

Pakistan Mercantile Exchange Limited
Financial Statements
For the quarter ended September 30, 2017

Pakistan Mercantile Exchange Limited
Directors' Review
For the three months period ended September 30, 2017

On behalf of the Board of Directors, we are pleased to present the unaudited financial statements for the three months period ended September 30, 2017.

Global Environment

During the period, the global economy experienced a relatively steady, synchronized expansion across both advanced and emerging economies amid inflation. Central banks in the United States, Euro Zone and UK remained leaning toward less accommodative monetary policy.

Prices of actively traded commodities remained volatile with Gold prices witnessing an upward trend due to geopolitical conflict in the Korean Peninsula and uninspiring US economic data. Crude oil prices surged due to steeper than expected reduction in US crude inventories and new pledges by Saudi-led OPEC to contain output.

Pakistan Overview

The trend of higher GDP growth rate of 5.3 percent during the last financial year was continued during the quarter under review. Manufacturing activity remained robust due to higher spending on developmental expenditure, enhanced investments in CPEC related projects, improving security conditions, improvement in energy supplies and continued trend of stable and low cost of borrowing.

Agriculture sector also grew at a modest rate due to availability of ample water and lower prices of fertilizers on the back of the government subsidy on Urea and DAP.

The higher economic growth put external sector under pressure, and despite increases in exports and remittances, the current account deficit has widen. Pakistan stock market also remained under pressure due to the political noise.

Financial Results

Following is the summary of results:

	Three months period ended	
	30-Sep-17	30-Sep-16
	(Rs.in million)	
Operating Income	49.43	53.17
Administrative and operating expenses	(53.59)	(53.30)
Net (loss) / profit after taxation	(4.09)	0.288
	Rupees	
Earnings per share – basic	(0.13)	0.01

The primary reason for decline in profitability is decrease in trading fee due to overall comparative stability in prices in all commodities. Secondly, no new membership could be fetched due to selling pressure. The cost side is generally remain under control.

Future Outlook

Under the guidance of SECP and the Board of Directors, the management is working towards listing new products. PMEX is also looking into the possibility of cross listing commodities with exchanges of neighbouring countries. Furthermore, with the expanding horizon at PMEX, substantial investment is being made for induction of new technologies and improvement of exchange infrastructure.



Chairman



Managing Director

Karachi: October 27, 2017

PAKISTAN MERCANTILE EXCHANGE LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2017

		(Unaudited) September 30, 2017 Rupees	Audited June 30, 2017 Rupees			(Unaudited) September 30, 2017 Rupees	Audited June 30, 2017 Rupees
	Note				Note		
EQUITY AND LIABILITIES				ASSETS			
Share capital and reserves				Non-current assets			
Authorised capital 50,000,000 (June 30, 2017: 50,000,000) ordinary shares of Rs. 10 each		<u>500,000,000</u>	<u>500,000,000</u>	Property and equipment	7	21,446,764	23,471,770
Issued, subscribed and paid-up capital 31,355,162 (June 30, 2017: 31,355,162) ordinary shares of Rs. 10 each		313,551,620	313,551,620	Intangible assets	8	8,671,441	10,243,750
Capital reserve - premium on issue of ordinary shares		22,250,000	22,250,000	Investment in associates		20	20
Accumulated loss		<u>(418,724,395)</u>	<u>(414,629,571)</u>				
		(82,922,775)	(78,827,951)				
Non-current liabilities				Current assets			
Long-term deposits		198,400,000	198,400,000	Supplies and consumables		646,646	709,696
Current liabilities				Annual subscription receivable - considered good		32,525,000	32,800,000
Staff gratuity payable to fund		43,572,844	43,432,994	Deposits and short-term prepayments		8,699,386	9,371,846
Margins & deposits	4	1,365,583,211	1,299,354,277	Other receivables		35,586,343	29,774,070
Payable to SGF Trust	5	1,772,223	1,667,326	Short term investments	9	1,395,936,520	1,332,980,380
Gold held on behalf of brokers/clients		546,823,411	500,274,511	Gold held on behalf of brokers/clients		546,823,411	500,274,511
Advance annual subscription and other fee		14,724,582	14,914,165	Taxation - net		42,305,400	42,724,558
Creditors, accrued expenses and other liabilities		28,816,712	41,178,305	Cash and bank balances		24,129,277	38,043,026
		2,001,292,983	1,900,821,578			2,086,651,983	1,986,678,087
Contingencies and commitments	6					<u>2,116,770,208</u>	<u>2,020,393,627</u>
		<u>2,116,770,208</u>	<u>2,020,393,627</u>			<u>2,116,770,208</u>	<u>2,020,393,627</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.



 MANAGING DIRECTOR



 CHIEF FINANCIAL OFFICER



 CHAIRMAN



 MANAGING DIRECTOR

PAKISTAN MERCANTILE EXCHANGE LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

	Note	For the three months period ended	
		September 30, 2017 Rupees	September 30, 2016 Rupees
Operating income	10	49,425,209	53,167,602
Administrative and operating expenses	11	<u>(53,595,965)</u> (4,170,756)	<u>(53,300,381)</u> (132,779)
Other income	12	1,258,107	1,514,207
Other charges	13	(22,758)	(21,824)
Finance costs		(525,876)	(539,446)
(Loss) / Profit before taxation		<u>(3,461,283)</u>	820,158
Taxation - net	14	<u>(633,541)</u>	<u>(531,676)</u>
Total comprehensive (loss) / profit for the period		<u><u>(4,094,824)</u></u>	<u><u>288,482</u></u>
Earnings per share - basic	15	<u>(0.13)</u>	<u>0.01</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.



 MANAGING DIRECTOR



 CHAIRMAN



 CHIEF FINANCIAL OFFICER



 MANAGING DIRECTOR

PAKISTAN MERCANTILE EXCHANGE LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

	Note	September 30, 2017 Rupees	September 30, 2016 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	16	(14,918,006)	(19,748,026)
Taxes paid - net		(1,032,741)	(1,085,994)
Gratuity paid		(1,841,441)	(2,183,677)
Net cash used in operating activities		(17,792,188)	(23,017,697)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment		(423,600)	(3,368,494)
Proceeds from sale of investment in government securities		74,867,318	78,886,362
Purchase of investment in government securities		(56,054,300)	(61,175,400)
Mark-up received		116,669	921,113
Net cash generated from investing activities		18,506,087	15,263,581
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash generated from financing activities		-	-
Net (decrease) / increase in cash and cash equivalents (A+B+C)		713,899	(7,754,116)
Cash and cash equivalents at the beginning of the period		3,439,491	15,999,043
Cash and cash equivalents at the end of the period		4,153,390	8,244,927
Cash and cash equivalents relating to margins and deposits at the end of the period		19,975,887	35,269,223
Cash and cash equivalents at end of the period including cash relating to margins and deposits		24,129,277	43,514,150

The annexed notes from 1 to 18 form an integral part of these financial statements.



MANAGING DIRECTOR



CHAIRMAN



CHIEF FINANCIAL OFFICER



MANAGING DIRECTOR

PAKISTAN MERCANTILE EXCHANGE LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

	Issued, subscribed and paid-up capital	Capital reserve issue of premium on ordinary shares	Accumulated loss	Total
----- Rupees -----				
Balance at July 01, 2016	313,551,620	22,250,000	(400,055,672)	(64,254,052)
Profit for the three months period ended September 30, 2016	-	-	288,482	288,482
Balance at September 30, 2016	<u>313,551,620</u>	<u>22,250,000</u>	<u>(399,767,190)</u>	<u>(63,965,570)</u>
Balance at July 01, 2017	313,551,620	22,250,000	(414,629,571)	(78,827,951)
Loss for the three months period ended September 30, 2017	-	-	(4,094,824)	(4,094,824)
Balance at September 30, 2017	<u>313,551,620</u>	<u>22,250,000</u>	<u>(418,724,395)</u>	<u>(82,922,775)</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.



MANAGING DIRECTOR



CHAIRMAN



CHIEF FINANCIAL OFFICER



MANAGING DIRECTOR

PAKISTAN MERCANTILE EXCHANGE LIMITED

NOTES TO THE CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Mercantile Exchange Limited ('the Exchange') was incorporated in Pakistan as a public limited company on April 20, 2002 under the repealed Companies Ordinance, 1984 now Companies Act, 2017. The Certificate of Commencement of Business under the repealed Companies Ordinance, 1984 was granted to the Exchange by the Securities and Exchange Commission of Pakistan (SECP) on May 20, 2002. The Certificate of Registration under Securities and Exchange Ordinance, 1969 to start operations as commodity exchange was granted by SECP on May 10, 2007 when the Exchange commenced its operations. Its registered office is situated at 3B, 3rd Floor, Bahria Complex IV, Chaudhry Khaliq-uz-Zaman Road, Gizri, Karachi, Pakistan.
- 1.2 The Exchange has been set-up principally to establish, regulate, control and provide physical facilities and market place necessary for trading in Commodity Futures Contracts and to perform all allied and incidental functions. This is the first technology driven, de-mutualized, on-line commodity futures Exchange in Pakistan, regulated by SECP. The operations of the Exchange are governed by the Pakistan Mercantile Exchange Limited (PMEX) General Regulations, which were approved by the SECP on May 10, 2007 as amended from time to time.
- 1.3 This condensed interim financial information is presented in pak rupees, which is the functional and presentation currency of the Exchange.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

- 2.1 This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the repealed Companies Ordinance, 1984 now Companies Act, 2017. In case where requirements differ, the provisions of and directives issued under the repealed Companies Ordinance, 1984 have been followed. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2017.
- 2.2 The Companies Ordinance, 1984 has been repealed as a result of the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular no. 23 of 2017, dated October 4, 2017, this condensed interim unconsolidated financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 2.3 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements of the Exchange for the year ended June 30, 2017.

3. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

In preparing this condensed interim financial information, the significant judgements made by management in applying the Exchange's accounting policies and the key resources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2017.

- 3.2 The financial risk management objectives and policies of the Exchange are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2017.

	Note	(Unaudited) September 2017 Rupees	(Audited) June 2017 Rupees
4. MARGINS AND DEPOSITS			
Clearing house deposits relating to brokers	4.1	132,521,860	130,972,108
Initial margins - relating to brokers and clients	4.1	1,233,061,351	1,168,382,169
		<u>1,365,583,211</u>	<u>1,299,354,277</u>
4.1 The margins and deposits have been applied as follows:			
Clearing house deposits			
Saving / current account		6,558,436	604,092
Investment in Treasury Bills	9	126,137,883	130,541,493
Less: amount to be transferred to SGF trust		(174,459)	(173,477)
		132,521,860	130,972,108
Initial margins			
Saving / current account		13,417,451	33,999,442
Investment in Treasury Bills	9	1,221,205,664	1,135,840,576
Security deposit / prepayments - Locker (Gold)		36,000	36,000
Less: amount to be transferred to SGF trust		(1,597,764)	(1,493,849)
		1,233,061,351	1,168,382,169
		<u>1,365,583,211</u>	<u>1,299,354,277</u>
5. PAYABLE TO SETTLEMENT GUARANTEE FUND (SGF) TRUST			
Movement for the period is as follows:		1,667,326	46,340,919
Opening balance as at July 01			
Amount allocated from income earned on:		531,435	2,295,279
- clearing house deposits		4,646,288	20,208,239
- initial margins		5,177,723	22,503,518
		(5,072,826)	(67,177,111)
Amount transferred during the period		<u>1,772,223</u>	<u>1,667,326</u>
6. CONTINGENCIES AND COMMITMENTS			
There is no change in contingencies and commitments as those reported in the annual financial statements for the year ended June 30, 2017.			
7. PROPERTY AND EQUIPMENT			
Following additions and deletions, at cost, were made during the period:			
Additions - Cost			
Leasehold improvements		-	-
Electrical equipment		-	1,192,580
Computer equipment		423,600	112,650
		<u>423,600</u>	<u>1,305,230</u>
Deletions - Cost			
		-	-

8. INTANGIBLE ASSETS

No additions in intangible assets were made during the period (September 30, 2016: Nil).

	(Unaudited) September 2017	(Audited) June 2017
Note	Rupees	Rupees
9. SHORT TERM INVESTMENTS		
- at fair value through profit or loss		
Investment in Treasury bills - margins and deposits	1,347,343,547	1,266,382,069
Investment in Treasury bills - others	48,592,973	66,598,311
9.1	<u>1,395,936,520</u>	<u>1,332,980,380</u>

9.1 These Treasury Bills carry markup ranging from 5.99% to 6.010% (June 2017: 5.90% to 5.99%) per annum and will mature on various dates till March 29, 2018.

	(Unaudited)	
	Three months period ended	
	September 30 2017	September 30 2016
10. OPERATING INCOME		
Trading fee	28,506,230	31,701,026
Share of PMEX from the income on margins and deposits	9,288,361	10,753,584
Annual membership fee	5,799,583	4,337,500
Income from IT related services	2,353,400	2,261,750
Infrastructure fee	1,767,000	1,779,000
Advertisement income	360,000	675,000
Fee for membership transfer and issuance of certificates	200,000	600,000
Auto liquidation charges	77,400	23,200
Front end charges	23,335	56,174
Gain on sale of USB keys	106,150	43,972
Recovery of gold custody charges	943,750	936,396
	<u>49,425,209</u>	<u>53,167,602</u>

11. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries and benefits	34,786,554	34,878,207
Directors' fee	345,000	540,000
Depreciation	2,448,605	2,358,430
Amortisation	1,572,307	1,746,757
Communication	1,717,389	1,079,747
Utilities	564,930	555,260
Legal and professional	726,500	155,811
Rent	3,503,496	3,174,612
Repairs and maintenance	2,024,558	1,870,280
Market making / Liquidity expenses	1,755,587	2,353,598
Travelling and conveyance		
- Employees and others	513,251	244,403
- Directors (incl. Managing Director)	877,182	908,231
Fees and subscription	1,390,433	1,152,634
Security services	289,626	376,825
Insurance	157,080	147,180
SECP supervision fee	120,385	102,470
Auditors' remuneration	506,833	531,676
Auditors' remuneration	150,000	150,000
Marketing expenses	1,289,338	1,878,267
Printing and stationery	39,389	36,186
Entertainment	207,955	212,441
	<u>53,595,965</u>	<u>53,300,381</u>

		(Unaudited)	
		Three months period ended	
		September 30	September 30
		2017	2016
12.	OTHER INCOME - NET		
	<i>Income from financial assets</i>		
	Mark-up on bank deposits	114,697	142,273
	Mark-up on government securities	818,362	799,468
	Realized gain / (loss) on sale of investment at fair value through profit and loss	(10,682)	(7,023)
	<i>Income from non - financial assets</i>		
	Others	335,730	579,489
		<u>1,258,107</u>	<u>1,514,207</u>
13.	OTHER CHARGES		
	Bank charges	18,788	17,786
	Others	3,970	4,038
		<u>22,758</u>	<u>21,824</u>
14.	TAXATION		
	Current	<u>633,541</u>	<u>531,676</u>
14.1	The provision for current income tax is based on 1.25% of total turnover under section 113 of the Income Tax Ordinance, 2001.		
14.2	There is no significant change in deferred tax balance as those reported in the annual financial statements for the year ended June 30, 2017.		
15.	EARNINGS PER SHARE		
	Profit for the period	Rupees (4,094,824)	288,482
	Weighted average number of shares	Number 31,355,162	31,355,162
	Earnings per share	Rupees (0.13)	0.01
16.	CASH GENERATED USED IN OPERATIONS		
	Profit before taxation	(3,461,283)	820,158
	Adjustments for non cash charges and other items:		
	Depreciation	2,448,605	2,358,430
	Amortisation	1,572,307	1,746,757
	Financial charges	525,876	539,446
	Provision for gratuity	1,455,415	1,573,048
	Mark-up on bank deposits	(114,697)	(142,273)
	Mark-up on treasury bills	-	(799,468)
	Loss / (gain) on disposal of treasury bills	10,682	7,023
	Working capital changes	(17,354,911)	(25,851,147)
	Cash generated from operations	<u>(14,918,006)</u>	<u>13,760,506</u>
16.1	Working capital changes		
	Decrease/(increase) in current assets		
	Supplies and consumables	63,050	25,225
	Annual subscription receivable - considered good	275,000	725,000
	Advances, deposits and short-term prepayments	672,460	(261,511)
	Other receivables	(5,814,245)	(14,566,563)
		<u>(4,803,735)</u>	<u>(14,077,849)</u>
	Increase/(decrease) in current liabilities		
	Advance annual membership and other fee	(189,583)	941,525
	Creditors, accrued and other liabilities	(12,361,593)	(12,714,823)
		<u>(17,354,911)</u>	<u>(25,851,147)</u>

17. RELATED PARTY TRANSACTIONS

Related parties comprise of associates, other companies with common directors and key management personnel. Details of transactions with related parties during the period are as follows:

		(Unaudited)	
		Three months period ended	
		September 30, 2017	September 30, 2016
Relationship with the Exchange	Nature of transactions		
Associated undertakings	Payment to Investor Protection Fund Trust	498,200	552,672
	Receipt of deposit against initial margin	1,298,000	1,770,507
	Repayment of deposit against initial margin	1,185,987	2,560,000
	Payment to Provident Fund	2,910,830	3,046,501
	Payment to Gratuity Fund	1,455,415	-
	Payment to SGF Trust	5,072,826	-
Directors	Directors' meeting fee	345,000	540,000
Managing Director	Salaries and benefits	5,580,884	5,360,193
	Post employment benefits	508,344	442,038
Other key management personnel	Salaries and benefits	11,376,357	15,094,620
	Post employment benefits	1,002,106	1,312,692

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

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on October 27, 2017 by the Board of Directors of the Exchange.



MANAGING DIRECTOR



CHAIRMAN



CHIEF FINANCIAL OFFICER



MANAGING DIRECTOR