

QUARTERLY REPORT  
SEPTEMBER 30, 2017



 **EFGHERMES**

EFG Hermes Pakistan Limited  
Formerly known as Invest and Finance Securities Limited

## **Contents**

---

02

Company Information

07

Cash Flow Statement

03

Directors' Review – English

08

Statement of Changes in Equity

04

Directors' Review – Urdu

09

Notes to the Financial Statement

05

Balance Sheet

16

Pattern of Shareholding

06

Profit and Loss Account



# Company Information

## Board of Directors

Mr. Murad Ansari - Chairman

Mr. Ahmed Youssef - Director  
Mr. Mohamed Ebeid - Director  
Mr. Mohamed Abdel Khabir - Director  
Mr. Fayyaz Ilyas - Director  
Mr. Hayat Javed - Director  
Mr. Rahat Aziz - Director  
Mr. Muzzammil Aslam - CEO

## Audit Committee

Mr. Mohamed Abdel Khabir - Chairman  
Mr. Ahmed Youssef - Member  
Mr. Fayyaz Ilyas - Member  
Mr. Rahat Aziz - Member

## HR & R Committee

Mr. Mohamed Ebeid - Chairman  
Mr. Murad Ansari - Member  
Mr. Hayat Javed - Member  
Mr. Muzzammil Aslam - Member

## Company Secretary

Mr. Shahid Kamal

## Chief Financial Officer

Mr. Ahmad Zakir Hafeez

## Auditors

M/s. Riaz Ahmad, Saqib, Gohar & Company Chartered Accountants 5-Nasim, C.H.S. Major Nazir Bhatti Road, Off: Shaheed-e-Millat Road, Karachi, Pakistan.

## Legal Advisor

Qazi Umair Ali  
Hafeez Pirzada Law Associates, 7-A, First Sunset Street DHA Phase II, Karachi, Pakistan.

## Share Registrar

M/s. Technology Trade (Private) Limited Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi, Pakistan.

## Bankers

MCB Bank Limited  
Bank Alfalah Limited  
Askari Bank Limited  
United Bank Limited  
Allied Bank Limited  
Bank Al Habib Limited  
Bankislami Pakistan Limited  
Habib Metropolitan Bank Limited  
Silk Bank Limited  
The Bank of Khyber  
Summit Bank Limited  
Habib Bank Limited  
JS Bank Limited  
Meezan Bank Limited

## Registered Office

Office No. 904, 9th Floor, Emerald Tower,  
Plot No. G-19, Block-5, Clifton, Karachi, Pakistan.

## Lahore Branch

319 Siddiq Trade Centre, 72 Main Boulevard,  
Gulberg, Lahore Pakistan

## Website

[www.efghermespakistan.com](http://www.efghermespakistan.com)

## **DIRECTORS' REVIEW**

**BEGIN IN THE NAME OF ALLAH  
THE MOST GRACIOUS AND MERCIFUL**

Dear Member(s)

Assalam-o-Alykum!

I, on behalf of Board of Directors of your Company, am pleased to present herewith un-audited condensed interim financial statements of the Company for the first quarter ended September 30, 2017.

### **Operational Results**

During the first quarter of the financial year, the Company earned operating revenues of Rs. 41.507 million compared to Rs. 27.537 million for the corresponding period. Before and after tax loss stood at Rs. 2.828 million and Rs. 9.393 million respectively as compared to before and after tax loss Rs. 0.158 million and Rs. 0.975 million respectively for the same period last year. The loss per share for the quarter is Rs. 0.47 compared to Rs. 0.05 for the same period during last year.

In conclusion, we pray to almighty Allah for his blessings, guidance, health and prosperity to us, our Company, Country and Nation.

For and on behalf of the Board of Directors

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

Karachi, October 23, 2017

## ڈائریکٹرز رپورٹ برائے ممبران

شروع اللہ کے نام سے جو نہایت مہربان اور رحم کرنے والا ہے۔

محترم ممبران  
السلام علیکم،

میں آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے بخوشی پہلی سہ ماہی مورخہ 30 ستمبر 2017 کو ختم ہونے والی کمپنی کی غیر آڈٹ شدہ عبوری مالی تفصیلات کی رپورٹ پیش کرتا ہوں۔

کاروباری نتیجہ :

مالی سال کی پہلی سہ ماہی کے دوران کمپنی نے 41.507 ملین روپے کمائے جبکہ گذشتہ سال اسی سہ ماہی کے دوران 27.537 ملین روپے کمائے تھے۔ قبل از ٹیکس اور بعد از ٹیکس نقصان 2.828 ملین روپے اور 9.393 ملین روپے بالترتیب رہے۔ مقابلتا گذشتہ سال اسی سہ ماہی کے دوران قبل از ٹیکس اور بعد از ٹیکس نقصان بالترتیب 0.158 ملین روپے اور 0.975 ملین روپے تھا۔ اس سہ ماہی کافی حصص خسارہ 0.47 اور مقابلتا گذشتہ سال اسی سہ ماہی کے دوران فی حصص خسارہ 0.05 تھی۔

آخر میں! اللہ تعالیٰ سے دُعا ہے کہ وہ ہم پر، ہماری کمپنی، ملک اور قوم پر اپنی رحمتیں اور برکتیں نازل فرمائے۔ آمین

منجانب بورڈ آف ڈائریکٹرز

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 23 اکتوبر 2017

## CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2017

		Un-audited September 30, 2017	Audited June 30, 2017
	Note	Rupees .....	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	40,541,528	34,658,656
Intangible assets		3,700,005	3,700,005
Long-term investments	6	44,531,299	49,163,833
Long-term deposits		1,700,000	1,259,735
		<u>90,472,832</u>	<u>88,782,229</u>
<b>CURRENT ASSETS</b>			
Trade debts - net	7	88,123,434	86,202,882
Short-term investments		248,337,500	551,657,096
Advances, deposits, prepayments and other receivables		120,274,344	141,331,853
Advance tax - net		54,646,558	54,332,752
Receivable under margin finance		168,340,940	75,505,654
Cash and bank balances	8	139,840,092	111,199,463
		<u>819,562,868</u>	<u>1,020,229,700</u>
<b>TOTAL ASSETS</b>		<u>910,035,700</u>	<u>1,109,011,929</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital		<u>1,000,000,000</u>	1,000,000,000
Issued, subscribed and paid-up capital		200,156,500	200,156,500
Unrealised gain on re-measurement of 'available for sale' Investments to fair value - net		22,499,858	27,132,392
Un-appropriated profit		19,284,724	28,677,968
		<u>241,941,082</u>	<u>255,966,860</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax - net		1,265,876	1,265,876
Long-term loan		375,000,000	650,000,000
Liabilities against assets subject to finance lease		4,258,440	4,654,320
		<u>380,524,316</u>	<u>655,920,196</u>
<b>CURRENT LIABILITIES</b>			
Current portion of liabilities against assets subject to finance lease		1,583,520	1,583,520
Short-term running finance	9	80,510,734	63,265,840
Trade and other payables		205,476,048	132,275,513
		<u>287,570,302</u>	<u>197,124,873</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	10	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>910,035,700</u>	<u>1,109,011,929</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2017

	First Quarter Ended	
	September 30, 2017	September 30, 2016
Note	Rupees .....	
<b>OPERATING REVENUES</b>		
Operating revenues	39,946,654	26,262,882
Gain on sale of investments-net	1,560,750	1,275,009
	<b>41,507,404</b>	27,537,891
<b>EXPENDITURES</b>		
Administrative and general expenses	<b>(41,340,407)</b>	(27,024,319)
Operating profit	<b>166,997</b>	513,572
Other income - net	<b>1,613,834</b>	218,736
Income on margin finance	<b>3,109,274</b>	-
Financial charges	<b>(9,120,233)</b>	(529,047)
Gain / (loss) on re-measurement of investments carried at fair value through profit and loss account- net	<b>1,402,000</b>	(361,636)
	<b>(2,995,125)</b>	(671,947)
<b>LOSS BEFORE TAXATION</b>	<b>(2,828,128)</b>	(158,375)
<b>TAXATION</b>	<b>(6,565,116)</b>	(816,694)
<b>LOSS AFTER TAXATION</b>	<b>(9,393,244)</b>	(975,069)
<b>Other comprehensive income</b>		
Unrealised loss on re-measurement of 'available for sale' investments during the period	<b>(4,632,534)</b>	-
<b>TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD</b>	<b>(14,025,778)</b>	(975,069)
Loss per share - basic and diluted	<b>(0.47)</b>	(0.05)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2017

	First Quarter Ended	
	September 30, 2017	September 30, 2016
	..... Rupees .....	
<b>Cash Flows From Operating Activities</b>		
(Loss) before taxation	(2,828,128)	(158,375)
<b>Adjustments for:</b>		
Depreciation	1,548,855	1,373,715
Financial charges	9,120,233	529,047
Gain / (loss) on re-measurement of investments carried at fair value through profit and loss account - net	(1,402,000)	361,636
Gain on disposal of property, plant and equipment	(478,601)	-
	<u>8,788,487</u>	<u>2,264,398</u>
Profit before working capital changes	5,960,359	2,106,023
<b>Changes in working capital (Increase) / decrease in current assets</b>		
Trade debts	(1,920,552)	(31,378,583)
Short-term investments	304,721,596	254,244
Advances, deposits, prepayments and other receivables	21,057,509	(11,380,671)
Receivable under margin finance	(92,835,286)	-
Receivable from NCCPL - net	-	(709,971)
	<u>231,023,267</u>	<u>(43,214,981)</u>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	64,419,203	55,782,554
Payable to NCCPL - net	-	(2,280,508)
Cash generated from operations	<u>301,402,829</u>	<u>12,393,088</u>
Income tax paid	(6,878,922)	(4,036,436)
Financial charges paid	(338,901)	(401,729)
Net cash generated from operating activities	<u>294,185,006</u>	<u>7,954,923</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(7,503,126)	(2,852,850)
Proceeds from disposal of property, plant and equipment	550,000	-
Long-term deposits	(440,265)	50,000
Net cash used in investing activities	<u>(7,393,391)</u>	<u>(2,802,850)</u>
<b>Cash Flows From Financing Activities</b>		
Long-term loan paid	(275,000,000)	-
Liabilities against assets subject to finance lease	-	1,701,600
Lease rentals paid	(395,880)	-
Net cash (used in) / generated from financing activities	<u>(275,395,880)</u>	<u>1,701,600</u>
<b>Net increase in cash and cash equivalents</b>	<b>11,395,735</b>	<b>6,853,673</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>47,933,623</b>	<b>59,457,534</b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>59,329,358</u></b>	<b><u>66,311,207</u></b>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR



## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2017

	Share capital	Unappropriated profit/(loss)	Unrealised gain / (loss) on re-measurement of 'available for sale' investments	Total
	----- Rupees -----			
<b>Balance as at June 30, 2016</b>	200,156,500	(8,224,779)	-	191,931,721
Total comprehensive loss for the first quarter ended September 30, 2016	-	(975,069)	-	(975,069)
<b>Balance as at September 30, 2016</b>	<u>200,156,500</u>	<u>(9,199,848)</u>	<u>-</u>	<u>190,956,652</u>
<b>Balance as at June 30, 2017</b>	<b>200,156,500</b>	<b>28,677,968</b>	<b>27,132,392</b>	<b>255,966,860</b>
Total comprehensive loss for the first quarter ended September 30, 2017	-	<b>(9,393,244)</b>	<b>(4,632,534)</b>	<b>(14,025,778)</b>
<b>Balance as at September 30, 2017</b>	<u><b>200,156,500</b></u>	<u><b>19,284,724</b></u>	<u><b>22,499,858</b></u>	<u><b>241,941,082</b></u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2017

### 1 STATUS AND NATURE OF BUSINESS

EFG Hermes Pakistan Limited ('the Company') was incorporated under the Companies Ordinance, 1984 -'repealed' (now Companies Act, 2017) on September 27, 1999 as a Private Limited Company and converted into Public Unquoted Company w.e.f. November 27, 2006. Effective March 20, 2008 the Company became a listed Company with its shares quoted on the Pakistan Stock Exchange Limited. The Securities & Exchange Commission of Pakistan ("SECP") issued a Certificate of Incorporation on change of name under section 40 of the Companies Ordinance, 1984 - 'repealed' on 18 May, 2017 recognizing the Company as EFG Hermes Pakistan Limited. The registered office of the Company is situated at Office No. 904, 9th Floor, Emerald Tower, Plot No. G-19, Block- 5, Clifton, Karachi, Pakistan.

The Company is Trading Right Entitlement Certificate (TREC) Holder of the Pakistan Stock Exchange Limited and a licensed Securities Broker registered with SECP. Furthermore, the Company is a Corporate Member of the Pakistan Mercantile Exchange Limited and is registered with/accredited by Financial Markets Association of Pakistan as Inter-bank broker and Mutual Funds Association of Pakistan as Service Provider/Distributor. The Company is engaged in Financial Brokerage, Corporate Finance and Financial Research and is well-positioned to respond to the dynamic business environment.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These condensed interim financial statements have been presented in condense form in accordance with the requirements of International Accounting Standard (IAS)-34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984 -'repealed'. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 -'repealed' (effective through circular 17 of 2017 dated July 20, 2017 and circular 23 of 2017 dated October 04, 2017 issued by SECP) have been followed. These condensed interim financial statements do not include all of the information required of full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2017.

These condensed interim financial statements are un-audited and are being submitted to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984 -'repealed'. These condensed interim financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2017.

Regular purchases and sales of investments are recognized on trade date basis - i.e. on the date when the Company commits to purchase or sell the asset. All client purchases and sales are recognized on T+2 basis - i.e. on the date of settlement.

#### 4 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those applied in the preparation of the annual audited financial statements for the year ended June 30, 2017.

	<u>Un - audited</u> <u>September</u> <u>30, 2017</u>	<u>Audited</u> <u>June</u> <u>30, 2017</u>
Note .....	Rupees .....	
Opening book value	34,658,656	35,445,948
Add: Additions during the period - own	7,503,126	2,650,992
Additions during the period - leased vehicles	-	2,497,000
Less: Disposals during the period (at book value)	(71,399)	(62,275)
Depreciation charged during the period	(1,548,855)	(5,873,009)
	<b>(1,620,254)</b>	(5,935,284)
Closing book value	<u>40,541,528</u>	<u>34,658,656</u>

#### 6 LONG-TERM INVESTMENTS

'Available for sale' investments 6.1 44,531,299 49,163,833

##### 6.1 Description of 'available for sale' investments

30-Sep-17		30-Jun-17		30-Sep-17		30-Jun-17	
Number of Shares	Name of Investee Companies	Note	Cost	Carrying Vale	Cost	Carrying Vale	
Rupees .....							
1,602,953	1,602,953	Pakistan Stock Exchange Ltd.	6.2	14,031,433	36,531,299	14,031,433	41,163,833
843,975	843,975	LSE Financial Services Ltd.	6.3	8,000,000	8,000,000	8,000,000	8,000,000
				<u>22,031,433</u>	<u>44,531,299</u>	<u>22,031,433</u>	<u>49,163,833</u>

6.2 In accordance with the requirements of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), 4,007,383 shares of Pakistan Stock Exchange Limited ('PSX') had been allotted to the Company in lieu of membership card of KSE. In compliance of the Act, 60% shares have been sold out at a price of Rs. 28/- per share and in terms of Share Purchase Agreement Rs. 4.49 million are retained for a year to settle any outstanding liabilities of PSX. The remaining 40% i.e. 1,602,953 shares are presently in blocked account in the name of the Company under the Public Offering Regulations, 2017. However, the Company has pledged these shares with PSX to fulfill the Base Minimum Capital Requirement as per PSX Regulations. These shares have been revalued at a price of Rs. 22.79 as at balance sheet date. Further, two TRE Certificates of PSX (i.e. one each against TRE Certificates of Karachi Stock Exchange Limited and the Lahore Stock Exchange Limited) have been issued to the Company.

- 6.3** This represents unquoted shares of LSE Financial Services Limited ('LSEFSL') formed as an NBFC allotted as a result of Corporatization, Demutualization and Integration Act, 2012 in lieu of membership card of LSE. Since shares of LSEFSL are not presently tradable therefore fair value cannot be determined.

<u>Un - audited</u> <u>September</u> <u>30, 2017</u>	<u>Audited</u> <u>June</u> <u>30, 2017</u>
..... Rupees .....	

**7 TRADE DEBTS - NET**

Trade debts - net	<b>88,123,434</b>	86,202,882
-------------------	-------------------	------------

**Aging Analysis**

Within 5 days	<b>76,598,297</b>	64,079,457
Above 5 days	<b>12,335,087</b>	22,933,375
Provision for doubtful debts	<b>(809,950)</b>	(809,950)

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

As per Brokers (licensing and operations) Regulations 2016 trade debts for more than five days to the extent by which the amount receivable exceed the collateral held from such customer after applying haircuts on VAR basis are Rs. 5.20 million (June 30, 2017: Rs. 6.49 million).

<u>Un - audited</u> <u>September</u> <u>30, 2017</u>	<u>Audited</u> <u>June</u> <u>30, 2017</u>
..... Rupees .....	

**8 CASH AND BANK BALANCES**

Cash in hand	<b>192,541</b>	191,541
--------------	----------------	---------

Cash at banks

- in deposit accounts	<b>12,555,738</b>	11,959,949
- in current accounts - pertaining to brokerage house	<b>7,806,800</b>	9,506,903
- in current accounts - pertaining to clients	<b>119,285,013</b>	89,541,070
	<b>139,647,551</b>	111,007,922
	<b>139,840,092</b>	111,199,463

- 8.1** Client(s) balances of Rs. 30 million are kept in margin deposit account of respective UIN's with the National Clearing Company of Pakistan Limited.

- 8.2** Value of customers assets held in the Central Depository Company under Company's Participant ID as at September 30, 2017 is Rs. 1.53 billion (June 30, 2017 : Rs. 1.49 billion).

	<u>Un - audited</u> <u>September</u> <u>30, 2017</u>	<u>Audited</u> <u>June</u> <u>30, 2017</u>
	..... Rupees .....	
<b>9 SHORT - TERM RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS - Secured</b>		
NIB Bank Limited	-	27,353
Habib Bank Limited	<u>80,510,734</u>	<u>63,238,487</u>
	<u>80,510,734</u>	<u>63,265,840</u>

**9.1** The Company has aggregate running finance facilities of Rs. 950 million (June 30, 2017 : Rs. 950 million) under mark-up arrangements. The facilities carry Mark-up at 3 months KIBOR + 2% & 1 month KIBOR + 0.25% (June 30, 2017 : 3 months KIBOR + 2% & 1 month KIBOR + 0.25%). These arrangements would remain valid for varying periods and are secured against pledge of listed and government securities. Securities pledged value related to client(s) were nil (June 30, 2017: 5.48 million).

## **10 CONTINGENCIES AND COMMITMENTS**

**10.1** The Company has pledged / hypothecated TRE Certificates of Pakistan Stock Exchange Limited and 1,602,953 ordinary shares of PSX with PSX to fulfill the Base Minimum Capital requirement under the Regulations of the Exchange.

**10.2** The income tax authorities have issued Notice under section 122(5A) read with Section 122(9) of the Income Tax Ordinance, 2001 to amend the assessment for the tax year 2013. In this regard, tax Authorities have passed an order vide decreasing tax loss claimed for the year. However, the Company has filed an appeal before the Commissioner (Appeals-III) against the above order and the proceedings thereof are pending till date. The management is confident that the eventual outcome of the matters will be decided in favour of the Company. Accordingly, no provisions have been made in these financial statements.

**10.3** The income tax authorities have issued Show Cause Notices under section 122(9) for amendment under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2010, 2011 and 2013. The Company has filed petitions in the Honorable High Court of Sindh at Karachi against notices/orders for tax years 2010 and 2011. The Honorable High Court of Sindh has granted Stay Orders in favor of the Company. In respect of tax year 2013 the Company had already filed appeal mentioned in Note 10.2 and proceedings thereof are pending till date. The management is confident that the eventual outcome of the matter will be decided in favour of the Company. Accordingly, no provisions have been made in these financial statements.

**10.4** The tax department has filed appeal against the Supreme Court decision in the matter of Federal Excise Duty. The PSX Stock Brokers Association is defending the case and the Company became a party with them. Further, tax department has issued Show Cause Notice under section 121(1)(d) of the Income Tax Ordinance, 2001 for best judgment assessment for the tax year 2012. The Company has filed Suit before the Honorable High Court of Sindh at Karachi for challenging notice and merger of proceedings under section 122(5A) of the Income Tax Ordinance, 2001 initiated and closed earlier by the Additional Commissioner Inland Revenue. The management is confident that the eventual outcome of the matter will be decided in favour of the Company.

**10.5** The income tax authorities have issued order for levy of default surcharge under section 205(1B) for failing to pay advance tax under subsection (4A) or 6 of section 147 of the Income Tax Ordinance, 2001 of Rs. 171,331. The company has filed an appeal before Commissioner (appeals) and the proceedings therefore are pending till date. The Company is confident that the said demand in the order will be deleted and appeal shall be finalized in its favour.

- 10.6** The income tax authorities have shown their intention to charge Workers' Welfare Fund ('WWF') for tax years 2010 to 2015 and in this regard have issued various orders and show cause notices for payment of WWF for these years. The Company has filed a writ petition for tax year 2012 under Article 199 of the Constitution of Islamic Republic of Pakistan in the Honorable High Court of Sindh at Karachi for grant of stay order against the imposition of WWF. The Honorable High Court of Sindh has granted Stay Order in favour of the Company. The Honorable Supreme Court of Pakistan has decreed on 10th November, 2016 that impugned amendments in the Finance Act related to WWF as unlawful. However, a review petition has been filed in the Honorable Supreme Court of Pakistan. Since the management is confident that the eventual outcome of this case will be decided in favour of the Company therefore, no provision has been made for tax year 2012 and 2013 amount of Rs. 4,443,599/- and Rs. 4,925,073/- respectively in these financial statements.
- 10.7** The income tax authorities have issued a Show Cause Notice under section 161 & 205 of the Income Tax Ordinance, 2001 for tax year 2016 whereby the demand of Rs. 5,308,985 has been raised on account of short payment of withholding tax for the said year. The Company has filed response against the Show Cause Notice for recovery of unlawful demand. The management is confident that the eventual outcome of the case will be decided in favour of the Company. Accordingly, no provision has been made in these financial statements.
- 10.8** The Company received a show cause notice from the Sindh Revenue Board under section 23 (1) of the Sindh Sales tax on Services Act, 2011 whereby the sales tax authorities are demanding additional output tax of Rs. 3,755,845 & Rs. 1,027,176 for tax year 2015 & 2016 respectively. The management believes that the above demand is unlawful and expects that the case will be decided in favor of the Company. Therefore, no provision has been made in these financial statements.
- 10.9** The income tax authorities have filed second appeal before the Appellate Tribunal Inland Revenue, Karachi against order no. 62/2016 & 63/2016 of the Commissioner Inland Revenue (Appeal-III), Karachi passed in favor of the Company in the matter of non withholding of tax Rs. 23,049,621/- and Rs. 35,389,628/- for tax year 2014 and 2015 respectively against payment of Buy-Back of shares under section 95A of the Companies Ordinance, 1984 - 'repealed'. The management is confident that the eventual outcome of the matter will be decided again in favour of the Company. Accordingly, no provisions have been made in these financial statements.

		<u>Un - audited</u> <u>September</u> <u>30, 2017</u>	<u>Audited</u> <u>September</u> <u>30, 2016</u>
	<b>Note</b>	<b>Rupees .....</b>	
<b>11 OPERATING REVENUES</b>			
Equity brokerage income	11.1	<b>36,674,239</b>	20,113,572
Inter-bank brokerage		<b>3,123,286</b>	5,789,310
Fees and commission		<b>149,129</b>	-
Dividend income		-	360,000
		<u><b>39,946,654</b></u>	<u>26,262,882</u>

- 11.1** The equity trading brokerage income from institutional clients amounts to Rs. 20.65 million (September 30, 2016 : Rs. 10.04 million) whereas Rs. 16.02 million (September 30, 2016 : Rs. 10.07 million) brokerage income is earned from retail clients and Rs. Nil (September 30, 2016 : Rs. Nil) brokerage income is earned on proprietary trades.

## 12 RELATED PARTY TRANSACTIONS

The related parties comprise of major shareholders, associated companies with or without common directors, directors of the Company and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the entity. The Company considers all members of their management team, including the Chief Executive Officer and Directors to be its key management personnel. Remuneration and benefits to Executives of the Company are in accordance with the terms of the employment. Transactions with other related parties are entered into at rates negotiated with them.

Details of transactions with related parties, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

	<u>Un - audited</u> <u>September</u> <u>30, 2017</u>	<u>Un - audited</u> <u>September</u> <u>30, 2016</u>
	..... Rupees .....	
<b>Brokerage income earned from:</b>		
Directors	<u>303,821</u>	<u>57,557</u>
Employees	<u>385,400</u>	<u>68,557</u>
<b>Transactions</b>		
Contribution to employees provident fund	<u>875,410</u>	<u>631,539</u>
Salaries and remuneration to Chief Executive & Director	<u>3,200,000</u>	<u>2,100,000</u>
Fee to Non-Executive Director (Independent)	<u>25,000</u>	<u>-</u>
Commission expense to Financial Brokerage Group	<u>1,693,012</u>	<u>-</u>
<b>Balances</b>		
Payable to directors in their shares trading accounts	<u>2,766,379</u>	<u>1,584</u>
Payable to employees in their shares trading account	<u>9,589,153</u>	<u>864,332</u>
Payable to Financial Brokerage Group	<u>6,078,050</u>	<u>-</u>
Payable to EFG Hermes Frontier LLC	<u>419,047</u>	<u>-</u>
Receivables from employees in their shares trading account	<u>1,035</u>	<u>173,957</u>

**13 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements have been authorized for issue on October 23, 2017 by the Board of Directors of the Company.

**14 GENERAL**

Figures in these condensed interim financial statements have been rounded off to the nearest rupee. Prior year's figures in these financial statements have been re-arranged / re-classified, where necessary, for better presentation.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR



## PATTERN OF SHAREHOLDING

As at September 30, 2017

[Sub-Regulation 2(e) of Regulation 34 under chapter IV  
of Securities Brokers (Licensing and Operations)  
Regulations, 2016]

### SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

Names	Number of Shareholders	Number of Shares held	% of Shareholding
EFG Hermes Frontier Holdings LLC	1	10,207,982	51.00%
Mr. Muzzammil Aslam	1	1,233,019	6.16%
Mr. Irfan Pardesi	1	1,102,065	5.51%
Mr. Munaf Ibrahim	1	1,635,000	8.17%

### CHANGES IN SHAREHOLDERS HOLDING ABOVE 5%

Names	Holding Balance as at June 30, 2017	Holding Balance as at September 30, 2017	Changes
Mr. Muzzammil Aslam	1,233,019	1,233,019	0
Mr. Irfan Pardesi	1,102,065	1,102,065	0
Mr. Munaf Ibrahim	1,635,000	1,635,000	0
EFG Hermes Frontier Holdings LLC	10,207,982	10,207,982	0

 EFGHERMES

EFG HERMES PAKISTAN LIMITED

Office # 904, 9th Floor, Emeral Tower, Plot No. G19, Block-5, Clifton, Karachi, Pakistan

Tel: +92 21 35141100-04 Fax: +92 21 35141109

[www.efghermespakistan.com](http://www.efghermespakistan.com)

CORPORATE