

HALF YEARLY REPORT  
JUNE 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 Khabir - 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. Muzzammil Aslam - 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  
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  
MCB Islamic 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](http://www.efghermespakistan.com)

## Directors' Review

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

Dear Member(s)

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 half year ended June 30, 2018. These condensed interim financial statements have been reviewed by the external auditors of the Company.

### Performance Review

During the second quarter ended June 30, 2018, the Company earned operating revenues of Rs. 41.946 million as compare to Rs. 60.220 million for the same period during last year. The Company posted before and after tax loss of Rs.0.195 million and Rs.6.555 million respectively as compare to before and after tax profit of Rs. 11.972 million and Rs. 11.810 million respectively for the corresponding period. Loss per share for the quarter stood at Rs.(0.33) compared to earnings per share of Rs. 0.59 for the corresponding period.

For the half year ended June 30, 2018, the Company earned operating revenues of Rs. 80.433 million as compare to Rs. 121.005 million for the corresponding period. The Company posted before and after tax loss of Rs. 1.269 million and Rs. 12.703 million respectively as compare to before and after tax profit Rs. 41.760 million and Rs. 34.877 million respectively for the same period during last year. Loss per share for the half year is Rs. (0.63) as compared to earnings of Rs. 1.74 for the corresponding period.

The main reason for decline in revenue and earnings in the review period compared to last corresponding period are due to posting one time capital gain on sale of PSX shares during last year and impact of tax under FTR on sale and purchase of transactions under Federal Budget 2017 in the period under review. However, the management of your Company managed to maintain and slightly increased in brokerage revenue in the periods under review compared to corresponding period. We expect the momentum of earning growth going forward along with increased volume at the local bourse and international market as well.

### Credit Rating

The directors are pleased to inform you that the Pakistan Credit Rating Agency ('PACRA') has maintained a long-term credit rating of "A-" (A minus) and short-term rating of "A1" (A one) for the Company.

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, August 09, 2018

## ڈائریکٹرز رپورٹ برائے ممبران

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

محترم ممبران

السلام وعلیکم،

میں آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے بخوشی نصف سال 30 جون 2018 کو ختم ہونے والی کمپنی کی غیر آڈٹ شدہ عبوری مالی تفصیلات کی رپورٹ پیش کرتا ہوں۔ کمپنی کے بیرونی آڈیٹرز نے غیر آڈٹ شدہ عبوری مالی تفصیلات پر نظر ثانی کر لی ہے۔

کارکردگی کا جائزہ:

30 جون 2018 کو ختم ہونے والی دوسری سہ ماہی کے دوران کمپنی نے آپریٹنگ آمدنی کی مد میں 41.946 ملین روپے کمائیے جبکہ گذشتہ سال اسی سہ ماہی کے دوران 60.220 ملین روپے کمائیے تھے۔ قبل از ٹیکس اور بعد از ٹیکس نقصان بالترتیب 0.195 ملین روپے اور 6.555 ملین روپے ہے جبکہ گذشتہ سال اسی سہ ماہی کے دوران قبل از ٹیکس اور بعد از ٹیکس منافع بالترتیب 11.972 ملین روپے اور 11.810 ملین روپے تھا۔ اس سہ ماہی کے دوران فی حصص خسارہ (0.33) روپے اور مقابلتا گذشتہ سال اسی عرصہ کے دوران آمدنی فی حصص 0.59 روپے تھا۔

نصف سال 30 جون 2018 کے اختتام پر کمپنی نے آپریٹنگ آمدنی کی مد میں 80.433 ملین روپے کمائیے جبکہ گذشتہ سال اسی مدت کے دوران 121.005 ملین روپے کمائیے تھے۔ قبل از ٹیکس اور بعد از ٹیکس نقصان بالترتیب 1.269 ملین روپے اور 12.703 ملین روپے ہے جبکہ گذشتہ سال اسی مدت کے دوران قبل از ٹیکس اور بعد از ٹیکس منافع بالترتیب 41.760 ملین روپے اور 34.877 ملین روپے تھا۔ اس مدت کے دوران بنیادی اور معمولی فی حصص (خسارہ) / آمدنی (0.63) روپے اور مقابلتا گذشتہ سال اسی عرصہ کے دوران فی حصص 1.74 روپے تھا۔

پچھلے سال کے بنسبت نظر ثانی شدہ مدتی آمدنی میں کمی کی وجہ پچھلے سال اسی مدت کے دوران PSX کے شیئرز بیچنے پر ایک دفعہ کا کسٹیکل گین کا اندراج اور نظر ثانی شدہ مدت میں وفاقی بجٹ 2017 کے تحت خرید و فروخت اور ٹرانزیکشنز پر FTR کے تحت ٹیکس کے اثرات بنی۔ تاہم، آپ کی کمپنی کی انتظامیہ نے نظر ثانی مدت میں بنسبت گذشتہ سال اس مدت کے بروکریج آمدنی کو بہتر طور سنبھالا اور اس میں تھوڑا اضافہ کیا۔ ہمیں امید ہے کہ آمدنی میں اضافہ کی رفتار کے ساتھ، مقامی اور بین الاقوامی منڈی میں بھی حجم بڑھے گا۔

کریڈٹ ریٹنگ

ڈائریکٹران کی جانب سے آپ کو آگاہ کیا جاتا ہے کہ پاکستان کریڈٹ ریٹنگ ایجنسی ("PACRA") نے کمپنی کو طویل المدتی کریڈٹ ریٹنگ "A" (مفنی اے) اور قلیل المدتی ریٹنگ "A1" (اے ون) پر برقرار رکھا ہے۔

آخر میں؛ اللہ تعالیٰ سے دعا 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: 09 اگست 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  
Fax: (92-21) 34932629

## Auditors' Review

### AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of **EFG Hermes Pakistan Limited** (here-in-after referred to as the Company) as at **June 30, 2018** and the related condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with selected explanatory notes to the condensed interim financial information forming part thereof for the half year then ended (here-in-after referred to as the 'condensed interim financial information'). Management of the Company is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

#### Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consist 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 condensed interim financial information does not present fairly, in all material respects, the financial position of the entity as at June 30, 2018, and of its financial performance and its cash flows for the half year then ended in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the condensed interim statement of comprehensive income of the half year ended June 30, 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2018 and we do not express a conclusion thereon.

Karachi, August 09, 2018

**Riaz Ahmad, Saqib, Gohar & Company**  
**Chartered Accountants**  
**Engagement Partner: Muhammad Kamal Gohar**

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Regional Offices at Lahore & Islamabad

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

		<u>Un-audited</u> June 30, 2018	<u>Audited</u> December 31, 2017
<b>ASSETS</b>	Note	----- Rupees -----	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	37,877,842	40,641,566
Intangible assets		6,950,069	3,700,005
Long-term investments	6	39,658,322	43,906,147
Long-term deposits		<u>1,700,000</u>	<u>1,700,000</u>
		<b>86,186,233</b>	<b>89,947,718</b>
<b>CURRENT ASSETS</b>			
Trade debts	7	39,395,006	51,371,435
Short-term investments		264,045,205	199,399,200
Advances, deposits, prepayments and other receivables		104,354,086	131,793,751
Advance tax - net		57,628,264	57,985,088
Receivable under margin finance		95,861,787	178,394,718
Cash and bank balances	8	83,663,414	110,716,591
		<u>644,947,762</u>	<u>729,660,783</u>
<b>TOTAL ASSETS</b>		<b><u>731,133,995</u></b>	<b><u>819,608,501</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
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		17,626,881	21,874,706
Un-appropriated profit		<u>5,097,590</u>	<u>17,800,845</u>
		<b>222,880,971</b>	<b>239,832,051</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term loan		375,000,000	375,000,000
Liabilities against assets subject to finance lease		<u>3,070,800</u>	<u>3,862,560</u>
		<b>378,070,800</b>	<b>378,862,560</b>
<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	13,660,947	92,708,947
Trade and other payables		<u>114,937,757</u>	<u>106,621,423</u>
		<b>130,182,224</b>	<b>200,913,890</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>731,133,995</u></b>	<b><u>819,608,501</u></b>

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 HALF YEAR AND SECOND QUARTER ENDED JUNE 30, 2018

	Note	Half Year Ended		Second Quarter Ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		Rupees	Rupees	Rupees	Rupees
<b>OPERATING REVENUES</b>					
Operating revenues	11	75,277,260	68,772,700	39,702,302	38,860,787
Gain on sale of investments-net		5,155,731	52,232,386	2,243,905	21,359,717
		80,432,991	121,005,086	41,946,207	60,220,504
<b>EXPENDITURES</b>					
Administrative and general expenses		(79,108,183)	(73,258,432)	(41,257,218)	(42,584,523)
Operating profit		1,324,808	47,746,654	688,989	17,635,981
Other income - net		1,620,336	1,042,060	1,074,115	658,607
Income on margin finance		6,662,956	307,166	3,105,506	307,166
Financial charges		(13,062,242)	(8,186,416)	(6,825,662)	(7,885,806)
Gain on re-measurement of investments carried at fair value through profit and loss account- net		2,185,280	850,929	1,762,055	1,255,749
		(2,593,670)	(5,986,261)	(883,986)	(5,664,284)
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(1,268,862)</b>	41,760,393	<b>(194,997)</b>	11,971,697
<b>TAXATION</b>		<b>(11,434,393)</b>	(6,882,919)	<b>(6,360,481)</b>	(161,798)
<b>(LOSS) / PROFIT AFTER TAXATION</b>		<b>(12,703,255)</b>	34,877,474	<b>(6,555,478)</b>	11,809,899
<b>Other comprehensive income</b>					
Unrealised (loss) / gain on re-measurement of available for sale investments' during the period		(4,247,825)	27,132,392	(9,874,190)	(3,514,575)
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>		<b>(16,951,080)</b>	62,009,866	<b>(16,429,668)</b>	8,295,324
(Loss) / earnings per share - basic and diluted		<b>(0.63)</b>	1.74	<b>(0.33)</b>	0.59

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 HALF YEAR ENDED JUNE 30, 2018

	Half Year Ended	
	June 30, 2018	June 30, 2017
	Rupees	
<b>Cash Flows From Operating Activities</b>		
(Loss) / Profit before taxation	(1,268,862)	41,760,393
<b>Adjustments for:</b>		
Depreciation	3,608,824	3,023,231
Amortisation	649,936	-
Financial charges	13,062,242	8,186,416
Gain on revaluation of investments carried at fair value through profit and loss account - net	(2,185,280)	(850,929)
Loss on disposal of property, plant and equipment	-	27,456
	<b>15,135,722</b>	10,386,174
Profit before working capital changes	<b>13,866,860</b>	52,146,567
<b>Changes in working capital</b>		
<b>Decrease / (increase) in current assets</b>		
Trade debts - unsecured	11,976,429	(36,613,695)
Short-term investments	(62,460,725)	(545,854,417)
Advances, deposits, prepayments and other receivables	27,439,665	(20,734,834)
Receivable under margin finance	82,532,931	(75,505,654)
Receivable from NCCPL - net	-	2,464,246
	<b>59,488,300</b>	(676,244,354)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	8,596,940	(39,500,844)
Cash generated from / (used in) operations	<b>81,952,100</b>	(663,598,631)
Income tax paid	(11,077,569)	(13,106,373)
Financial charges paid	(13,342,848)	(2,862,872)
Net cash generated from / (used in) operating activities	<b>57,531,683</b>	(679,567,876)
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(845,100)	(1,968,449)
Purchase of softwares	(3,900,000)	-
Proceeds from disposal of property, plant and equipment	-	11,000
Proceeds from disposal of long term investments	-	21,047,159
Long term deposits	-	(200,000)
Net cash (used in) / generated from investing activities	<b>(4,745,100)</b>	18,889,710
<b>Cash Flows From Financing Activities</b>		
Lease rentals paid	(791,760)	(3,288,760)
Long-term loan obtained	-	925,000,000
Long-term loan paid	-	(275,000,000)
Liabilities against assets subject to finance lease	-	2,497,000
Net cash (used in) / generated from financing activities	<b>(791,760)</b>	649,208,240
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>51,994,823</b>	(11,469,926)
<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>70,002,467</b>	47,933,623

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 HALF YEAR ENDED JUNE 30, 2018

	Share Capital	Unappropriated profit / (loss)	'Unrealised gain on re-measurement of 'available for sale' 'investments to fair value - net	Total
	----- Rupees -----			
<b>Balance as at December 31, 2016</b>	<b>200,156,500</b>	<b>(6,199,506)</b>	-	<b>193,956,994</b>
Total comprehensive income for the half year ended June 30, 2017	-	34,877,474	27,132,392	62,009,866
<b>Balance as at June 30, 2017</b>	200,156,500	28,677,968	27,132,392	255,966,860
Total comprehensive loss for the half year ended December 31, 2017	-	(10,877,123)	(5,257,686)	(16,134,809)
<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 half year ended June 30, 2018	-	(12,703,255)	(4,247,825)	(16,951,080)
<b>Balance as at June 30, 2018</b>	<b>200,156,500</b>	<b>5,097,590</b>	<b>17,626,881</b>	<b>222,880,971</b>

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 HALF YEAR ENDED JUNE 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 or 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.

### 2.2.1 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>June</u> <u>30, 2018</u>	<u>Audited</u> <u>December</u> <u>31, 2017</u>
		Rupees	
<b>5</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Opening book value	40,641,566	34,658,656
	Add: Additions during the period - own	845,100	10,380,982
	Less: Disposals during the period (at book value)	-	(899,843)
	Depreciation charged during the period	<u>(3,608,824)</u>	<u>(3,498,229)</u>
	Closing book value	<u>37,877,842</u>	<u>40,641,566</u>
<b>6</b>	<b>LONG-TERM INVESTMENTS</b>		
	'Available for sale' investments	6.1 <u>39,658,322</u>	<u>43,906,147</u>

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

		<u>30-Jun-18</u>		<u>31-Dec-17</u>		
<u>Number of Shares</u>	<u>Number 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	31,658,322	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>39,658,322</u>	<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 at a price of Rs. 28/- per share and the 40% remaining shares were blocked of which 15% (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. 19.75 (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>June</u> <u>30, 2018</u>	<u>Audited</u> <u>December</u> <u>31, 2017</u>
Rupees		
<b>7</b>	<b>TRADE DEBTS - NET</b>	
	Trade debts - net	51,371,435
	<b>Aging Analysis</b>	
	Within 5 days	45,528,033
	Above 5 days	6,653,352
	Provision for doubtful debts	<u>(809,950)</u>

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. 2.513 million (December 31, 2017: Rs. 5.20 million).

	<u>Un-audited</u> <u>June</u> <u>30, 2018</u>	<u>Audited</u> <u>December</u> <u>31, 2017</u>
<b>8 CASH AND BANK BALANCES</b>	<b>Note</b>	<b>Rupees</b>
Cash in hand	<b>90,211</b>	90,211
Cash at banks		
- in deposit accounts	8.1 <b>11,505,183</b>	11,726,237
- in current accounts - pertaining to brokerage house	<b>2,932,018</b>	31,930,153
- in current accounts - pertaining to clients	<b>69,136,002</b>	66,969,990
	<b>83,573,203</b>	110,626,380
	<b>83,663,414</b>	110,716,591

**8.1** These carry return ranging from 4.25% to 5.00% (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 June 30, 2018 is Rs. 1.11 billion (December 31, 2017 : Rs. 1.52 billion).

	<u>Un-audited</u> <u>June</u> <u>30, 2018</u>	<u>Audited</u> <u>December</u> <u>31, 2017</u>
<b>9 SHORT - TERM RUNNING FINANCE</b>	<b>Rupees</b>	
<b>UNDER MARK-UP ARRANGEMENTS - Secured</b>		
Habib Bank Limited	<b>13,660,947</b>	88,062,924
Askari Bank Limited	-	4,646,023
	<b>13,660,947</b>	92,708,947

**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 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>June</u> <u>30, 2018</u>	<u>Un-audited</u> <u>June</u> <u>30, 2017</u>
	----- Rupees -----	
<b>11 OPERATING REVENUES</b>		
Equity brokerage income	<b>69,363,939</b>	61,693,256
Inter-bank brokerage	<b>5,831,573</b>	6,537,632
Fees and commission	<b>1,600</b>	116,869
Dividend income	<b>80,148</b>	424,943
	<u><b>75,277,260</b></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>June</u> <u>30, 2018</u>	<u>Un-audited</u> <u>June</u> <u>30, 2017</u>
	----- Rupees -----	
<b>Brokerage income earned from:</b>		
Directors	<u><b>893,413</b></u>	<u>1,347,780</u>
Employees	<u><b>384,338</b></u>	<u>747,875</u>
<b>Transactions</b>		
Contribution to employees provident fund	<u><b>1,874,571</b></u>	<u>1,776,113</u>
Salaries and remuneration to Chief Executive Officer	<u><b>5,600,000</b></u>	<u>5,600,000</u>
Fee to Non-Executive Director (Independent)	<u><b>50,000</b></u>	<u>50,000</u>
<b>Associate</b>		
Commission expense to Financial Brokerage Group	<u><b>3,806,388</b></u>	<u>4,766,452</u>
<b>Balances</b>		
Payable to directors in their shares trading accounts	<u><b>1,820,808</b></u>	<u>5,980,730</u>
Payable to employees in their shares trading account	<u><b>4,567,979</b></u>	<u>1,049,962</u>

	<u>Un-audited</u> <u>June</u> <u>30, 2018</u>	<u>Un-audited</u> <u>June</u> <u>30, 2017</u>
	----- Rupees -----	
<b>Balances of the holding company</b>		
Payable to EFG Hermes Frontier Holdings LLC	<u>3,115,640</u>	<u>601,250</u>
<b>Balances of associates</b>		
Payable to Financial Brokerage Group	<u>9,994,608</u>	<u>4,766,452</u>

	<u>Un-audited</u> <u>June</u> <u>30, 2018</u>	<u>Un-audited</u> <u>June</u> <u>30, 2017</u>
	----- Rupees '000 -----	
<b>13 TURNOVER</b>		
The Company shares turnover is as under:		
Retail clients	<u>13,088,124</u>	<u>20,379,591</u>
Institutional clients	<u>34,369,322</u>	<u>38,058,438</u>
Proprietary accounts	<u>315,469</u>	<u>787,839</u>

**14 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements have been authorized for issue on August 09, 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 June 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	1,615,000	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 March 31 2018	Holding Balance as at June 30, 2018	Changes
EFG-Hermes Frontiers Holdings LLC	10,207,982	10,207,982	-
Mr. Munaf ibrahim	1,618,000	1,615,000	(3,000)
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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