782,331,370
Advance annual subscription and other fee	14	**15,961,391**	17,080,922
Current portion of lease liability	10	**9,523,171**	13,416,861
Creditors, accrued and other liabilities	15	**81,066,080**	56,713,973
		4,286,218,990	2,727,495,081
		4,770,229,186	3,020,280,047
Contingencies and commitments	16		

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chairman

	Note	2023	2022
			Rupees
ASSETS			
Non-current assets			
Property and equipment	17	**34,637,596**	21,697,703
Right of use assets	18	**18,935,266**	29,882,141
Intangible assets	19	**1,391,548**	1,898,086
Long term investments	20	**20**	20
		54,964,430	53,477,950
Current assets			
Supplies and consumables		**–**	429,264
Annual subscription receivable	21	**55,557,781**	48,074,453
Advance, deposits and prepayments	22	**13,055,278**	8,620,397
Other receivables	23	**50,015,811**	36,486,999
Short term investments	24	**2,455,791,577**	1,968,105,501
Gold held on behalf of brokers/clients		**2,089,360,850**	782,331,370
Taxation - net		**4,481,619**	55,912,156
Cash and bank balances	25	**47,001,840**	66,841,957
		4,715,264,756	2,966,802,097
		4,770,229,186	3,020,280,047

Managing Director

Chief Financial Officer

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended June 30, 2023

Rupees

	Note	2023	2022
Operating income	26	**676,902,085**	373,106,570
Operating and administrative expenses	27	**(451,380,810)**	(323,884,914)
		225,521,275	49,221,656
Other income	28	**59,544,145**	24,161,591
Finance costs	29	**(5,052,330)**	(4,943,747)
Profit before taxation		**280,013,090**	68,439,500
Taxation	30	**(80,527,700)**	(11,724,384)
Net profit after taxation		**199,485,390**	56,715,116
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**199,485,390**	56,715,116
Earnings per share - basic and diluted	31	**6.36**	1.81

The annexed notes from 1 to 36 form an integral part of these consolidated financial statements.

Chairman

Managing Director

Chief Financial Officer

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2023

Rupees

	Note	2023	2022
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**280,013,090**	68,449,500
Adjustments for non-cash and other items:			
Depreciation on operating assets	17	**9,655,329**	8,092,563
Depreciation on right of use assets	18	**12,836,173**	12,535,298
Amortization on intangible assets	19	**641,106**	1,771,945
Provision for gratuity	23.1	**10,889,944**	7,999,644
Provision for provident fund	11	**11,041,742**	22,987,645
Unrealized loss on remeasurement of investment at FVTPL	28	**4,300,893**	(242,733)
Realized loss on investment at fair value through profit or loss	28	**38,769**	28,677
Return on government securities	28	**(45,546,442)**	(9,643,995)
Mark-up on bank deposits	28	**(8,677,172)**	(3,546,902)
Loss on disposal of property and equipment		**–**	(147,355)
Provision for expected credit loss	21.1 & 23.2	**1,607,718**	475,626
		276,801,151	108,759,914
Working capital changes			
Decrease / (increase) in current assets			
Supplies and consumables		**429,264**	–
Annual subscription receivable		**(7,483,328)**	(16,236,683)
Advance, deposits and prepayments		**4,434,881**	(666,932)
Other receivables		**(13,528,812)**	9,173,151
		(16,147,995)	(7,730,464)
(Decrease) / increase in current liabilities			
Advance annual subscription and other fee		**(1,119,531)**	3,093,425
Creditors, accrued and other liabilities		**24,352,107**	(4,724,033)
		23,232,576	(1,630,608)
Cash generated from operations		**283,885,732**	99,398,842
Long-term deposits - net		**–**	130,531
Taxes paid		**(29,097,164)**	(2,115,253)
Provident fund paid	11	**(9,133,685)**	(7,999,644)
Gratuity paid	23.1	**(10,889,944)**	(22,987,645)
Net cash generated from operating activities		**234,764,939**	66,426,831
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	17	**(24,534,184)**	(10,015,688)
Proceeds from disposal of property and equipment		**1,938,962**	363,022
Purchase of intangible assets		**(134,568)**	(2,530,780)
Purchase of investment in government securities		**(1,048,103,069)**	(597,647,309)
Proceeds from sale of investment in government securities		**848,464,987**	539,978,966
Mark-up received on bank deposits		**8,677,172**	3,659,272
Net cash used in investing activities		**(213,690,701)**	(66,192,517)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Payment against lease liability		**(14,043,147)**	(11,874,704)
Net cash used in financing activities		**(14,043,147)**	(11,874,704)
Net increase/(decrease) in cash and cash equivalents	(A+B+C)	**7,031,091**	(11,640,390)
Cash and cash equivalents at the beginning of the year		**32,968,590**	44,608,980
Cash and cash equivalents at the end of the year		**39,999,681**	32,968,590
Cash and cash equivalents relating to margins and deposits at the end of the year	12.1	**7,002,159**	33,873,367
Cash and cash equivalents at the end of the year including margins and deposits	25	**47,001,840**	66,841,957

The annexed notes from 1 to 36 form an integral part of these consolidated financial statements.

Chairman	Managing Director	Chief Financial Officer

Consolidated Statement of Changes in Equity

For the Year Ended June 30, 2023

	Issued, subscribed and paid-up share capital	Capital reserve	Reveune reserve		
		Shares premium	Accumulated losses	Total reserves	Total shareholders' equity
	Rupees				
Balance as at June 30, 2021	313,551,620	22,250,000	(286,135,990)	(263,885,990)	49,665,630
Total comprehensive income for the year ended June 30, 2022	–	–	56,715,116	56,715,116	56,715,116
	–	–	56,715,116	56,715,116	56,715,116
Balance at June 30, 2022	**313,551,620**	**22,250,000**	**(229,420,874)**	**(207,170,874)**	**106,380,746**
Total comprehensive income for the year ended June 30, 2023	–	–	199,485,390	199,485,390	199,485,390
	–	**–**	**199,485,390**	**199,485,390**	**199,485,390**
Balance as at June 30, 2023	**313,551,620**	**22,250,000**	**(29,935,484)**	**(7,685,484)**	**305,866,136**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chairman

Managing Director

Chief Financial Officer

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2023

1 LEGAL STATUS AND NATURE OF BUSINESS

The 'Group' consists of Pakistan Mercantile Exchange Limited its subsidiary Global Commodity Trading Platform (Private) Limited.

Holding Company

The Holding Company 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 Holding Company commenced its operations when the certificate of commencement of business was granted to Holding Company 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, Holding Company 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 Holding Company has also two branch offices situated at Islamabad and Lahore.

The Holding Company 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 Holding Company are governed by the Rule Book of the Holding Company as approved by the SECP.

Subsidiary

Global Commodity Trading Platform (Private) Limited (the Subsidiary) was incorporated in Pakistan as a private limited company on 29 July 2021 under the Companies Act, 2017. The registered office of the Subsidiary is situated at 3B, 3rd Floor, Bahria Complex IV, Chaudhry Khaliq-uz-Zaman Road, Gizri, Karachi, Pakistan. The Subsidiary is primarily involved in providing an online platform for trading / buying and selling of agricultural and other commodities, provide e-service and e-commerce solutions legally permissible under the law. The Subsidiary is yet to commence its operations.

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 30 June 2023, the net equity of the Exchange amounted to Rs. 305.8 million. During the year, the Exchange earned a net profit of Rs. 199.5 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.

2 STATEMENT OF COMPLIANCE

These condolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) 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 IFRS, the provision of and directives issued under the Companies Act, 2017 have been followed.

3 BASIS OF MEASUREMENT

3.1 These consolidated financial statements have been prepared under the historical cost convention except for certain investments that are carried at fair value through profit and loss.

3.2 These consolidated financial statements are presented in Pak Rupee which is the Exchange's functional and presentation currency.

These consolidated financial statements comprise the financial statements of the Holding Company and its subsidiary for the year ended 30 June 2022.

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which the control is transferred to the Group. They are derecognized from the date control ceases.

The assets and liabilities of the subsidiary have been consolidated on a line by line basis and the carrying value of investments held by the Holding Company is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statements. All material intra-group transactions and balances are eliminated in full.

Subsidiaries have same reporting period as that of the Holding Company. The accounting policies of subsidiaries have been changed to confirm with accounting policies of the Group, wherever needed.

Subsidiaries have same reporting period as that of the Holding Company. The accounting policies of subsidiaries have been changed to confirm with accounting policies of the Group, wherever needed.

4 NEW STANDARDS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS

4.1 **Initial application of standards, amendments or interpretations to existing standards**

The following amendments and interpretations to published accounting and reporting standards that are applicable to the Holding Company's consolidated financial statements covering annual periods, beginning on or after the following dates:

4.2 **Amendments and interpretations to accounting and reporting standards that became effective in the current year**

There were certain amendments and interpretations to published accounting and reporting standards that are applicable for the financial year beginning on July 1, 2022 but does not have any significant impact on the Holding Company's financial reporting and therefore, have not been disclosed in these consolidated financial statements.

4.3 **Standards and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company**

There is a standard and certain amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company for the financial year beginning on July 1, 2022. The standard and amendments are not expected to have any material impact on the Company's financial reporting and, therefore, have not been disclosed in these consolidated financial statements.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Margins and deposits

Margins and deposits represents initial margins and clearing house deposits received from brokers / clients. Assets acquired from the margins and deposits comprise of cash and investments in government securities etc. These are measured at amortized cost.

5.2 Gold held on behalf of brokers / clients

The Group holds gold on behalf of their brokers and clients in fiduciary capacity which is valued using closing rate of gold.

5.3 Taxation

Income tax is recognized in the statement of profit or loss except to the extent that relates to items recognized directly in equity and other comprehensive income in which case it is recognised directly in equity.

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account all tax credits and tax rebates available, if any.

Deferred

Deferred tax is recognized using the consolidated statement of financial position method for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts appearing in these consolidated financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

5.4 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any, except for capital work-in-progress which is stated at cost less impairment losses, if any.

Subsequent costs are included in the assets carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is charged to the consolidated statement of profit or loss using the straight-line method in accordance with the rates specified in note 17 to these consolidated financial statements after taking into account residual value, if significant. The residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date.

Depreciation on additions is charged from the month in which assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains or losses arising on disposal of property and equipment are included in the consolidated statement of profit or loss in the year of disposal. Repairs and maintenance are charged to statement of profit or loss account in the period in which these are incurred.

5.5 Right of use assets and related liabilities

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in Group for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

Leases are recognized as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease payment includes fixed payments with annual increments. The lease liabilities are subsequently measured at amortized cost using the effective interest rate.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any and adjusted for certain remeasurements of lease liability. At transition, the Group recognized right to use assets equal to the present value of lease payments.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

5.6 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and that the cost of such asset can also be measured reliably. Generally, costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as intangible assets. Direct costs include the purchase cost of software and related overhead costs.

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method with the rates specified in note 19 to these consolidated financial statements. Amortization on additions and deletions of intangible assets during the year is charged in proportion to the period of use. The useful lives and amortization method are reviewed, and adjusted, if appropriate, at each reporting date.

Intangible assets having an indefinite useful life are stated at cost. Provisions are made for permanent impairment in value of these assets, if any.

Gains and losses on disposal of intangible assets are taken to the consolidated statement of profit or loss in the period in which these arise.

5.7 Long term investments

Investments in subsidiary is accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition profits/loss of the subsidiary . The consolidated statement of profit or loss reflects the share of profit or loss from results of the operations of the subsidiary. Where there has been a change recognised in the other comprehensive income, the Group recognises it in its other comprehensive income.

The Group determines at each reporting date whether there is any objective evidence that the investment in the subsidiary is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises the same in the consolidated statement of profit or loss.

5.8 Financial instruments

5.8.1 Initial recognition and measurement

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

5.8.2 Classification and subsequent measurement

The Group classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL).

Financial assets at FVTPL

These financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated statement of profit or loss. Interest income is also recognised in consolidated statement of profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortized cost and are subject to impairment under Expected Credit Loss (ECL) model.

Financial liabilities

All financial liabilities of the Group are subsequently measured at amortised cost using effective interest method.

5.8.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Group has:

(a) Transferred substantially all of the risks and rewards of the asset;

(b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. The Group derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

5.8.4 Impairment of financial assets

The Exchange holds annual subscription receivable and other receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9. Therefore, the Exchange does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group uses the provision matrix as a practical expedient to measuring ECLs on annual subscription receivable and other receivables based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature.

5.8.5 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements only when the Group has a legally enforceable right to offset the recognised amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.9 Annual subscription receivables

Annual subscription is recognised initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment, if any. A provision for impairment is recognised when there is objective evidence that the Group will not be able to collect the amount due in accordance with the original terms of the receivable. Balances considered bad and irrecoverable are written off when identified.

5.10 Supplies and consumables

Universal Serial Bus (USB) keys held are valued at the lower of cost determined on the weighted average method and net realizable value.

5.11 Cash and cash equivalents

These are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and bank balance.

5.12 Provisions and contingent liabilities

Provisions are recognized when the Group has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each financial position date and adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed and not recognized as liability in the consolidated statement of financial position.

5.13 Staff retirement benefits

Gratuity fund

The Group is operating a defined contribution gratuity fund for all its permanent employees. The Group contributes @ 8% of basic salary on monthly basis.

Provident fund

The Group is operating a defined contribution provident fund for all its permanent employees. Both the Group and employees contribute equally @ 8% of basic salary on monthly basis.

5.14 Foreign currency transactions and translation

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies, if any, are translated into Pak Rupee at the rates of exchange approximating those prevailing on the reporting date. Exchange differences are taken to the consolidated statement of profit or loss.

5.15 Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of revenue can be measured reliably. The revenue arising from different activities of the Group is recognized on the following basis:

- Trading fee is recognized on execution of transactions.
- Share of PMEX in the income of margins and deposits, SGF management fee, annual membership fee and return on investments / bank accounts are recognized on accrual basis.
- Entrance fee, fee for membership transfer and issuance of certificate are recognized on accrual basis.
- Infrastructure fee and gold custody charges are recognized on accrual basis.
- Advertisement income is recognized when service is rendered.
- Fee for membership transfer and issuance of certificates is booked when the membership is transferred.
- Capital gain is recognised at the time of sale of investments.

5.16 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements in conformity with approved accounting standards as applicable in Pakistan, 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.

Areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgement was exercised in application of accounting policies are as follows:

- Determination of useful lives and residual values of property and equipment, and intangible assets (note 5.4 , 5.6 ,17 and 19);
- Classification and valuation of financial instruments (note 5.8 and 24);
- Provision for taxation (note 5.3 and 30) and;
- Determination of right of use asset and lease liability (note 5.5 , 10 and 18).

7 SHARE CAPITAL

7.1 Authorized share capital

Number of Shares			Rupees	
2023	2022		**2023**	2022
100,000,000	100,000,000	Ordinary shares of Rs. 10/- each.	**1,000,000,000**	1,000,000,000

7.2 Issued, subscribed and paid-up share capital

Number of Shares				Rupees	
2023	2022		Note	**2023**	2022
31,355,162	31,355,162	Ordinary shares of Rs. 10/- each fully paid in cash	7.3	**313,551,620**	313,551,620

7.3 Ordinary shares of the Exchange held by related parties as at June 30 by:

	2023	2022	**2023**	2022
	Shareholding %		**Number of shares**	
Associates				
National Bank of Pakistan	**33.98%**	33.98%	**10,653,860**	10,653,860
Pakistan Stock Exchange (Guarantee) Limited	**28.41%**	28.41%	**8,909,052**	8,909,052
ISE Tower REIT Management Limited	**17.76%**	17.76%	**5,568,181**	5,568,181
LSE Financial Services Limited	**7.25%**	7.25%	**2,272,727**	2,272,727
Others				
Zarai Taraqiati Bank Limited	**2.90%**	2.90%	**909,091**	909,091
Pak Brunei Investment Company Limited	**6.80%**	6.80%	**2,133,115**	2,133,115
Pakistan Kuwait Investment Company (Private) Limited	**2.90%**	2.90%	**909,090**	909,090
Others - individuals	**0.00%**	0.00%	**46**	46
	100.00%	100.00%	**31,355,162**	31,355,162

7.4 The Group has only one class of ordinary shares which carries no right to fixed income. The holders of shares are entitled to receive dividends from time to time and are entitled to one vote per share at meeting of the Group. All shares rank equally with regards to Group's residual assets.

8 RESERVES

	Note	**2023**	2022
		Rupees	
Capital Reserve			
Share premium	8.1	**22,250,000**	22,250,000
Revenue Reserve			
Accumulated losses		**(29,925,484)**	(229,410,874)
		(7,675,484)	(207,160,874)

8.1 The reserve can be utilised by the Group only for the purposes specified in section 81 of the Companies Act, 2017.

9 LONG-TERM DEPOSITS

	Note	**2023**	2022
		Rupees	
Security deposits from members	9.1	**158,494,912**	158,494,912
Clearing house deposits	9.2	**2,900,000**	2,900,000
		161,394,912	161,394,912

9.1 This represents security deposits of Rs. 750,000 and Rs. 500,000 received from each for universal and specific memberships, respectively, received from members who were granted memberships before July 04, 2007. These deposits are interest free, adjustable on default, and refundable on transfer of membership.

9.2 This represents interest free, adjustable and refundable clearing house deposits of Rs. 100,000 received from members, required to deposited this amount before commencement of operations of the Group for futures trading but have not yet commenced trading. These deposits will be transferred to margins and deposits upon commencement of trading by the respective members.

10 LEASE LIABILITIES

	Note	2023	2022
		Rupees	
Balance at beginning of the year		**38,426,169**	34,736,891
Addition in lease liability		**–**	15,563,981
Modification in lease liability		**1,889,298**	–
Finance cost		**4,772,572**	4,758,121
Prepaid / adjusted during the year		**(18,815,719)**	(16,632,824)
		26,272,320	38,426,169
Current portion under current liabilities		**(9,523,171)**	(13,416,861)
Balance at the end of the year	10.1	**16,749,149**	25,009,308

10.1 These liabilities represent registered offices against right to use of assets located in Karachi and branch offices located in Lahore and Islamabad with estimated lease terms between 3 to 5 years. These are discounted using incremntal borrowing rate of 1 year KIBOR + 3% per annum.

10.2 The future minimum lease payments to which the Group is committed under the agreements will be due as follows:

	Upto one year	From on to five year	Over five year	Total
Particulars				
Minimum lease payments	18,013,819	10,971,667	–	**28,985,486**
Finance cost allocated to future periods	(1,264,669)	(1,448,497)	–	**(2,713,166)**
Present value of minimum lease payments	16,749,150	9,523,170	–	**26,272,320**

11 STAFF PROVIDENT FUND

	Note	2023	2022
		Rupees	
Staff provident fund payable	11.1	**2,150,896**	242,839

11.1 **Movement of provident fund payable is as follows:**

Balance at the beginning of the year		**242,839**	1,658,601
Employer contribution for the year	27	**11,041,742**	9,302,867
Employee contribution for the year		**11,041,742**	9,302,867
Payments made to the fund		**(20,175,427)**	(20,021,496)
Balance at the end of the year		**2,150,896**	242,839

11.2 Contributions towards the fund have been deposited in a separate bank account of trust the balance of which as at June 30, 2023 is Rs. 11,041,742 (June 30, 2022: Rs.9,302,867). Permanent withdrawal of contribution from fund's account to respective employees' VPS account made on monthly basis.

11.3 The fund has been invested in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

12 MARGINS AND DEPOSITS

	Note	2023	2022
		Rupees	
Clearing house deposits relating to brokers	12.1	**156,499,338**	152,317,152
Initial margins relating to brokers and clients	12.1	**1,915,531,778**	1,696,940,555
	12.2	**2,072,031,116**	1,849,257,707

12.1 The above margins and deposits has been applied as follows:

	2023	2022
	Rupees	
Clearing house deposits		
Balance with banks (saving and current)	**2,252,714**	1,045,549
Investment in Treasury Bills	**155,454,518**	151,956,174
Less: amount allocated for transfer to SGF Trust	**(1,207,894)**	(684,571)
	156,499,338	152,317,152
Initial margins		
Balance with banks (savings and current)	**4,749,445**	32,827,818
Investment in Treasury Bills	**1,917,890,893**	1,666,026,489
Investment in Term deposit receipt	**10,124,932**	10,100,685
Security deposit / prepayments - Locker (Gold)	**36,000**	36,000
Less: amount allocated for transfer to SGF Trust	**(14,917,592)**	(7,766,837)
NCCPL payable	**(2,351,900)**	(4,283,600)
	1,915,531,778	1,696,940,555
	2,072,031,116	1,849,257,707

12.2 All brokers are required to pay and maintain a minimum clearing house deposit of Rs. 500,000, or such other amount, as may be specified by the Group from time to time with the Group prior to being eligible to trade for their own account as well as on behalf of their clients. Clearing house deposits determine the maximum value of open positions or exposure that a broker can take across all his clients and across all contracts in all commodities.

Brokers can increase their exposure with additional clearing house deposits. Margins, as determined by the Group from time to time, are deposited and maintained by brokers on all open positions of their own and clients.

Margin and deposits are placed in bank accounts and in investment securities. As per SECP letter dated August 17, 2015, the Group is allocating 50% of the amount calculated by applying a rate 50 basis below the minimum bank profit rate on the average monthly margin and deposit to the SGF Trust. The residual amount from income / profit / gain from investment of margins and deposits is disclosed as a share of the PMEX in the income from margins and deposits as disclosed in note 26.

12.3 In addition to margins and deposits from brokers and clients, Group holds gold on behalf of their brokers and clients in fiduciary capacity which is valued using the closing rate of gold.

13 PAYABLE TO SETTLEMENT GUARANTEE FUND TRUST

	Note	2023	2022
		Rupees	
Payable to SGF trust as allocated from income earned on			
- clearing house deposits	13.1	**1,207,894**	684,571
- initial margins	13.1	**14,917,592**	7,766,837
		16,125,486	8,451,408

13.1 Movement for the year is as follows:

Balance at the beginning of the year	**8,451,408**	3,065,670
Amount allocated from income earned on :		
- clearing house deposits	**11,584,827**	4,985,475
- initial margins	**148,694,836**	52,089,564
	160,279,663	57,075,039
Amount transferred during the year	**(152,605,586)**	(51,689,301)
Balance at the end of the year	**16,125,485**	8,451,408

14 ADVANCE ANNUAL SUBSCRIPTION AND OTHER FEE

Advance annual subscription fee	**14,061,391**	15,160,705
Advance transfer fee	**1,750,000**	1,750,000
Others	**150,000**	170,217
	15,961,391	17,080,922

15 CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued expenses		**42,746,417**	33,738,062
Payable to NCCPL	15.1	**11,573,378**	4,284,452
Payable to SECP	15.2	**7,951,372**	5,042,151
Other liabilities		**7,765,194**	7,235,310
Creditors		**6,350,971**	2,348,368
Withholding tax payable		**2,725,024**	3,591,905
Advance against shares	15.3	**1,480,000**	–
Payable to market makers		**473,724**	473,724
		81,066,080	56,713,973

15.1 This represents amount recovered from clients against CGT processing charges payable to NCCPL.

15.2 This includes SECP transaction fee and supervision fee of Rs. 3.4 million (June 30, 2022: Rs.2.409 million) and Rs. 4.4 million (June 30, 2022: Rs. 2.6 million) respectively.

15.3 This represents the amount of advance received against shares of subsidiary which will be transferred to the employees of the Group.

16 CONTINGENCIES AND COMMITMENTS

16.1 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 Group upon receipt of Certificate of Registration as Commodity Group from SECP i.e. in 2007. In 2009, the Group 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 Group. Accordingly, no provision is made in these consolidated 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 Group 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 Group to its brokers and clients. The Group 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. Currently, Group has filed an application to Sindh High Court on 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. Based on the opinion of tax advisor, management is confident that the ultimate outcome of above matter will be in favor of the Group. Accordingly, no provision is made in these consolidated financial statements.

During the year ended 30 June 2020, two separate show-cause notices dated 8 November 2019 and 28 November 2019 were issued by Assistant Commissioner, Sindh Revenue Board for recovery of alleged short payment of Sindh Sales tax amounting to Rs. 24.17 million and Rs. 29.57 million for the tax years 2014-15 and 2015-16 respectively. The Group filed Constitutional Petition Nos. 1344/2020 and 1345/2020 before Sindh High Court against these show cause notices and the Court has passed an interim order on 9 March 2020 restraining the Assistant Commissioner, Sindh Revenue Board from passing any final assessment order. During the year, the petition was withdrawn on the advise of legal advisor due to risk of dismissal with direction to conclude within specified time due to the decision of Supreme Court of Pakistan Further, during the period, Assistant Commissioner has issued fresh show cause notices for these years on which tax advisor is followig up. The management of the Group, based on legal advisors opinion, believes that the Group has reasonable position in respect of these litigations. Hence, no provision for any liability which may arise in this regard has been made in these consolidated financial statements.

16.2 Commitment

There are no commitments as at June 30, 2023 (June 30, 2022 : Nil).

17 PROPERTY AND EQUIPMENT

	Note	2023	2022
		Rupees	
Operating fixed assets	17.1	**34,637,596**	21,697,703

17.1 Operating fixed assets

	2023 Owned (Rupees)						
	Leasehold improvements	Furniture and fittings	Office equipment	Electrical equipment	Computer equipment	Motor vehicles	Total
For the year ended June 30, 2023							
Opening net book value	3,826,921	33,799	257,308	5,477,496	7,336,817	4,765,362	21,697,703
Additions during the year	–	128,000	639,772	100,524	7,680,568	15,985,320	24,534,184
Disposals during the year							
- Cost	–	–	–	–	–	(7,944,156)	(7,944,156)
- Accumulated depreciation	–	–	–	–	–	6,005,194	6,005,194
	–	–	–	–	–	(1,938,962)	(1,938,962)
Depreciation for the year	(810,920)	(44,250)	(263,900)	(1,820,713)	(3,966,932)	(2,748,614)	(9,655,329)
Closing net book value	3,016,001	117,549	633,180	3,757,307	11,050,453	16,063,106	34,637,596
As at June 30, 2023							
Cost	18,344,093	5,268,697	3,229,590	14,378,700	54,314,091	18,780,817	114,315,988
Accumulated depreciation	(15,328,092)	(5,151,148)	(2,596,410)	(10,621,393)	(43,263,638)	(2,717,711)	(79,678,392)
Net book value	3,016,001	117,549	633,180	3,757,307	11,050,453	16,063,106	34,637,596

	2022						
Operating fixed assets							
For the year ended June 30, 2022							
Opening net book value	348,843	262,535	532,337	2,351,840	9,581,398	6,913,293	19,990,246
Additions	3,829,882	–	–	4,567,605	1,618,200	–	10,015,687
Disposals during the year							
- Cost	–	–	(250,001)	(335,648)	(3,328,162)	–	(3,913,811)
- Accumulated depreciation	–	–	245,834	335,648	3,116,662	–	3,698,144
	–	–	(4,167)	–	(211,500)	–	215,667
Depreciation for the year	(351,804)	(228,736)	(270,862)	(1,441,949)	(3,651,281)	(2,147,931)	(8,092,563)
Closing net book value	3,826,921	33,799	257,308	5,477,496	7,336,817	4,765,362	22,129,037
As at June 30, 2022							
Cost	18,344,093	5,140,697	2,589,818	14,278,176	46,633,523	10,739,653	97,725,961
Accumulated depreciation	(14,517,172)	(5,106,898)	(2,332,510)	(8,800,680)	(39,296,706)	(5,974,291)	(76,028,258)
Net book value	3,826,921	33,799	257,308	5,477,496	7,336,817	4,765,362	21,697,704
Rate of depreciation (%)	20	20	20	20	25	20	

17.2 Included in cost of opertaing assets are fully depreciated assets still in use aggregating to Rs. 70.9 million (2022: Rs. 50.11 million).

18 RIGHT OF USE ASSETS

	Note	2023	2022
		Rupees	
Gross carrying value			
Opening Cost		**65,730,682**	50,166,701
Addition in lease		**–**	15,563,981
Modification		**1,889,298**	–
Accumulated depreciation		**(48,684,714)**	(35,848,541)
Net book value	18.1	**18,935,266**	29,882,141
Net carrying value			
Opening WDV/Cost		**29,882,141**	26,853,458
Addition in lease		**–**	15,563,981
Modification		**1,889,298**	–
Depreciation for the year	27	**(12,836,173)**	(12,535,298)
Closing WDV		**18,935,266**	29,882,141

18.1 These represent registered office located in Karachi and branch offices located in Lahore and Islamabad and are depreciated at the rate of 20%, 33.33% and 33.33% respectively.

19 INTANGIBLE ASSETS

	Note	2023	2022
		Rupees	
Gross carrying value			
Cost		**56,412,905**	53,882,125
Additions		**134,568**	2,530,780
Accumulated amortization		**(55,155,925)**	(54,514,819)
Net book value		**1,391,548**	1,898,086
Net carrying value			
Opening net book value		**1,898,086**	1,139,251
Additions		**134,568**	2,530,780
Amortization for the year	27	**(641,106)**	(1,771,945)
Closing net book value		**1,391,548**	1,898,086
Rate of amortization (%)		**25**	25

20 LONG TERM INVESTMENTS

Associates			
NCEL Building Management Limited	20.1	**10**	10
Institute of Financial Market of Pakistan	20.2	**10**	10
		20	20

20.1 NCEL Building Management Limited

The Group, during 2003-04, received advances of Rs. 645.2 million from its contributing members (Rs. 2.5 million against each office space) for the acquisition of Old Hyatt Regency Hotel Building (the Building) on Pakistan Railway land in Karachi. The Building, along with certain equipment, was offered for sale by the Privatization Commission (PC), Government of Pakistan .In 2003, Aqeel Karim Dhedhi Securities (Private) Limited (AKDS) participated in the bidding on behalf of the Group and was declared successful bidder on the bid price of Rs. 530 million which was paid by the Group from the advances received from members to the PC directly.

PC transferred the leasehold rights of the Building to AKDS for Commodity Exchange. The Group had simultaneously entered into a Property Sale Agreement with AKDS for acquisition of the Building on behalf of its members to construct building and rooms for contributing members. However, to transfer the leasehold rights of the land from AKDS, a No Objection Certificate (NOC) from Pakistan Railway is still awaited.

On April 26, 2007, the Group decided to transfer all the assets and liabilities relating to the Building to a separate entity. Accordingly, a new company NCEL Building Management Limited (NCELBM) was incorporated on June 12, 2007. Presently, the Group holds one share and one seat on the Board of Directors of NCELBM.

According to the novation agreement executed between the Group, AKDS, NCELBM and representatives of contributing members on November 27, 2007, in consideration of facilitating the acquisition of rights, titles and interests in the Building and for facilitating the arrangement in relation to ownership, construction, refurbishment and management and coordination of all efforts in relation to the project pertaining to the Building up to November 30, 2007, the Group will be entitled to the following on completion of project:

- issuance of 20 fully paid ordinary shares of NCEL Building Management Limited representing its ownership of allotment rights in 20 office units without being required to pay any consideration in cash or otherwise;
- allotment of 20,000 square feet on a gross basis of adjoining fully completed and finished floor space representing 20 office units; and
- a permanent seat on the Board of NCEL Building Management Limited.

20.2 Institute of Financial Market of Pakistan

The Group holds 2.63% (June 30, 2022 : 2.63%) ordinary shares of the Institute of Financial Market of Pakistan.

	Rupees	
	2023	2022
Cost	**1,000,000**	1,000,000
Less: impairment	**(999,990)**	(999,990)
	10	10

21 ANNUAL SUBSCRIPTION RECEIVABLES

	Note	2023 Rupees	2022 Rupees
Considered good			
Annual subscription receivable		**55,557,781**	48,074,453
Considered doubtful			
Annual subscription receivable		**4,050,233**	2,819,181
Provision of doubtful receivables	21.1	**(4,050,233)**	(2,819,181)
		–	–
		55,557,781	48,074,453

21.1 Movement in Provision of doubtful receivables

	Note	2023	2022
Balance at the beginning of the year		**2,819,181**	2,453,554
Charge for the year	27	**1,231,052**	365,627
Balance at the end of the year		**4,050,233**	2,819,181

22 ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2023	2022
Advances and deposits		**5,114,451**	3,495,838
Prepaid expenses		**7,940,827**	5,124,559
		13,055,278	8,620,397

23 OTHER RECEIVABLES

	Note	2023	2022
Considered good			
Receivable from members		**35,270,895**	30,564,267
Receivable from SGF Trust		**5,017,334**	884,410
Staff gratuity	23.1	**243,483**	2,597,359
Others		**9,484,099**	2,440,963
		50,015,811	36,486,999
Considered doubtful			
Receivable from members		**1,453,341**	1,076,675
Receivable from NCEL Building Management Limited		**1,168,925**	1,168,925
		2,622,266	2,245,600
Provision for doubtful receivables	23.2	**(2,622,266)**	(2,245,600)
		–	–
		50,015,811	36,486,999

23.1 Staff gratuity

Rupees

	Note	2023	2022
Balance at the beginning of the year		**2,597,359**	425,732
Charge for the year	27	**(10,889,944)**	(9,264,619)
Payments made to the fund		**8,181,152**	5,784,134
Payments made to outgoing employees on behalf of the fund		**–**	5,652,112
Receivable against interest on employee loans		**354,916**	–
Balance at the end of the year		**243,483**	2,597,359

23.2 Movement in Provision of doubtful receivables

Balance at the beginning of the year	**2,245,600**	2,135,601
Charge for the year	**376,666**	109,999
Balance at the end of the year	**2,622,266**	2,245,600

24 SHORT TERM INVESTMENTS

Investments in Treasury Bills - margins and deposits		**2,069,874,821**	1,817,982,663
Investments in Treasury Bills - Exchange		**375,791,824**	140,022,153
Investments in Term Deposit Receipts - margins and deposits		**10,124,932**	10,100,685
	24.1	**2,455,791,577**	1,968,105,501

24.1 These represent market treasury bills carried at FVTPL having cost of Rs 2,382.8. (June 30, 2022: 1,929.8) million and interest accrued thereon of Rs. 66.8 (June 30, 2022: 27.9) million. The effective rate of return ranges between 16.8% to 21.9% (June 30, 2022: 13.19% to 15.12%) per annum. These will mature on various dates up to October 2023.

25 CASH AND BANK BALANCES

Cash at banks			
- in current accounts		**743,087**	2,419,564
- in saving accounts	25.1	**46,191,399**	64,402,500
		46,934,486	66,822,065
Cash in hand		**67,354**	19,892
		47,001,840	66,841,957

25.1 These accounts carry mark up at the rate of 12.5% to 19.5% per annum (June 30, 2022: 9.75% to 10.75%).

26 OPERATING INCOME

	Note	2023	2022
		Rupees	
Trading fee - net	26.1	**400,791,694**	227,017,786
Share of PMEX in the income of margins and deposits	12.2	**209,639,393**	96,970,147
SGF management fee	26.2	**9,484,941**	6,354,262
Annual membership fee		**23,574,500**	23,537,500
Entrance fee		**13,000,000**	3,500,000
Infrastructure fee		**7,435,000**	7,476,000
Advertisement income		**3,119,720**	1,477,500
Fee for membership transfer and issuance of certificates		**1,400,000**	1,400,000
Miscellaneous		**424,025**	485,000
Recovery of gold custody charges		**8,032,812**	4,888,375
		676,902,085	373,106,570

26.1 Trading fee - net

Trading fee	**401,391,694**	232,328,724
Rebates	**(600,000)**	(5,310,938)
	400,791,694	227,017,786

26.2 SGF management fee

Management fee	**10,717,983**	7,180,316
Sales tax	**(1,233,042)**	(826,054)
	9,484,941	6,354,262

27 OPERATING AND ADMINISTRATIVE EXPENSES

	Note	2023	2022
		Rupees	
Salaries and benefits	27.1	**248,539,705**	193,146,322
Gratuity fund	23.1	**10,889,944**	9,264,619
Provident fund	11	**11,041,742**	9,302,867
Directors fee		**5,538,000**	1,530,000
Fee and subscription		**59,015,290**	38,262,084
Depreciation on right of use assets	18	**12,836,173**	12,535,298
Cloud hosting		**33,720,824**	15,234,683
Repairs and maintenance		**11,068,412**	7,095,966
Depreciation on operating assets	17	**9,655,329**	8,092,563
Legal and professional		**10,643,597**	5,341,409
Communication		**9,029,322**	5,810,890
Marketing expense		**8,244,217**	5,434,132
Amortization on intangible assets	19	**641,106**	1,771,945
Utilities		**3,871,928**	2,982,300
SECP supervision fee	27.2	**4,449,262**	2,629,563
Rent		**200,000**	–
Security services		**747,120**	747,120
Auditors' remuneration	27.3	**1,149,390**	1,044,900
Provision for ECL			
- annual subscription receivable	21.1	**1,231,052**	365,627
- other receivables	23.2	**376,666**	109,999
		1,607,718	475,626
Entertainment		**1,948,317**	1,045,934
Travelling and conveyance			
- Employees and others		**2,015,187**	137,765
- Directors	33.2	**3,210,313**	1,123,866
		5,225,500	1,261,631
Insurance		**888,130**	694,216
Printing and stationery		**429,784**	180,845
		451,380,810	323,884,914

27.1 Total number of employees as at June 30, 2023 is 85 (June 30, 2022: 79). Average number of employees during the year ended June 30, 2023 is 84 (2022: 79).

27.2 This represents 1% supervision fee on operating income (Entrance fees, Annual membership fees, Exchange Trading Fees, Fee for memberhip transfer and issuance of certificates, Application fee and Infrastructure Fees) of the Exchange as levied by SECP vide its S.R.O.1351(I)/2012 dated October 25, 2012.

27.3 Auditors' remuneration

	Note	2023	2022
		Rupees	
Standalone financial statements		**584,430**	531,300
Consolidated financial statements		**110,000**	100,000
Audit of subsidiary financial statements		**121,000**	100,000
Review of interim financial information		**208,725**	189,750
Code of Corporate Governance		**41,745**	37,950
Out of pocket expenses		**83,490**	85,900
		1,149,390	1,044,900

28 OTHER INCOME

	Note	2023	2022
Income from financial assets			
Mark-up on government securities		**45,546,442**	9,643,995
Mark-up on bank deposits		**8,677,172**	3,546,902
Unrealized (loss)/gain on remeasurement of investment at fair value through profit or loss		**(4,300,893)**	242,733
Realized loss on sale of investment at fair value through profit or loss		**(38,769)**	(28,677)
Income from non - financial assets			
Gain on disposal of equipment		**–**	147,355
CGT processing charges		**9,333,693**	8,236,510
Others		**326,500**	2,372,773
		59,544,145	24,161,591

29 FINANCE COST

	Note	2023	2022
Interest cost on right of use assets	10	**4,772,572**	4,758,121
Bank charges		**279,758**	185,627
		5,052,330	4,943,747

30 TAXATION

	Note	2023	2022
Current - for the year	30.1	**72,978,228**	11,724,384
Super tax - for the year	30.1	**7,549,472**	–
		80,527,700	11,724,384

30.1 The provision for current income tax is based on @ 29% of the taxable income and 3% of super tax.

30.2 The Group has not recognised deferred tax asset amounting to Rs. 48.190 million as at June 30, 2023 (June 30, 2022: Rs 35.27 million) on deductible temporary differences aggregating to Rs. 72.79 million as at June 30, 2023 (June 30, 2022: Rs. 66.31 million) 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.

31 EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of the basic and diluted earnings per share is based on the following data:

31.1 Basic earnings per share
The earnings per share as required under IAS 33 "Earnings per share" is given below:

	Rupees	
	2023	2022
Profit attributable to ordinary shareholders (Rupees)	**199,485,390**	56,715,116
Weighted average number of ordinary shares (Number of shares)	**31,355,162**	31,355,162
Earnings per share	**6.36**	**1.81**

31.2 Diluted earnings per share
There are no shares that are dilutive in nature.

32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Financial instruments by category

	Rupees	
	2023	2022
Financial assets		
At Fair value through profit or loss		
Investment in Market Treasury Bills	**2,445,666,645**	1,958,004,816
At amortised cost		
- Annual subscription receivable -considered good	**55,557,781**	48,074,453
- Deposits	**5,114,451**	3,495,838
- Other receivables	**50,015,811**	36,486,999
- Investment in term deposit receipt	**10,124,932**	10,100,685
- Cash and bank balances	**47,001,840**	66,841,957
	2,613,481,460	2,123,004,748
Financial liabilities		
At amortized cost		
- Long-term deposits	**161,394,912**	161,394,912
- Staff gratuity fund	**243,483**	2,597,359
- Staff provident fund	**2,150,896**	242,839
- Margins and deposits	**2,072,031,116**	1,849,257,707
- Payable to SGF Trust	**16,125,486**	8,451,408
- Creditors, accrued expenses and other liabilities	**81,066,080**	56,713,973
	2,333,011,973	2,078,658,198

32.2 **Fair values of financial assets and liabilities**

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

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

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

Level-1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level-2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level-3 Inputs for asset or liability that are not based on observable market data (unobservable inputs).

Investments in Market Treasury Bills are valued under Level 2 valuation method.

32.3 **Financial risk factors**

The Group is exposed to market risk (including price risk and interest rate risk), credit risk and liquidity risk arising from its business activities. The Group overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Group’s financial performance.

The Board of Directors has overall responsibility for the oversight of financial risk management for the Group. To assist the Board in discharging its oversight responsibility, the management has been made responsible for identifying, monitoring and managing the Group's financial risk exposures.

The main financial risks that the Group is exposed to and how they are managed are set out below:

32.3.1 **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. As the Group has no significant interest-bearing assets and liabilities, the Group’s income and operating cash flows are substantially independent of changes in market interest rates. At June 30, 2023, if interest rates on Group’s net financial assets had been 1% higher / lower with all other variables held constant, profit for the year would have been lower / higher by Rs. 0.72 million (June 30, 2022: Rs. 0.568 million).

b) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, the Group is not exposed to any foreign currency risk.

c) Other price risk

The Group is not exposed to other price risk as at June 30, 2023.

32.3.2 **Credit risk**

Credit risk and concentration of credit risk

Credit risk represents the risk of loss if the counter parties fail to perform as contracted. The Group's credit risk is primarily attributable to its receivables, balances at banks and other financial assets. Total financial assets of the Group are subject to credit risk except cash.

Credit quality of financial instruments and cash deposits

The Group limits its exposure to credit risk by investing in liquid securities and only with counterparties that have a good credit rating. The credit quality of Group's bank balance can be assessed with reference to external credit rating as follows:

Name of Bank	Rating agency	Rs.	Rating	
			short term	long term
Standard Chatered Bank	PACRA	298,687	A1+	AAA
MCB bank limited	PACRA	43,007,576	A1+	AAA
Bank Al Falah	PACRA	703,536	A1+	AA+
Meezan Bank	JCRVIS	2,490,311	A1+	AAA
Summit Bank	N/A	59,660	Suspended	
Askari Commercial Bank Limited	PACRA	374,716	A1+	AA+
		46,934,486		

32.3.3 **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funds. Currently the Exchange is in consolidating phase of its operations and foresee continuing profitable operations in future and also in process of raising fresh equity. the Exchange has an effective cash management and planning policy in order to maintain flexibility in its funding. Exchange believes that it will have enough funds through profitable operations to have minimal liquidity risk.

Currently, the Exchange has no material external borrowings.

Following are the contractual maturities of financial liabilities.

Rupees

	2023		
	Carrying amount / contractual cash flow	Maturity up to one year	Maturity after one year
Financial liabilities			
Long-term deposits	**161,394,912**	**–**	**161,394,912**
Lease liabilities	**26,272,319**	**9,523,170.50**	**16,749,149**
Staff gratuity fund	**243,483**	**243,483**	**–**
Staff provident fund	**2,150,896**	**2,150,896**	**–**
Margins and deposits	**2,072,031,116**	**2,072,031,116**	**–**
Payable to SGF Trust	**16,125,486**	**16,125,486**	**–**
Creditors, accrued expenses and other liabilities	**73,114,708**	**73,114,708**	**–**
	2,351,332,921	**2,173,188,860**	**178,144,061**

Rupees

	2022		
	Carrying amount / contractual cash flow	Maturity up to one year	Maturity after one year
Financial liabilities			
Long-term deposits	161,394,912	–	161,394,912
Lease liabilities	38,426,169	13,416,861	25,009,308
Staff provident fund	242,839	242,839	–
Margins and deposits	1,849,257,707	1,849,257,707	–
Payable to SGF Trust	8,451,408	8,451,408	–
Creditors, accrued expenses and other liabilities	51,671,822	51,671,822	–
	2,109,444,856	1,923,040,637	186,404,220

32.4 Capital risk management

The Group has a policy of active capital management through which it seeks to maintain an optimal structure to reduce its cost of capital and to provide returns to its shareholders, whilst fulfilling its obligations to the relevant regulatory authorities and other stakeholders.

The Group's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders in future and to maintain an optimal capital structure to reduce the cost of capital.

Capital is defined as the financial resources that are raised by the Exchange from its shareholders (equity capital) and from its lenders / members (debt capital). Security deposits and clearing house deposits received from the members are treated as debt for the purposes of risk management. Details of the Group's capital are stated in note 7 to these financial statements.

33 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND EXECUTIVES

33.1 The aggregate amounts charged during the year in respect of directors' meeting fee and reimbursement for their travelling and accommodation, is disclosed in note 27. No other remuneration or benefit is given during the year.

33.2 During the year the amount charged in respect of remuneration, including certain benefits, to the Chief Executive Officer, Executives of the Exchange are given below:

Rupees

	2023	2022	2023	2022	2023	2022
	Managing Director/CEO		Non-Executive Directors		Executives	
Managerial remuneration	**28,933,200**	24,624,000	**–**	–	**95,787,013**	75,634,464
Allowances	**2,651,100**	–	**–**	–	**47,860,570**	28,642,216
Bonus	**6,500,000**	5,546,520	**–**	–	**10,408,520**	8,834,322
Retirement benefits - Gratuity	**2,104,236**	1,790,832	**–**	–	**7,283,109**	5,388,328
Provident fund	**2,104,236**	1,790,832	**–**	–	**7,283,109**	5,388,328
Directors' fee	**–**	–	**5,538,000**	1,530,000	**–**	–
Others	**–**	2,292,000	**3,210,313**	1,123,866	**822,000**	–
	42,292,772	36,044,184	**8,748,313**	2,653,866	**169,444,321**	123,887,658
Number of person(s)	**1**	1	**9**	9	**28**	23

33.3 In addition to above, the Managing Director has been provided with two Company maintained vehicle.

34 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of associated companies, staff retirement benefit funds, investors' funds, directors and key management personnel.

Details of transactions with related parties, other than those disclosed elsewhere in consolidated financial statements are as follows:

Name of related party	Relationship with exchange	Nature of transaction	2023	2022
			Rupees	
Zahid Latif Securities (Private) Limited	Associated undertakings by virtue of common directorship	Repayment of clearing house deposit	**5,500,000**	11,400,000
ISE REIT Management Limited	Associated undertaking by virtue of major shareholding	Rent and utilities payment	**3,027,079**	1,586,322
PMEX Gratuity Fund Trust		Payment to fund	**10,889,944**	9,264,619
PMEX Settlement Guarantee Fund Trust		Payment to fund	**160,279,665**	57,075,039
PMEX Investor Protection Fund Trust		Payment to fund	**3,758,798**	1,788,563
Key management personnel (excluding Managing Director)			**128,418,785**	65,380,076

34.1 Certain key management personnel are also provided with fixed education and car allowances in accordance with the policy of the Group.

34.2 The outstanding balances with related parties as at June 30, 2023 are included in the respective notes to these consolidated financial statements.

34.3 The remuneration to the Managing Director is disclosed in note 33.2 to the consolidated financial statements.

35 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on **29 August 2023** by the Board of Directors of the Group.

36 GENERAL

Figures have been rounded off to the nearest Rupee.

Chairman   Managing Director   Chief Financial Officer

NOTICE OF 22ND ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting (AGM) of the shareholders of Pakistan Mercantile Exchange Limited will be held at **10:30 AM** on **Thursday, October 26, 2023,** at the Registered Office of the Exchange, situated at 3B, 3rd Floor, Bahria Complex IV, Ch. Khalique-uz-Zaman Road, Gizri, Karachi.

The AGM can also be attended through video conferencing arrangements as per the process described in Note below.

Following business will be transacted in the AGM:

Ordinary Business:

1. To confirm the minutes of the 21st Annual General Meeting held on October 28, 2022.

2. To receive and consider the Directors' Report and Audited Annual Unconsolidated and Consolidated Financial Statements together with Auditors' Reports thereon for the year ended June 30, 2023.

3. To appoint auditors for the year ending June 30, 2024 and fix their remuneration.

Special Business:

None

By order of the Board of Directors

Farhan Tahir
Company Secretary

Karachi: October 05, 2023

Note: Attending the AGM through Video Conferencing

The shareholders intending to attend the AGM through video-conferencing are requested to submit the completely filled proxy form with required information by **Tuesday, October 24, 2023** at: **farhan.tahir@pmex.com.pk** with subject: **"Annual General Meeting of PMEX"** along with the scanned copies of CNICs of themselves and their proxies / Board Resolution. The video-link and the login credentials will be sent at the email addresses provided on proxy form.

PROXY FORM

To Attend the 22nd Annual General Meeting of
PAKISTAN MERCANTILE EXCHANGE LIMITED

I / we, ______________________________ (name of shareholder)

being a shareholder of **Pakistan Mercantile Exchange Limited** (PMEX) hereby appoint the following individuals as my/ our Proxy in my/ our absence to attend and vote on my / our behalf at the 22nd Annual General Meeting (AGM) of the PMEX to be held on **Thursday, 26 October 2023,** or at any adjournment thereof.

Name of Individual / Nominee	CNIC / Passport No.*	Mobile Number**	Email address**

* Please attached copy of CNIC/Passport of proxy.
** Please provide cell number and email address of proxy if AGM is to be attended through video-conferencing.

Signed on October ______________, 2023.

Signature of Appointer

Signature of Proxy

(Revenue stamp of Rs. 5/-)

WITNESS 1

Signature:

Name:

CNIC No.:

WITNESS 2

Signature:

Name:

CNIC No.:

Head Office

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Designing: MindStorm | **Composing:** d.STUDIO
Printing: Appletree Graphics