

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of Pakistan Mercantile Exchange Limited**

**Report on review of interim financial statements**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Pakistan Mercantile Exchange Limited** (the Exchange) as at **December 31, 2019** and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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## **Emphasis of Matter**

We draw attention to the contents of note 1.3 to the condensed interim financial statements which explains the financial measures being taken by the Exchange to increase capital in order to meet minimum capital requirement as required by the Future Market Act 2016 . Our conclusion is not qualified in respect of this matter.

## **Other Matter**

The financial statements of the Exchange for the half year ended December 31, 2018 and for the year ended June 30, 2019 were reviewed and audited by another auditor who expressed an unmodified conclusion /opinion on those statements dated March 02, 2019 and October 04, 2019 respectively.

The engagement partner on the audit resulting in this independent auditor's report is **Khurram Jameel**.



Chartered Accountants

Karachi

Date:27<sup>th</sup> February,2020

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

		(Unaudited) December 31, 2019	(Audited) June 30, 2019		(Unaudited) December 31, 2019	(Audited) June 30, 2019	
	Note	Rupees	Rupees	Note	Rupees	Rupees	
<b>EQUITY AND LIABILITIES</b>				<b>ASSETS</b>			
<b>Share capital and reserves</b>				<b>Non-current assets</b>			
Authorised capital		1,000,000,000	1,000,000,000	Property and equipment	8	17,304,287	22,546,603
Issued, subscribed and paid-up capital		313,551,620	313,551,620	Right of use assets	9	48,728,455	-
Reserves		(299,521,342)	(304,392,032)	Intangible assets		5,395,256	8,072,325
		14,030,278	9,159,588	Investment in associates		20	20
						71,428,018	30,618,948
<b>Non-current liabilities</b>				<b>Current assets</b>			
Long-term deposits		163,145,317	163,895,317	Supplies and consumables		429,264	444,056
Lease liabilities	4	35,972,760	-	Annual subscription receivable		4,633,849	6,698,018
		199,118,077	163,895,317	Deposits and prepayments		11,240,619	9,367,558
<b>Current liabilities</b>				Other receivables		48,723,060	34,862,592
Staff gratuity fund		15,890,647	15,624,300	Short term investments	10	1,284,047,460	1,531,007,173
Staff provident fund		1,423,882	157,668	Gold held on behalf of brokers/clients		576,537,820	1,256,060,950
Margins and deposits	5	1,241,007,903	1,428,188,825	Taxation - net		52,841,608	42,359,248
Payable to SGF trust	6	5,984,232	5,597,615	Cash and bank balances		75,108,164	55,062,623
Gold held on behalf of brokers/clients		576,537,820	1,256,060,950			2,053,561,844	2,935,862,218
Advance fee		3,099,997	17,182,126				
Creditors, accrued and other liabilities		53,584,113	70,614,777				
Current maturity of lease liabilities	4	14,312,913	-				
		1,911,841,507	2,793,426,261				
Contingencies and commitments	7						
		2,124,989,862	2,966,481,166			2,124,989,862	2,966,481,166

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

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CHAIRMAN  
  
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CHIEF FINANCIAL OFFICER

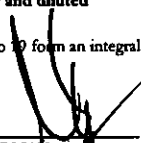
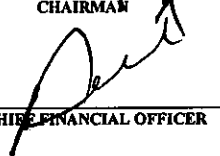
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MANAGING DIRECTOR



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PAKISTAN MERCANTILE EXCHANGE LIMITED  
 CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)  
 FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Note	Six months period ended		Three months period ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
----- Rupees -----					
Operating income	11	153,425,240	171,391,355	153,425,240	104,654,356
Operating and administrative expenses	12	(156,455,397)	(132,452,451)	(156,455,397)	(66,777,238)
		(3,030,157)	38,938,904	(3,030,157)	37,877,118
Other income		12,620,321	8,829,009	12,620,321	5,354,621
Other charges		(183,168)	(107,557)	(125,855)	(58,687)
Finance costs		(2,199,177)	(892,567)	(2,199,177)	(529,962)
Profit before taxation		7,207,819	46,767,789	7,265,132	42,643,090
Taxation-current	13	(2,337,129)	(7,950,521)	(2,337,129)	(7,072,879)
Profit after taxation		4,870,690	38,817,268	4,928,003	35,570,211
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>4,870,690</b>	<b>38,817,268</b>	<b>4,928,003</b>	<b>35,570,211</b>
<b>Earnings per share - basic and diluted</b>		<b>0.16</b>	<b>1.24</b>	<b>0.16</b>	<b>1.13</b>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

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 MANAGING DIRECTOR  
  
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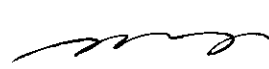
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)  
 CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
 FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Issued, subscribed and paid-up capital	Reserves			Total
		Capital - Premium on issue of ordinary shares	Accumulated loss	Total	
	Note ----- Rupees -----				
Balance as at July 01, 2018	313,551,620	22,250,000	(374,641,543)	(352,391,543)	(38,839,923)
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	38,817,268	38,817,268	38,817,268
Other comprehensive income	-	-	-	-	-
	-	-	38,817,268	38,817,268	38,817,268
Balance as at December 31, 2018	313,551,620	22,250,000	(335,824,275)	(313,574,275)	(22,655)
Balance as at July 01, 2019	313,551,620	22,250,000	(326,642,032)	(304,392,032)	9,159,588
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	4,870,690	4,870,690	4,870,690
Other comprehensive income	-	-	-	-	-
	-	-	4,870,690	4,870,690	4,870,690
Balance as at December 31, 2019	313,551,620	22,250,000	(321,771,342)	(299,521,342)	14,030,278

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

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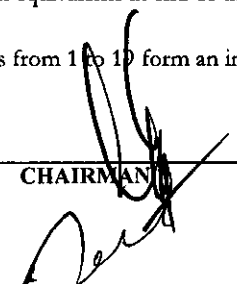
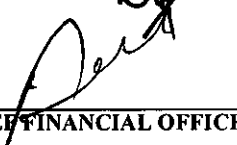
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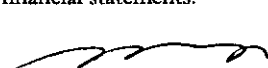
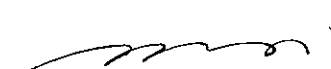
  
 MANAGING DIRECTOR  
  
 MANAGING DIRECTOR

**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019**

	Note	December 31, 2019 Rupees	December 31, 2018 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in)/generated from operations	14	(15,967,339)	86,324,805
Long term deposits		(750,000)	(28,150,000)
Taxes paid		(12,819,489)	(3,898,214)
Retirement benefits paid		(6,409,596)	(24,048,721)
Net cash (used in) / generated from operating activities		<u>(35,946,424)</u>	<u>30,227,870</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment		(1,734,712)	(13,402,726)
Proceeds from disposal of property and equipment		328,512	1,195,588
Investments made during the period		(303,652,894)	(164,758,958)
Proceeds from sale of investment		350,796,609	151,859,563
Return received on bank deposits and investments		722,780	1,300,809
Net cash (used in) / generated from investing activities		<u>46,460,295</u>	<u>(23,805,724)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment against lease liability		<u>(6,903,697)</u>	<u>-</u>
Net increase in cash and cash equivalents (A+B+C)		3,610,174	6,422,146
Cash and cash equivalents at beginning of the period		<u>(206,598)</u>	<u>12,420,281</u>
Cash and cash equivalents at end of the period		<u>3,403,576</u>	<u>18,842,427</u>
Cash and cash equivalents relating to margins and deposits		<u>71,704,588</u>	<u>49,009,696</u>
Cash and cash equivalents at end of the period		<u><u>75,108,164</u></u>	<u><u>67,852,123</u></u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

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**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

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**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 Pakistan Mercantile Exchange Limited ('the Exchange') was incorporated in Pakistan as a public limited company on April 20, 2002 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Certificate of Commencement of Business 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. After promulgation of (the Futures Market Act 2016), the Exchange has been granted license of Futures Commodity Exchange effective from June 15, 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 Commodity Future Contracts and to perform all allied and incidental functions. This is a technology driven, de-mutualized, on-line commodity futures exchange in Pakistan, regulated by SECP. The operations of the Exchange are governed by the Pakistan Mercantile Exchange Limited (PMEX) General Regulations, which were approved by the SECP on May 10, 2007 as amended from time to time. During the year ended June 30, 2018, the Board of Directors in its meeting dated August 29, 2017, approved and submitted the revised Pakistan Mercantile Exchange Limited (PMEX) General Regulations to SECP which are presently pending before SECP for approval.
- 1.3 During the period, the Exchange has net profit of Rs. 4.8 million. As a result, the equity of the exchange has improved from Rs.9.16 million on June 30, 2019 to Rs.14.03 million on December 31, 2019 and accumulated loss has reduced from Rs.326.6 million to Rs.321.7 million. Pursuant to its licensing condition, the Exchange has required to meet minimum capital of Rs. 500 million net of losses by June 2020. The Exchange is in process of issuing right shares to meet the condition by the due date. However, incase of delay, the Exchange plans to apply for extension in deadline before SECP, which is expected to be considered favorably.

**2. STATEMENT OF COMPLIANCE**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.
- International Accounting Standard 34 (IAS 34)-"Interim Financial Reporting"

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

- 2.2 The figures of the condensed interim statement of profit or loss and other comprehensive income for the three months ended December 31, 2019 and December 31, 2018 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the six months ended December 31, 2019 and December 31, 2018. These condensed interim financial statements do not include all the notes required for the full financial statements and therefore should be read in conjunction with the annual financial statements of the Exchange for the year ended June 30, 2019.

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

- 3.1 The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2019 except for the adoption of the following new standards, interpretation and amendments to IFRS by the Exchange which became effective for the current period:

- IFRS 16 - Leases
- IFRS 9 - Prepayment Features with Negative Compensation (Amendments)
- IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)
- IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)
- IFRIC 23 - Uncertainty over Income Tax Treatments

The adoption of the above standards, amendments and interpretations are not expected to have any material impact on the condensed interim financial statements of the Exchange except for changes related to addition of IFRS 16 "Leases" as explained below:

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**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

IFRS 16 supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement 'contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating 'the Substance of Transactions Involving the Legal Form of a Lease'. The standard 'sets out the principles for the recognition, measurement, presentation and disclosure 'of leases and requires lessees to account for most leases under a single on-balance 'sheet model.

The Exchange adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of July 01,2019.Under this method, the standard is applied retrospectively with cumulative effect of applying standard recognised at the date of initial application and accordingly the company is not required to restate the prior year result.

'The Exchange assessed its existing contracts and concluded that right of use assets as disclosed in note 3.1.1 to these condensed interim financial statements shall be recognised alongwith their corresponding lease liabilities,adjusted for related prepaid and accrued lease payments previously recognised. Lease liabilities were based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Accordingly, initial application of IFRS 16 did not have any impact on the opening retained earnings as of July 01,2019 and on these condensed interim financial statements, except for the recognition of right of use asset and corresponding lease liabilities as disclosed in note 3.1.1 to these condensed interim financial statements. The effect of adoption of IFRS 16 on the statement of profit and loss includes an increase in depreciation expense by Rs.6.68 million,increase in interest expense by Rs.1.78 million and decrease in lease rental by Rs.6.9 million Further, impact on statement of cash flows includes an increase in net cash flows from operating activities by Rs.8.4 million.

**3.1.1 Summary of new accounting policies**

**Right of used assets**

The Exchange recognises right of used assets at the commencement date of the lease (i.e the date the underlying asset is available for use). Right of used assets are measured at cost , less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of used assets includes the amount of lease liabilities recognised , initial direct costs incurred (if any), and lease payments made at or before the commencement date less lease incentives received (if any). Unless the company is reasonably certain to obtain the ownership of the leased asset at the end of the lease term. Right of used are subject to impairment.

**Lease liabilities**

At the commencement date of the lease, the Exchange recognises the lease liability measure at the present value of the lease payments to be made over the lease term. The Lease payments includes fixed payments. In calculating the present value of the lease payments the Exchange uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduce for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in-substance fixed lease payments or a change in the assesment to purchase the underlying asset.

Set out below, are the carrying amounts of the Exchange's right-of-use assets and lease liabilities:

	Right of use assets	Lease liabilities
As at July 01, 2019	-	-
Additions	55,408,923	55,408,923
Depreciation	(6,680,468)	-
Interest expenses	-	1,780,447
Payments	-	(6,903,697)
As at December 31,2019	<u>48,728,455</u>	<u>50,285,673</u>

**3.2** During the preparation of these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2019.

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PAKISTAN MERCANTILE EXCHANGE LIMITED  
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
 FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Note	(Unaudited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
<b>4. LEASE LIABILITIES</b>			
Present value of minimum lease payments:		50,285,673	-
Less: Current maturity of Lease liabilities		(14,312,913)	-
		<u>35,972,760</u>	<u>-</u>
<b>5. MARGINS AND DEPOSITS</b>			
Clearing house deposits relating to brokers and clients	5.1	107,456,577	98,993,161
Initial margins relating to brokers and clients	5.1	1,133,551,326	1,329,195,664
		<u>1,241,007,903</u>	<u>1,428,188,825</u>
<b>5.1</b> The above margin and deposits have been applied as follows:			
<b>Clearing house deposits</b>			
Saving / current accounts		146,681	1,842,121
Investment in Treasury Bills		107,810,462	97,573,133
Less: amount allocated for transfer to SGF Trust		(500,566)	(422,093)
		<u>107,456,577</u>	<u>98,993,161</u>
<b>Initial margins</b>			
Saving / current accounts		71,557,907	53,427,100
Investment in Treasury Bills		1,074,319,648	1,292,454,761
Security deposit / prepayments - Locker (Gold)		36,000	36,000
Less: amount allocated for transfer to SGF Trust		(5,483,666)	(5,175,522)
Less: Payable to NCCPL		(6,878,563)	(11,546,676)
		<u>1,133,551,326</u>	<u>1,329,195,664</u>
		<u>1,241,007,903</u>	<u>1,428,188,825</u>
<b>6. PAYABLE TO SGF TRUST</b>			
Clearing house deposits		500,566	422,093
Initial margins		5,483,666	5,175,522
		<u>5,984,232</u>	<u>5,597,615</u>
<b>6.1</b> Movement for the period is as follows:			
Opening balance		5,597,615	2,091,202
Amount allocated from income earned on:			
- clearing house deposits		2,851,740	4,002,668
- initial margins		32,697,050	43,013,969
		<u>35,548,790</u>	<u>47,016,637</u>
Amount transferred during the period/year		(35,162,173)	(43,510,224)
Closing balance		<u>5,984,232</u>	<u>5,597,615</u>

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**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

**7. CONTINGENCIES AND COMMITMENTS**

**7.1 Contingencies**

There were no changes in the status of contingencies as reported in the audited annual financial statements for the year ended June 30, 2019. The cumulative financial impact of these various litigations is estimated to Rs.42.25 (June 30,2019: Rs.42.25) million. The management of the Company, based on legal advisors opinion, believes that the Company 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 condensed interim financial statements .

	Note	(Unaudited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
<b>7.2 Commitments</b>			
Commitments in respect of capital expenditure and services		-	8,305,000
<b>8. PROPERTY AND EQUIPMENT</b>			
Operating assets	8.1	17,304,287	18,756,603
Capital work-in-progress	8.2	-	3,790,000
		<u>17,304,287</u>	<u>22,546,603</u>
<b>8.1 Opening net book value (NBV)</b>		<b>18,756,603</b>	<b>13,729,374</b>
Additions during the period / year at cost	8.1.1	1,736,500	14,256,249
		<u>20,493,103</u>	<u>27,985,623</u>
Disposals during the period / year at NBV		(1,788)	(1,225,791)
Depreciation charge for the period / year		(3,187,028)	(8,003,229)
		<u>(3,188,816)</u>	<u>(9,229,020)</u>
Closing net book value (NBV)		<u>17,304,287</u>	<u>18,756,603</u>
<b>8.1.1 Detail of additions during the period / year are as follows:</b>			
Computer equipment		1,692,500	2,099,998
Office equipment		44,000	1,066,271
Others		-	11,089,980
		<u>1,736,500</u>	<u>14,256,249</u>
<b>8.2 Capital work-in-progress</b>		<b>-</b>	<b>3,790,000</b>
Represent the amount written off during the period			
<b>9. RIGHT-OF-USE ASSETS</b>			
Cost		55,408,923	-
Depreciation charged during the period		(6,680,468)	-
Closing net book value		<u>48,728,455</u>	<u>-</u>
<b>10. SHORT TERM INVESTMENTS</b>			
<b>At fair value through profit or loss</b>			
Treasury bills - margins and deposits		1,182,130,110	1,390,027,894
Treasury bills - others		101,917,350	140,979,279
	10.1	<u>1,284,047,460</u>	<u>1,531,007,173</u>
<b>10.1</b> These carry markup ranging from 13.17% to 13.72% (June 30, 2019: 6.22% to 12.75%) per annum and will mature on various dates up to March 12, 2020.			

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PAKISTAN MERCANTILE EXCHANGE LIMITED  
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
 FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	(Unaudited) Six months period ended		(Unaudited) Three months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	..... Rupees .....			
<b>11. OPERATING INCOME</b>				
Trading fee - net	72,683,124	113,687,604	24,270,457	75,221,417
Annual membership fee	12,575,000	10,749,989	7,137,500	4,781,243
Fee for membership transfer and issuance of certific	-	400,000	-	200,000
Share of Exchange from the income of margins and	55,418,502	35,988,713	25,961,931	18,694,022
Infrastructure fee	4,496,000	3,637,000	2,664,000	1,819,000
Recovery of gold custody charges	5,671,906	3,115,108	3,930,011	2,113,238
Income from IT related services	1,515,000	2,816,211	1,375,150	1,344,600
Advertisement income	870,000	492,581	360,000	210,000
Auto liquidation charges	170,500	297,700	91,200	139,800
Others	25,208	206,449	12,604	131,036
	<u>153,425,240</u>	<u>171,391,355</u>	<u>65,802,853</u>	<u>104,654,356</u>
<b>12. OPERATING AND ADMINISTRATIVE EXPENSES</b>				
Salaries and benefits	83,945,348	68,232,554	42,568,776	33,511,412
Gratuity	3,757,716	3,350,911	1,875,011	1,741,650
Provident fund	3,766,976	3,353,910	1,883,060	1,742,019
Directors' fee	1,110,000	1,215,000	675,000	615,000
Depreciation	9,867,496	3,712,459	7,866,689	1,868,287
Amortization	2,677,067	2,693,175	1,330,479	1,346,588
Communication	3,666,466	2,274,083	2,037,687	1,045,278
Cloud hosting	8,733,146	7,609,838	4,133,092	3,851,132
Utilities	1,279,125	1,005,164	618,989	428,440
Legal and professional	1,650,463	6,028,735	(58,946)	3,515,570
Rent	-	6,263,119	(3,414,352)	3,163,528
Repairs and maintenance	3,361,591	4,031,574	1,606,352	1,947,791
Travelling and conveyance				
- Employees and others	588,451	410,683	486,781	152,836
- Directors	1,883,340	1,246,354	1,144,051	550,924
	<u>2,471,791</u>	<u>1,657,037</u>	<u>1,630,832</u>	<u>703,760</u>
Fee and subscription	19,575,760	14,314,558	9,768,269	7,466,663
Security services	327,360	383,522	163,680	163,680
Insurance	216,018	200,749	97,126	105,715
SECP supervision fee	1,660,456	1,340,170	721,308	820,217
Auditors' remuneration	172,500	453,000	(22,500)	258,000
Marketing expense	3,656,352	3,803,261	1,807,306	2,311,283
Printing and stationery	159,367	149,152	140,870	95,377
Write off	3,790,000	-	-	-
Entertainment	610,399	380,480	400,928	75,848
	<u>156,455,397</u>	<u>132,452,451</u>	<u>75,829,656</u>	<u>66,777,238</u>

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PAKISTAN MERCANTILE EXCHANGE LIMITED  
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
 FOR THE HALF YEAR ENDED DECEMBER 31, 2019

		(Unaudited)		(Unaudited)	
		Six months period ended		Three months period ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
..... Rupees .....					
<b>13. TAXATION</b>					
Current - for the period	13.1	<u>2,337,129</u>	<u>7,950,521</u>	<u>(517,636)</u>	<u>7,072,879</u>

13.1 The Exchange has not recognised net deferred tax asset amounting to Rs. 51.28 million as at December 31, 2019 on net deductible temporary differences aggregating to Rs. 124.4 million as at December 31, 2019 as timing of availability of sufficient profits cannot be determined.

	Note	Six months period ended	
		December 31, 2019	December 31, 2018
		Rupees	Rupees
<b>14. CASH (USED IN)/ GENERATED FROM OPERATIONS</b>			
Profit before taxation		7,207,819	46,767,789
Adjustments for non cash charges and other items:			
Depreciation		9,867,496	3,712,459
Amortisation		2,677,067	2,693,175
Finance cost		2,199,177	892,567
Write off		3,790,000	-
Provision for retirement benefits		7,524,692	6,704,821
Unrealised gain on remeasurement of government securities		-	43,116
(Gain) / loss on disposal of investments		(1,265)	2,790
Gain on disposal of property and equipment		(328,512)	-
Mark-up on bank deposits		(739,465)	(1,308,587)
Return on investments		(8,081,785)	(2,657,268)
Working capital changes	14.1	<u>(40,082,563)</u>	<u>29,473,943</u>
		<u>(23,175,158)</u>	<u>39,557,016</u>
		<u>(15,967,339)</u>	<u>86,324,805</u>

**14.1 Working capital changes**

*Decrease / (increase) in current assets*

Supplies and consumables	14,792	99,046
Annual subscription receivable	2,064,169	33,323,001
Deposits and prepayments	(1,873,061)	62,058
Other receivables	<u>(13,843,783)</u>	<u>(1,694,665)</u>
	<u>(13,637,883)</u>	<u>31,789,440</u>

*(Decrease) / increase in current liabilities*

Advance fee	(14,082,129)	(8,254,993)
Advance for members admission fee	-	(750,000)
Creditors, accrued and other liabilities	<u>(12,362,551)</u>	<u>6,689,496</u>
	<u>(26,444,680)</u>	<u>(2,315,497)</u>
	<u>(40,082,563)</u>	<u>29,473,943</u>

**15. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES**

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company as at June 30, 2019

**16. FAIR VALUE OF ASSETS AND LIABILITIES**

The carrying value of all financial assets and liabilities are estimated to approximate their fair values. There were no transfers amongst levels during the period.

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**PAKISTAN MERCANTILE EXCHANGE LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

**17. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of associates, companies with common directors, and key management personnel. Following are the details of transactions with related parties during the period.

**17.1 Transactions during the period**

	December 31, 2019 ----- (Rupees in '000) ----- (Un-audited)	December 31, 2018 ----- (Rupees in '000) ----- (Un-audited)
<b>Margin and Deposits</b>		
<b>Associated Company</b>		
Zahid Latif Securities (Private) Limited	<u>2,891,873</u>	<u>9,017,693</u>
<b>Rent and Utilities expenses</b>		
<b>Associated Company</b>		
ISE REIT Management Limited	<u>1,990,451</u>	<u>950,030</u>
<b>Salaries and benefits</b>		
Directors	14,623,993	15,283,626
Key Management Personnel	22,934,803	20,234,349
	<u>37,558,796</u>	<u>35,517,975</u>
<b>Gratuity</b>		
Retirement benefit plan	<u>3,125,958</u>	<u>952,459</u>
<b>Payment to Fund</b>		
SGF Trust	35,162,173	7,708,534
Investor Protection Fund	610,343	17,535,022
	<u>35,772,516</u>	<u>25,243,556</u>

**17.2 Balances at period/year end**

	December 31, 2019 ----- (Rupees in '000) ----- (Un-audited)	June 30, 2019 ----- (Rupees in '000) ----- (Audited)
<b>Deposit and Prepayments</b>		
<b>Associated Company</b>		
ISE REIT Management Limited	<u>825,825</u>	<u>693,330</u>
<b>Staff Gratuity Fund</b>		
Retirement benefit plan	<u>15,890,647</u>	<u>29,226,190</u>
<b>Payable to SGF Trust</b>		
SGF Trust	<u>5,984,232</u>	<u>4,346,467</u>


**18. GENERAL**

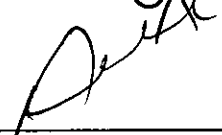
18.1 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison.

18.2 Figures have been rounded off to the nearest thousand rupees.

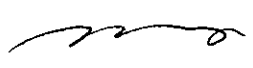
**19. DATE OF AUTHORISATION OF ISSUE**

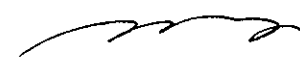
This condensed interim financial statement were authorized for issue on \_\_\_\_\_ by the Board of Directors of the Exchange.

  
 \_\_\_\_\_  
 CHAIRMAN

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

ATM

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

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

