

NINE MONTH REPORT
SEPTEMBER 30, 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 Khahir - Director
Mr. Fayyaz Ilyas - Director
Mr. Hayat Javed - Director
Mr. Safdar Mummunka - Director
Mr. Haroon Askari - Director
Mr. Muhammad Yousuf - Director
Ms. Sarah Maja - Director
Mr. Freyan Avari - Director
Mr. Ahmed El Khamissy - Director
Mr. Johannes Gunnell - Director
Mr. Shahid Kamal - CEO

Audit Committee:

Mr. Johannes Gunnell - Chairman
Mr. Fayyaz Ilyas - Member
Mr. Ahmed El Khamissy - Member
Mr. Haroon Askari - Member

HR & R Committee

Mr. Freyan Avari - Chairman
Mr. Mohamed Ebeid - Member
Mr. Hayat Javed - 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
Standard Chartered 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

Directors' Review

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

Dear Member(s)

We, on behalf of Board of Directors of your Company, are pleased to present herewith un-audited condensed interim financial statements of the Company for the third quarter and nine months ended September 30, 2018.

Performance Review

During the third quarter ended September 30, 2018, the Company earned operating revenues of Rs. 26.482 million as compared to Rs. 41.507 million for the same period during last year. The Company posted before and after tax loss of Rs. (15.072) million and Rs. (15.994) million respectively as compared to before and after tax loss (2.828) million and Rs. (9.393) million respectively for the corresponding period. During the quarter, the Loss per share for the quarter stood at Rs. (0.80) as compared to loss per share Rs. (0.47) for the corresponding period.

For the nine months ended September 30, 2018, the Company earned operating revenues of Rs. 106.915 million as compared to Rs. 162.512 million for the corresponding period. The Company posted before and after tax loss of Rs. (16.340) million and Rs. (28.697) million respectively as compared to before and after tax profit of Rs. 38.932 million and of Rs. 25.484 million for the same period during last year. The loss per share for the nine months stood at Rs. (1.43) as compared to profit per share Rs. 1.27 for the corresponding period.

The main reason for decline in revenue and earnings were the same as mentioned in the last report and persistent lower market volume at local bourse and international market. The management of your Company will focus on keeping cost under control and expect earnings growth going forward if the market volume increased.

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

Karachi, October 29, 2018

Director

ڈائریکٹرز رپورٹ برائے ممبران

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

محترم ممبران

السلام علیکم،

ہم، آپکی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے بخوشی 30 ستمبر 2018 کو ختم ہونے والی تیسری سہ ماہی اور نو ماہ کی کمپنی کی غیر آڈٹ شدہ عبوری مالی تفصیلات کی رپورٹ پیش کرتے ہیں۔

کارکردگی کا جائزہ:

30 ستمبر 2018 کو ختم ہونے والی تیسری سہ ماہی کے دوران کمپنی نے آپریٹنگ آمدنی کی مد میں 26,482 ملین روپے کمائیے جبکہ گزشتہ سال اسی سہ ماہی کے دوران 41,507 ملین روپے کمائیے تھے۔ کمپنی کا قبل از ٹیکس اور بعد از ٹیکس نقصان بالترتیب (15,072) ملین روپے اور (15,994) ملین روپے ہے جبکہ مقابلتا گزشتہ سال مذکورہ مدت میں قبل از ٹیکس اور بعد از ٹیکس نقصان بالترتیب (2,828) ملین روپے اور (9,393) ملین روپے تھا۔ اس سہ ماہی کے دوران فی حصص خسارہ (0.80) روپے اور مقابلتا مذکورہ مدت کے دوران خسارہ فی حصص (0.47) روپے تھا۔

نومہ 30 ستمبر 2018 کے اختتام پر کمپنی نے آپریٹنگ آمدنی کی مد میں 106,915 ملین روپے کمائیے جبکہ گزشتہ سال اسی مدت کے دوران 162,512 ملین روپے کمائیے تھے۔ قبل از ٹیکس اور بعد از ٹیکس نقصان بالترتیب (16,340) ملین روپے اور (28,697) ملین روپے ہے جبکہ گزشتہ سال اسی مدت کے دوران قبل از ٹیکس اور بعد از ٹیکس منافع بالترتیب 38,932 ملین روپے اور 25,484 ملین روپے تھا۔ اس مدت کے دوران فی حصص (خسارہ) آمدنی (1.43) روپے اور مقابلتا گزشتہ سال اسی عرصہ کے دوران منافع فی حصص 1.27 روپے تھا۔

آمدنی میں کمی کی بنیادی وجہ یہ تھی جو کہ گزشتہ رپورٹ میں بیان کی گئی اسکے علاوہ مقامی اور بین الاقوامی منڈی کے حجم میں مسلسل کمی بھی آمدنی پر اثر انداز ہوئی۔ تاہم، آپکی کمپنی کی انتظامیہ نے لاگت کو قابو میں رکھنے پر توجہ مرکوز رکھی اور امید کرتی ہے کہ اگر مارکیٹ حجم میں اضافہ ہو تو آمدنی بڑھے گی۔

آخر میں؛ اللہ تعالیٰ سے دعا ہے کہ وہ ہم پر، ہماری کمپنی، ملک اور قوم پر اپنی رحمتیں اور برکتیں نازل فرمائیے۔ آمین
منجانب بورڈ آف ڈائریکٹرز

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 29 اکتوبر 2018



Independent Auditors' Review Report

To the members of EFG Hermes Pakistan Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **EFG Hermes Pakistan Limited** as at **September 30, 2018** 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 three-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.

The engagement partner on the review resulting in this independent auditor's report is Muhammad Kamal Gohar.

Chartered Accountants

Karachi, October 29, 2018

RIAZ AHMAD, SAQIB, GOHAR & CO.
Chartered Accountants

5-Nasim C.H.S., Major Nazir Bhatti Road, Off: Shaheed-e-Millat Road, Karachi.
Tel: (92-21) 34945427, 34931736, Email: rasgkhi@rasgco.com,
Website: www.rasgco.com
Regional Offices at Lahore & Islamabad



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2018

| | | <u>Un-audited</u> <u>September</u> <u>30, 2018</u> | <u>Audited</u> <u>December</u> <u>31, 2017</u> |
|---|------|--|--|
| ASSETS | Note | ----- Rupees ----- | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 35,970,545 | 40,641,566 |
| Intangible assets | | 6,625,100 | 3,700,005 |
| Long-term investments | 6 | 33,919,750 | 43,906,147 |
| Long-term deposits | | <u>1,700,000</u> | <u>1,700,000</u> |
| | | 78,215,395 | 89,947,718 |
| CURRENT ASSETS | | | |
| Trade debts | 7 | <u>20,797,467</u> | 51,371,435 |
| Short-term investments | | <u>264,344,325</u> | 199,399,200 |
| Advances, deposits, prepayments and other receivables | | <u>92,402,854</u> | 131,793,751 |
| Advance tax - net | | <u>60,009,488</u> | 57,985,088 |
| Receivable under margin finance | | <u>99,370,987</u> | 178,394,718 |
| Cash and bank balances | 8 | <u>71,093,147</u> | 110,716,591 |
| | | 608,018,268 | 729,660,783 |
| TOTAL ASSETS | | <u>686,233,663</u> | <u>819,608,501</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized capital | | <u>1,000,000,000</u> | <u>1,000,000,000</u> |
| 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 | | 11,888,309 | 21,874,706 |
| Un-appropriated (loss) /profit | | <u>(10,896,037)</u> | <u>17,800,845</u> |
| | | 201,148,772 | 239,832,051 |
| NON-CURRENT LIABILITIES | | | |
| Long-term loan | | <u>375,000,000</u> | 375,000,000 |
| Liabilities against assets subject to finance lease | | <u>2,674,920</u> | 3,862,560 |
| | | 377,674,920 | 378,862,560 |
| CURRENT LIABILITIES | | | |
| Current portion of liabilities against assets subject to finance lease | | <u>1,583,520</u> | 1,583,520 |
| Short-term running finance | 9 | 34,113 | 92,708,947 |
| Trade and other payables | | <u>105,792,338</u> | 106,621,423 |
| | | 107,409,971 | 200,913,890 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 10 | - | - |
| TOTAL EQUITY AND LIABILITIES | | <u>686,233,663</u> | <u>819,608,501</u> |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS AND THIRD QUARTER ENDED SEPTEMBER 30, 2018

| | Note | Nine Months Ended | | Third Quarter Ended | |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| | | Rupees | Rupees | Rupees | Rupees |
| OPERATING REVENUES | | | | | |
| Operating revenues | 11 | 96,714,085 | 108,719,354 | 21,436,825 | 39,946,654 |
| Gain on sale of investments-net | | 10,200,891 | 53,793,136 | 5,045,160 | 1,560,750 |
| | | 106,914,976 | 162,512,490 | 26,481,985 | 41,507,404 |
| EXPENDITURES | | | | | |
| Administrative and general expenses | | (116,931,839) | (114,598,839) | (37,823,656) | (41,340,407) |
| Operating (loss)/ profit | | (10,016,863) | 47,913,651 | (11,341,671) | 166,997 |
| Other income - net | | 2,480,910 | 2,655,894 | 860,574 | 1,613,834 |
| Income on margin finance | | 9,394,205 | 3,416,440 | 2,731,249 | 3,109,274 |
| Financial charges | | (19,964,648) | (17,306,649) | (6,902,406) | (9,120,233) |
| Gain/(loss) on re-measurement of investments carried at fair value through profit and loss account- net | | 1,765,895 | 2,252,929 | (419,385) | 1,402,000 |
| | | (6,323,638) | (8,981,386) | (3,729,968) | (2,995,125) |
| (LOSS) / PROFIT BEFORE TAXATION | | (16,340,501) | 38,932,265 | (15,071,639) | (2,828,128) |
| TAXATION | | (12,356,381) | (13,448,035) | (921,988) | (6,565,116) |
| (LOSS) / PROFIT AFTER TAXATION | | (28,696,882) | 25,484,230 | (15,993,627) | (9,393,244) |
| Other comprehensive income | | | | | |
| Unrealised (loss) / gain on re-measurement of 'available for sale' investments during the period | | (9,986,397) | 22,499,858 | (5,738,572) | (4,632,534) |
| TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD | | (38,683,279) | 47,984,088 | (21,732,199) | (14,025,778) |
| (Loss) / earnings per share - basic and diluted | | (1.43) | 1.27 | (0.80) | (0.47) |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

| | Nine Month Ended | |
|--|-----------------------|-----------------------|
| | September 30, 2018 | September 30, 2017 |
| | Rupees | |
| Cash Flows From Operating Activities | | |
| (Loss) / Profit before taxation | (16,340,501) | 38,932,265 |
| Adjustments for: | | |
| Depreciation | 5,434,096 | 4,572,086 |
| Amortisation | 974,905 | - |
| Financial charges | 19,964,648 | 17,306,649 |
| Gain on revaluation of investments carried at fair value through profit and loss account - net | (1,765,895) | (2,252,929) |
| Loss / (gain) on disposal of property, plant and equipment | 18,650 | (451,145) |
| | 24,626,404 | 19,174,661 |
| Profit before working capital changes | 8,285,903 | 58,106,926 |
| Changes in working capital | | |
| Decrease / (increase) in current assets | | |
| Trade debts - unsecured | 30,573,968 | (38,534,247) |
| Short-term investments | (63,179,230) | (241,132,821) |
| Advances, deposits, prepayments and other receivables | 39,390,897 | 322,675 |
| Receivable under margin finance | 79,023,731 | (168,340,940) |
| Receivable from NCCPL - net | - | 2,464,246 |
| | 85,809,366 | (445,221,087) |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | (7,047,529) | 24,918,359 |
| Cash generated from / (used in) operations | 87,047,740 | (362,195,802) |
| Income tax paid | (14,380,781) | (19,985,295) |
| Financial charges paid | (13,746,204) | (3,201,773) |
| Net cash generated from / (used in) operating activities | 58,920,755 | (385,382,870) |
| Cash Flows From Investing Activities | | |
| Purchase of property, plant and equipment | (867,000) | (9,471,575) |
| Purchase of softwares | (3,900,000) | - |
| Proceeds from disposal of property, plant and equipment | 85,275 | 561,000 |
| Proceeds from disposal of long term investments | - | 21,047,159 |
| Long term deposits | - | (640,265) |
| Net cash (used in) / generated from investing activities | (4,681,725) | 11,496,319 |
| Cash Flows From Financing Activities | | |
| Lease rentals paid | (1,187,640) | (3,684,640) |
| Long-term loan obtained | - | 925,000,000 |
| Long-term loan paid | - | (550,000,000) |
| Liabilities against assets subject to finance lease | - | 2,497,000 |
| Net cash (used in) / generated from financing activities | (1,187,640) | 373,812,360 |
| Net increase / (decrease) in cash and cash equivalents | 53,051,390 | (74,191) |
| Cash and cash equivalents at the beginning of the period | 18,007,644 | 59,403,549 |
| Cash and cash equivalents at the end of the period | 71,059,034 | 59,329,358 |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

| | Share Capital | Unappropriated profit / (loss) | Unrealised gain/loss on re-measurement of 'available for sale' investments to fair value - net | Total |
|--|--------------------|-----------------------------------|--|---------------------|
| | ----- Rupees ----- | | | |
| Balance as at December 31, 2016 | 200,156,500 | (6,199,506) | - | 193,956,994 |
| Total comprehensive income for the nine month ended September 30, 2017 | - | 25,484,230 | 22,499,858 | 47,984,088 |
| Balance as at September 30, 2017 | 200,156,500 | 19,284,724 | 22,499,858 | 241,941,082 |
| Total comprehensive loss for the fourth quarter ended December 31, 2017 | - | (1,483,879) | (625,152) | (2,109,031) |
| Balance as at December 31, 2017 | 200,156,500 | 17,800,845 | 21,874,706 | 239,832,051 |
| Total comprehensive loss for the nine month ended September 30, 2018 | - | (28,696,882) | (9,986,397) | (38,683,279) |
| Balance as at September 30, 2018 | 200,156,500 | (10,896,037) | 11,888,309 | 201,148,772 |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTH ENDED SEPTEMBER 30, 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.

2.2 Standards, amendments and interpretations adopted during the period

The accounting policies adopted in the preparation of these financial statements are consistent with those adopted in preparation of financial statements of the Company for the period ended December 31, 2017 except as described below.

The Company has adopted the following new and amended IFRS and IFRIC interpretations which become effective during the period:

| | <u>Standards or Interpretation</u> | <u>Effective Date (Accounting periods beginning on or after)</u> |
|--------|---|--|
| IFRS 2 | Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions. | January 1, 2018 |
| IFRS 4 | Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9. | January 1, 2018 |

| | | |
|----------|--|-----------------|
| IAS 28 | Investments in Associates and Joint Ventures - Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying certain fair value measurements). | January 1, 2018 |
| IAS 40 | Investment Property - Amendments to clarify transfers of property to, or from, investment property. | January 1, 2018 |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration. | January 1, 2018 |

The adoption of the above standards, amendments/improvements and interpretations did not have any material effect on these financial statements.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.3 New standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretation:

| <u>Standards</u> | <u>Effective Date (Accounting periods beginning on or after)</u> |
|---|--|
| IFRS 9 Financial Instruments | July 1, 2018 |
| IFRS 15 Revenue from Contracts with Customers | July 1, 2018 |
| IFRS 16 Leases | January 1, 2019 |

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material effect on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| <u>Standards</u> | <u>Effective Date (Accounting periods beginning on or after)</u> |
|--------------------------------------|--|
| IFRS 17 Insurance Contracts | January 1, 2021 |
| IFRS 14 Regulatory Deferral Accounts | January 1, 2016 |

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>September</u> <u>30, 2018</u> | <u>Audited</u> <u>December</u> <u>31, 2017</u> |
|----------|---|--|--|
| | | Rupees | |
| 5 | PROPERTY, PLANT AND EQUIPMENT | | |
| | Opening book value | 40,641,566 | 34,658,656 |
| | Add: Additions during the period - own | 867,000 | 10,380,982 |
| | Less: Disposals during the period (at book value) | (103,925) | (899,843) |
| | Depreciation charged during the period | (5,434,096) | (3,498,229) |
| | | <u>(5,538,021)</u> | <u>(4,398,072)</u> |
| | Closing book value | <u>35,970,545</u> | <u>40,641,566</u> |
| 6 | LONG-TERM INVESTMENTS | | |
| | 'Available for sale' investments | 6.1 <u>33,919,750</u> | <u>43,906,147</u> |

6.1 Description of 'available for sale' investments

| | | <u>30-Sep-18</u> | | <u>31-Dec-17</u> | | |
|-------------------------|-----------------------------------|------------------------------|-------------|-----------------------|-------------------|------------------------------|
| <u>Number of Shares</u> | <u>Name of Investee Companies</u> | <u>Note</u> | <u>Cost</u> | <u>Carrying Value</u> | <u>Cost</u> | <u>Carrying Value</u> |
| Rupees | | | | | | |
| 1,602,953 | 1,602,953 | Pakistan Stock Exchange Ltd. | 6.2 | 14,031,433 | 25,919,750 | 14,031,433 35,906,147 |
| 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>33,919,750</u> | <u>22,031,433 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 at a price of Rs. 28/- per share and the 40% remaining shares were blocked out of which 521,759 shares have been released under Public Offering Regulations, 2017 in the name of the Company and remaining have been pledged with PSX to fulfill the Base Minimum Capital Requirement as per the PSX Regulations. These shares have been revalued at a price of Rs. 16.17 (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>September</u> <u>30, 2018</u> | <u>Audited</u> <u>December</u> <u>31, 2017</u> |
|----------|--|--|
| Rupees | | |
| 7 | TRADE DEBTS - NET | |
| | Trade debts - net | 51,371,435 |
| | Aging Analysis | |
| | Within 5 days | 45,528,033 |
| | Above 5 days | 6,653,352 |
| | Provision for doubtful debts | (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.

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. 2.667 million (December 31, 2017: Rs. 4.29 million).

| | | <u>Un-audited</u> <u>September</u> <u>30, 2018</u> | <u>Audited</u> <u>December</u> <u>31, 2017</u> |
|---|------|--|--|
| | Note | Rupees | |
| 8 CASH AND BANK BALANCES | | | |
| Cash in hand | | 90,211 | 90,211 |
| Cash at banks | | | |
| - in deposit accounts | 8.1 | 11,730,904 | 11,726,237 |
| - in current accounts - pertaining to brokerage house | | 4,576,388 | 31,930,153 |
| - in current accounts - pertaining to clients | | 54,695,644 | 66,969,990 |
| | | <u>71,002,936</u> | <u>110,626,380</u> |
| | | <u>71,093,147</u> | <u>110,716,591</u> |

8.1 These carry return ranging from 4.50% to 5.50% (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 September 30, 2018 is Rs. 980.6 million (December 31, 2017 : Rs. 1.52 billion).

| | | <u>Un-audited</u> <u>September</u> <u>30, 2018</u> | <u>Audited</u> <u>December</u> <u>31, 2017</u> |
|--|--|--|--|
| | | Rupees | |
| 9 SHORT - TERM RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS - Secured | | | |
| Habib Bank Limited | | 34,113 | 88,062,924 |
| Askari Bank Limited | | - | 4,646,023 |
| | | <u>34,113</u> | <u>92,708,947</u> |

9.1 The Company has obtained running finance facility of Rs. 600 million (December 31, 2017 : Rs. 650 million) under mark-up arrangements. The facility carry Mark-up at 1 month KIBOR + 0.10% (December 31, 2017 : 1 month KIBOR + 0.10%). These arrangements are valid uptill April 30, 2019 and are secured against pledge of government securities and irrevocable and unconditional financial guarantees provided by a bank in UAE on behalf of EFG Hermes Frontier Holdings LLC (the Holding Company). Securities pledged value related to client(s) are Rs. Nil (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 1,081,194 (2017: 1,602,953) ordinary shares of PSX and 843,875 shares of LSE Financial Services Limited with PSX to fulfill the Base Minimum Capital requirement under the Regulations of the Exchange.

10.2 The Company had 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. During the period order had been passed by the Sindh Revenue Board by raising demand of short payment of

Rs. 3,375,056/- along with penalty of Rs. 4,730,329/- however the Company has filed appeal before Commissioner Appeal against the order. 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.

10.3 There are no changes in contingent liabilities since the date of financial statements for the period ended December 31, 2017 except as disclosed above and settlement of the contingency disclosed in Note 18.7 of the financial statements for the period ended December 31, 2017.

| | <u>Un-audited</u> <u>September</u> <u>30, 2018</u> | <u>Un-audited</u> <u>September</u> <u>30, 2017</u> |
|------------------------------|--|--|
| | ----- Rupees ----- | |
| 11 OPERATING REVENUES | | |
| Equity brokerage income | 89,174,594 | 61,693,256 |
| Inter-bank brokerage | 7,457,218 | 6,537,632 |
| Fees and commission | 2,125 | 116,869 |
| Dividend income | 80,148 | 424,943 |
| | <u>96,714,085</u> | <u>68,772,700</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>September</u> <u>30, 2018</u> | <u>Un-audited</u> <u>September</u> <u>30, 2017</u> |
|---|--|--|
| | ----- Rupees ----- | |
| Brokerage income earned from: | | |
| Directors | <u>1,075,339</u> | <u>1,254,246</u> |
| Employees | <u>440,652</u> | <u>1,351,510</u> |
| Transactions | | |
| Contribution to employees provident fund | <u>2,794,767</u> | <u>2,651,523</u> |
| Salaries and remuneration to Chief Executive Officer | <u>8,800,000</u> | <u>6,400,000</u> |
| Fee to Non-Executive Director (Independent) | <u>-</u> | <u>75,000</u> |
| Associate | | |
| Commission expense to Financial Brokerage Group | <u>5,042,851</u> | <u>6,459,464</u> |
| Balances | | |
| Payable to directors in their shares trading accounts | <u>201,391</u> | <u>2,766,379</u> |
| Payable to employees in their shares trading account | <u>2,273,796</u> | <u>9,589,153</u> |

| | <u>Un-audited September 30, 2018</u> | <u>Un-audited September 30, 2017</u> |
|---|--|--|
| | ----- Rupees ----- | |
| Balances of the holding company | | |
| Payable to EFG Hermes Frontier Holdings LLC | <u>3,450,363</u> | <u>419,047</u> |
| Balances of associates | | |
| Payable to Financial Brokerage Group | <u>11,173,743</u> | <u>6,078,050</u> |

13 TURNOVER

The Company shares turnover is as under:

| | ----- Rupees '000 ----- | |
|-----------------------|-------------------------|-------------------|
| Retail clients | <u>17,147,052</u> | <u>32,008,062</u> |
| Institutional clients | <u>43,696,101</u> | <u>57,755,322</u> |
| Proprietary accounts | <u>321,101</u> | <u>829,969</u> |

14 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on October 29, 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 September 30, 2018

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

| SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/INTRESTS 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 | 1,611,500 | 8.07 |
| Mr. Muzzammil Aslam | 1 | 1,233,019 | 6.16 |
| Mr. Irfan Pardesi | 1 | 1,102,065 | 5.51 |

| CHANGES IN SHAREHOLDINGS HOLDING ABOVE 5% | | | |
|---|-------------------------------------|--|---------|
| Names | Holding Balance as at June 30, 2018 | Holding Balance as at September 30, 2018 | Changes |
| EFG-Hermes Frontiers Holdings LLC | 10,207,982 | 10,207,982 | - |
| Mr. Munaf ibrahim | 1,615,000 | 1,611,500 | (3,500) |
| Mr. Muzzammil Aslam | 1,233,019 | 1,233,019 | - |
| Mr. Irfan Pardesi | 1,102,065 | 1,102,065 | - |

 **EFGHERMES**
EFG HERMES PAKISTAN LIMITED

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