

QUARTERLY REPORT  
MARCH 31, 2018



 EFGHERMES

EFG Hermes Pakistan Limited

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# 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. F. D. Registrar Services (SMC-Pvt.) Limited  
Office No. 1705-A, 17th Floor, Saima Trade Tower,  
I.I. Chundrigar Road, 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 March 31, 2018.

### Operational Results

During the first quarter of the financial year, the Company earned operating revenues of Rs. 38.487 million compared to Rs. 60.785 million for the corresponding period. Before and after tax loss stood at Rs. 1.074 million and Rs. 6.148 million respectively compared to before and after tax profit Rs. 29.789 million and Rs. 23.068 million respectively for the same period last year. The basic and diluted (loss)/earnings per share for the quarter is Rs. (0.31) compared to Rs. 1.15 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, April 26, 2018

## ڈائریکٹرز رپورٹ برائے ممبران

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

محترم ممبران

السلام وعلیکم،

میں آپکی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے بخوشی پہلی سہ ماہی 31 مارچ 2018 کو ختم ہونے والی کمپنی کی غیر آڈٹ شدہ عبوری مالی تفصیلات کی رپورٹ پیش کرتا ہوں۔

کاروباری نتائج:

مالی سال کی پہلی سہ ماہی کے دوران کمپنی نے آپریٹنگ آمدنی کی مد میں 38.487 ملین روپے کمائے جبکہ گذشتہ سال اسی سہ ماہی کے دوران 60.785 ملین روپے کمائے تھے۔ قبل از ٹیکس اور بعد از ٹیکس نقصان 1.074 ملین روپے اور 6.148 ملین روپے بالترتیب ہے جبکہ گذشتہ سال اسی سہ ماہی کے دوران قبل از ٹیکس اور بعد از ٹیکس منافع 29.789 ملین روپے اور 23.068 ملین روپے بالترتیب تھا۔ اس سہ ماہی کے دوران بنیادی اور معمولی فی حصص (خسارہ) آمدنی (0.31) روپے اور مقابلتاً گذشتہ سال اسی سہ ماہی کے دوران فی حصص 1.15 روپے تھا۔

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: 26 اپریل 2018

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

		Un-audited March 31, 2018	Audited December 31, 2017
<b>ASSETS</b>	<b>Note</b>	<b>Rupees .....</b>	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	38,899,954	40,641,566
Intangible assets		7,275,036	3,700,005
Long-term investments	6	49,532,512	43,906,147
Long-term deposits		1,700,000	1,700,000
		<u>97,407,502</u>	<u>89,947,718</u>
<b>CURRENT ASSETS</b>			
Trade debts	7	41,892,935	51,371,435
Short-term investments		263,016,270	199,399,200
Advances, deposits, prepayments and other receivables		73,609,372	131,793,751
Advance tax - net		58,043,333	57,985,088
Receivable under margin finance		118,416,697	178,394,718
Cash and bank balances	8	159,892,544	110,716,591
		<u>714,871,151</u>	<u>729,660,783</u>
		<u>812,278,653</u>	<u>819,608,501</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital		1,000,000,000	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		27,501,071	21,874,706
Un-appropriated profit		11,653,068	17,800,845
		<u>239,310,639</u>	<u>239,832,051</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term loan		375,000,000	375,000,000
Liabilities against assets subject to finance lease		3,466,680	3,862,560
		<u>378,466,680</u>	<u>378,862,560</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	1,613,095	92,708,947
Trade and other payables		191,304,719	106,621,423
		<u>194,501,334</u>	<u>200,913,890</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>812,278,653</u>	<u>819,608,501</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

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CHIEF EXECUTIVE OFFICER

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DIRECTOR

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

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE FIRST QUARTER ENDED MARCH 31, 2018

		First Quarter Ended	
		March 31, 2018	March 31, 2017
Note	.....	Rupees .....	
<b>OPERATING REVENUES</b>			
Operating revenues	11	35,574,958	29,911,913
Gain on sale of investments-net		2,911,826	30,872,669
		<b>38,486,784</b>	60,784,582
<b>EXPENDITURES</b>			
Administrative and general expenses		<b>(37,850,965)</b>	(30,673,909)
Operating profit		<b>635,819</b>	30,110,673
Other income - net		<b>546,221</b>	383,453
Income on margin finance		<b>3,557,450</b>	-
Financial charges		<b>(6,236,580)</b>	(300,610)
Gain / (loss) on re-measurement of investments carried at fair value through profit and loss account- net		<b>423,225</b>	(404,820)
		<b>(1,709,684)</b>	(321,977)
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(1,073,865)</b>	29,788,696
<b>TAXATION</b>		<b>(5,073,912)</b>	(6,721,121)
<b>(LOSS) / PROFIT AFTER TAXATION</b>		<b>(6,147,777)</b>	23,067,575
<b>Other comprehensive income</b>			
Unrealised gain on re-measurement of 'available for sale investments' during the period		<b>5,626,365</b>	39,544,474
Less: related tax		-	(8,897,507)
		<b>5,626,365</b>	30,646,967
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>		<b>(521,412)</b>	53,714,542
(Loss) / earnings per share - basic and diluted		<b>(0.31)</b>	1.15

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

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CHIEF EXECUTIVE OFFICER

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DIRECTOR

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CHIEF FINANCIAL OFFICER

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

FOR THE FIRST QUARTER ENDED MARCH 31, 2018

	First Quarter Ended	
	March 31, 2018	March 31, 2017
	..... Rupees .....	
<b>Cash Flows From Operating Activities</b>		
(Loss) / profit before taxation	<b>(1,073,865)</b>	29,788,696
<b>Adjustments for:</b>		
Depreciation	<b>1,796,712</b>	1,489,714
Amortisation	<b>324,969</b>	-
Financial charges	<b>6,236,580</b>	300,610
(Gain) / loss on re-measurement of investments carried at fair value through profit and loss account - net	<b>(423,225)</b>	404,820
	<b>7,935,036</b>	2,195,144
Profit before working capital changes	<b>6,861,171</b>	31,983,840
<b>Changes in working capital</b>		
<b>Decrease / (increase) in current assets</b>		
Trade debts - unsecured	<b>9,478,500</b>	(16,688,682)
Short-term investments	<b>(63,193,845)</b>	(2,622,270)
Advances, deposits, prepayments and other receivables	<b>58,184,379</b>	40,503,671
Receivable under margin finance	<b>59,978,021</b>	-
Receivable from NCCPL - net	<b>-</b>	2,464,246
	<b>64,447,055</b>	23,656,965
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	<b>79,307,268</b>	38,851,950
Cash generated from operations	<b>150,615,494</b>	94,492,755
Income tax paid	<b>(5,132,157)</b>	(5,684,950)
Financial charges paid	<b>(860,552)</b>	(717,909)
Net cash generated from operating activities	<b>144,622,785</b>	88,089,896
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	<b>(55,100)</b>	(207,426)
Purchase of softwares	<b>(3,900,000)</b>	-
Proceeds from disposal of long term investments	<b>-</b>	14,031,438
Net cash (used in) / generated from investing activities	<b>(3,955,100)</b>	13,824,012
<b>Cash Flows From Financing Activities</b>		
Lease rentals paid	<b>(395,880)</b>	(395,880)
Net cash (used in) financing activities	<b>(395,880)</b>	(395,880)
<b>Net increase in cash and cash equivalents</b>	<b>140,271,805</b>	101,518,028
<b>Cash and cash equivalents at the beginning of the period</b>	<b>18,007,644</b>	59,403,549
<b>Cash and cash equivalents at the end of the period</b>	<b>158,279,449</b>	160,921,577

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

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CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

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CHIEF FINANCIAL OFFICER



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

FOR THE FIRST QUARTER ENDED MARCH 31, 2018

	Share capital	Unappropriated profit/(loss)	Unrealised gain / (loss) on re-measurement of 'available for sale' investments	Total
	Rupees			
<b>Balance as at December 31, 2016</b>	<b>200,156,500</b>	<b>(6,199,506)</b>	<b>-</b>	<b>193,956,994</b>
Total comprehensive income for the quarter ended March 31, 2017	-	23,067,575	30,646,967	53,714,542
<b>Balance as at March 31, 2017</b>	<u>200,156,500</u>	<u>16,868,069</u>	<u>30,646,967</u>	<u>247,671,536</u>
<b>Balance as at December 31, 2017</b>	<b>200,156,500</b>	<b>17,800,845</b>	<b>21,874,706</b>	<b>239,832,051</b>
Total comprehensive loss for the first quarter ended March 31, 2018	-	(6,147,777)	5,626,365	(521,412)
<b>Balance as at March 31, 2018</b>	<u>200,156,500</u>	<u>11,653,068</u>	<u>27,501,071</u>	<u>239,310,639</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

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CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

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

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

FOR THE FIRST QUARTER ENDED MARCH 31, 2018

### 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 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 Accounting Standard (IAS) 34, Interim Financial Reporting, 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 the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 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 period ended December 31, 2017.

These condensed interim financial statements are un-audited and are being submitted to the shareholders in accordance with the requirements of section 237 of the Companies Act, 2017. 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 audited financial statements for the period ended December 31, 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 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 audited financial statements for the period ended December 31, 2017.

	<u>Un - audited</u> <u>March</u> <u>31, 2018</u>	<u>Audited</u> <u>December</u> <u>31, 2017</u>
Note .....	Rupees .....	

#### 5 PROPERTY, PLANT AND EQUIPMENT

Opening book value	<b>40,641,566</b>	34,658,656
Add: Additions during the period - own	<b>55,100</b>	10,380,982
Less: Disposals during the period (at book value)	<b>-</b>	(899,843)
Depreciation charged during the period	<b>(1,796,712)</b>	(3,498,229)
	<b>(1,796,712)</b>	(4,398,072)
Closing book value	<b><u>38,899,954</u></b>	<u>40,641,566</u>

#### 6 LONG-TERM INVESTMENTS

'Available for sale' investments	6.1	<b><u>49,532,512</u></b>	<u>43,906,147</u>
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##### 6.1 Description of 'available for sale' investments

31-Mar-18		31-Dec-17				31-Mar-18		31-Dec-17	
Number of Shares	Name of Investee Companies	Note	Cost	Carrying Vale	Cost	Carrying Vale	Rupees .....		
<b>1,602,953</b>	1,602,953	Pakistan Stock Exchange Ltd.	6.2	<b>14,031,433</b>	<b>41,532,512</b>	14,031,433	35,906,147		
<b>843,975</b>	843,975	LSE Financial Services Ltd.	6.3	<b>8,000,000</b>	<b>8,000,000</b>	8,000,000	8,000,000		
				<b><u>22,031,433</u></b>	<b><u>49,532,512</u></b>	<u>22,031,433</u>	<u>43,906,147</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. 25.91 (December 31, 2017 : Rs. 22.40) 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. The Company has surrendered an inactive TRE Certificate with the PSX as per requirement of the Act.

- 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>March</u> <u>31, 2018</u>	<u>Audited</u> <u>December</u> <u>31, 2017</u>
..... Rupees .....	

## 7 TRADE DEBTS - NET

Trade debts - net	<u>41,892,935</u>	<u>51,371,435</u>
<b>Aging Analysis</b>		
Within 5 days	<u>25,725,697</u>	45,528,033
Above 5 days	<u>16,977,188</u>	6,653,352
Provision for doubtful debts	<u>(809,950)</u>	(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 Securities 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. 3.30 million (December 31, 2017: Rs. 5.20 million).

<u>Un - audited</u> <u>March</u> <u>31, 2018</u>	<u>Audited</u> <u>December</u> <u>31, 2017</u>
Note ..... Rupees .....	

## 8 CASH AND BANK BALANCES

Cash in hand	<u>90,211</u>	90,211
Cash at banks		
- in deposit accounts	8.1 <u>12,111,665</u>	11,726,237
- in current accounts - pertaining to brokerage house	<u>5,501,840</u>	31,930,153
- in current accounts - pertaining to clients	<u>142,188,828</u>	66,969,990
	<u>159,802,333</u>	110,626,380
	<u>159,892,544</u>	<u>110,716,591</u>

- 8.1 These carry return ranging from 2.65% to 3.75% (December 31, 2017 : 2.65% to 3.75%) per annum.
- 8.2 Value of customers assets held in the Central Depository Company under Company's Participant ID as at March 31, 2018 is Rs. 1.31 billion (December 31, 2017 : Rs. 1.52 billion).

	<u>Un - audited</u> <u>March</u> <u>31, 2018</u>	<u>Audited</u> <u>December</u> <u>31, 2017</u>
	..... Rupees .....	
<b>9 SHORT - TERM RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS - Secured</b>		
Habib Bank Limited	<b>1,613,095</b>	88,062,924
Askari Bank Limited	-	4,646,023
	<u><b>1,613,095</b></u>	<u>92,708,947</u>

**9.1** The Company has aggregate running finance facilities of Rs. 650 million (December 31, 2017 : Rs. 650 million) under mark-up arrangements. The facilities carry Mark-up at 3 months KIBOR + 2% & 1 month KIBOR + 0.10% (December 31, 2017 : 3 months KIBOR + 2% & 1 month KIBOR + 0.10%). 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 Rs. 2.04 million (December 31, 2017 : Rs. 10.26 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. During the year the commissioner passed order against the Company and the Company has filed appeal with the Appellate Tribunal Inland Revenue. 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. The management is confident that the eventual outcome of the matter will be decided in favour of the Company therefore, no provision has been recognised in these financial statements.

**10.5** The 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.

- 10.6** 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 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 2017 whereby the demand of Rs. 3,085,452 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>March</u> <u>31, 2018</u>	<u>Un - audited</u> <u>March</u> <u>31, 2017</u>
	Note	..... Rupees .....	
<b>11 OPERATING REVENUES</b>			
Equity brokerage income	11.1	<b>32,194,312</b>	26,150,649
Inter-bank brokerage		<b>3,300,498</b>	3,303,453
Fees and commission		-	116,869
Dividend income		<b>80,148</b>	340,942
		<b><u>35,574,958</u></b>	<u>29,911,913</u>

## 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>March</u> <u>31, 2018</u>	<u>Un-audited</u> <u>March</u> <u>31, 2017</u>
	..... Rupees .....	
<b>Brokerage income earned from:</b>		
Directors	<u>387,565</u>	<u>132,019</u>
Employees	<u>240,615</u>	<u>100,897</u>
<b>Transactions</b>		
Contribution to employees provident fund	<u>898,568</u>	<u>911,174</u>
Salaries and remuneration to Chief Executive Officer	<u>2,400,000</u>	<u>2,400,000</u>
Fee to Non-Executive Director (Independent)	<u>25,000</u>	<u>25,000</u>
<b>Associate</b>		
Commission expense to Financial Brokerage Group	<u>1,818,438</u>	<u>-</u>
<b>Balances</b>		
Payable to directors in their shares trading accounts	<u>3,378,678</u>	<u>14,065,032</u>
Payable to employees in their shares trading account	<u>4,716,435</u>	<u>872,703</u>
<b>Balances of the holding company</b>		
Payable to EFG Hermes Frontier Holdings LLC	<u>1,416,162</u>	<u>-</u>
<b>Balances of associates</b>		
Payable to Financial Brokerage Group	<u>8,023,561</u>	<u>-</u>

<u>Un - audited</u> <u>March</u> <u>31, 2018</u>	<u>Un - audited</u> <u>March</u> <u>31, 2017</u>
..... Rupees '000 .....	

**13 TURNOVER**

The Company shares turnover is as under:

Retail clients	<u>15,698,822</u>	<u>24,225,440</u>
Institutional clients	<u>6,688,096</u>	<u>38,746,667</u>
Proprietary accounts	<u>308,291</u>	<u>810,066</u>

**14 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements have been authorized for issue on April 26, 2018 by the Board of Directors of the Company.

**15 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

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



## PATTERN OF SHAREHOLDING

As on March 31, 2018

[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 Frontiers Holdings LLC	1	10,207,982	51.00
Mr. Munaf ibrahim	1	1,618,000	8.17
Mr. Muzzammil Aslam	1	1,233,019	6.16
Mr. Irfan Pardesi	1	1,102,065	5.51

### CHANGES IN SHAREHOLDERS HOLDING ABOVE 5%

Names	Holding Balance December 31 2017	Holding Balance as at March 31, 2018	Changes
EFG-Hermes Frontiers Holdings LLC	10,207,982	10,207,982	-
Mr. Munaf ibrahim	1,635,000	1,618,000	(17,000)
Mr. Muzzammil Aslam	1,233,019	1,233,019	-
Mr. Irfan Pardesi	1,102,065	1,102,065	-

 **EFGHERMES**

**EFG HERMES PAKISTAN LIMITED**

**TREC HOLDER AND LICENSED SECURITIES BROKER OF PAKISTAN STOCK EXCHANGE LIMITED**

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CORPORATE