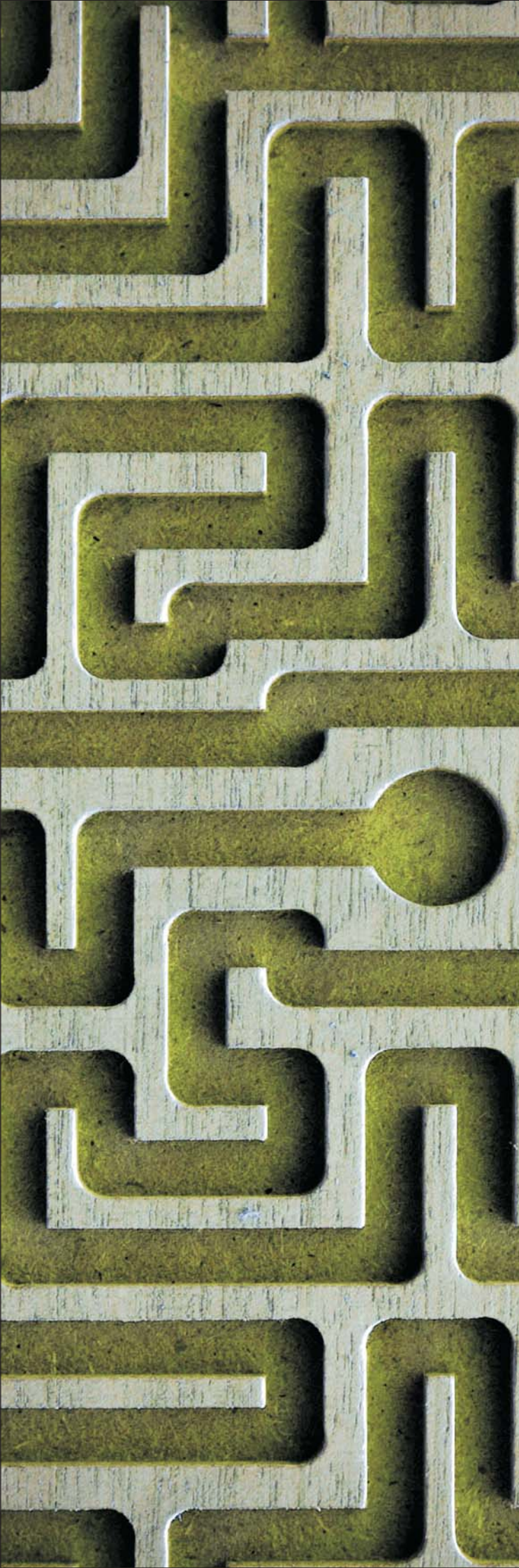


A vertical graphic on the left side of the page showing a complex maze carved into a light-colored wooden surface. The maze is made of dark green, moss-like material. The path leads to a circular dead end in the middle of the maze.

# NAVIGATING UNCERTAINTY



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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 (resigned on 05-08-2020)  
Mr. Danish Iqbal - Director  
Ms. Sarah Maja - Director  
Mr. Freyan Avari - Director  
Mr. Ahmed El Khamissy - Director  
Mr. Johannes Gunnell - Director  
Mr. Asad Shafqat - Director  
Mr. Saad Iqbal - CEO & Director

## Audit Committee:

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

M/s. Mohsin Tayebaly & Co. (MTC)  
1st Floor, Dime Centre, BC-4, Block 9, Kehkshan,  
Clifton, 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](http://www.efghermespakistan.com)

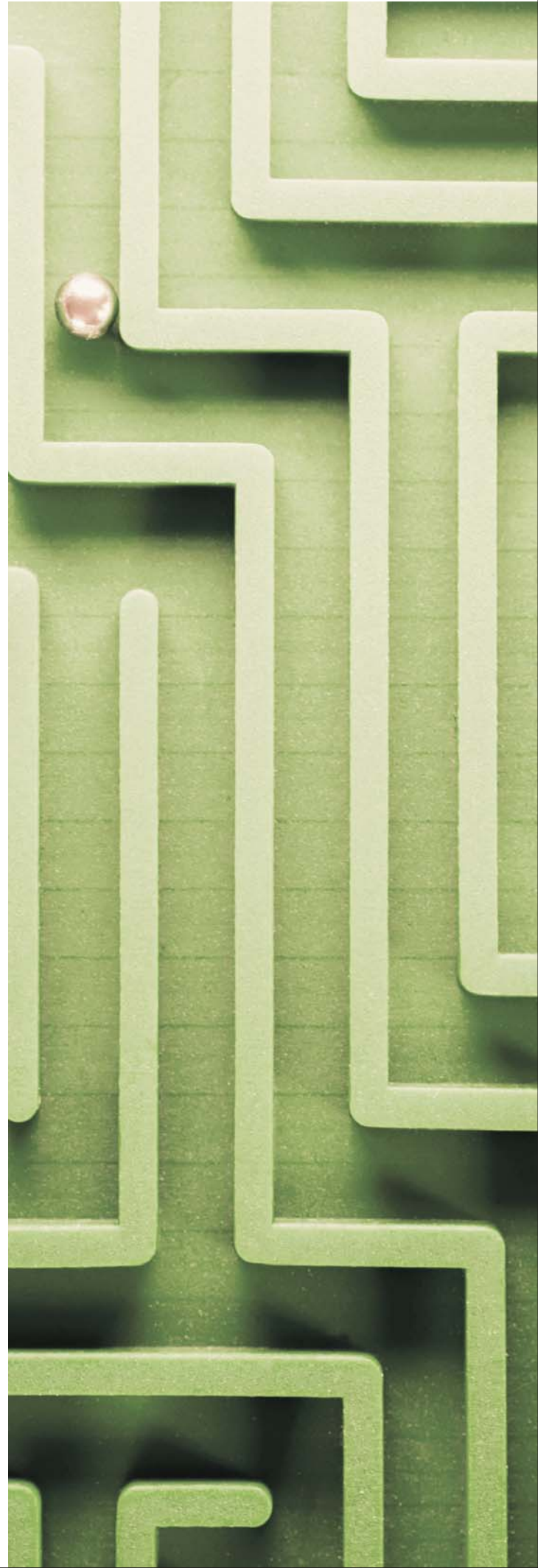


## Our vision

is to develop EFG Hermes Pakistan on a professional basis – stemming from EFG Hermes’ guiding principles in order to become the leading market player in the financial services sector and a valued contributor in the development of financial markets. We seek to create and maximize stakeholders’ value by constantly trying to remain ahead of the market’s perspective. We aim to work as a partner to help in attaining the best results for our clients.

## Our mission

is to contribute to the ideal growth of the Pakistani capital market. We are committed to being a best-in-class intermediary with the highest ethical principles in order to provide clients with the best execution services and innovative products.





## NOTICE OF 22<sup>ND</sup> ANNUAL GENERAL MEETING

Notice is hereby given that 22<sup>nd</sup> Annual General Meeting of the Members of EFG Hermes Pakistan Limited ('the Company') will be held on Tuesday, March 30, 2021 at 4:00 pm at Regent Plaza, main Shahra-e-Faisal, Karachi and through webinar/video link arrangement; to transact the following businesses:

1. To confirm the minutes of the 21<sup>st</sup> Annual General Meeting of the Company held on March 30, 2020;
2. To receive, consider, approve and adopt the audited financial statements of the Company for the financial year ended December 31, 2020, together with the Directors' and Auditors' Reports thereon;
3. To appoint Statutory Auditors of the Company for the financial year ending December 31, 2021 and to fix their remuneration. The present auditors, being eligible, have offered themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

In view of the Government's restriction on public gatherings and SECP's Circular No.4 of 2021 on the matter "Coronavirus contingency planning for general meetings of the shareholders", all Members are informed that the **webinar / video link** facility is provided and those who want to attend physically should follow strict SOPs as advised by the Sindh Government. For the wellbeing of the members, please try to avoid large gathering under consolidated proxies. For details read below notes.

By order of the Board

**SHAHID KAMAL**  
Company Secretary

Karachi: March 09, 2021

### NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from March 23, 2021 to March 30, 2021 (both days inclusive) and no transfer of shares will be accepted for registration during this period. Transfers received in order at the Office of Company's Share Registrar M/s. F.D. Registrar Services (Pvt) Ltd, Office # 1705, 17th Floor, Saima Trade Tower A, I.I. Chundrigar Road Karachi, Pakistan ('Registrar') at the close of business on March 22, 2021 the last working day before the start of book closure date will be considered in time to attend and vote at the Meeting.
2. Due to Covid-19 issue, in complying with SECP Circular 4 of 2021, shareholders who want to attend 22<sup>nd</sup> AGM via **video link/webinar** must send their particulars (Name, copy of CNIC, Folio number, cell number through email at **CompanySecretary@EFG-HERMES.com** at least 48 hours before the time of meeting. After due verification of the said particulars a video link/ user id & password will be sent through email to connect the meeting.

3. A member of the Company entitled to attend and vote at this meeting, may appoint another person as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
4. CDC shareholders entitled to attend and vote at the meeting must bring his/her Participant ID and Account/Sub-Account number along with original CNIC or original passport to authenticate his/her identity. In case of Corporate entity, resolution of Board of Directors/Power of Attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of the meeting.
5. For appointing the proxy; CDC shareholders shall submit the proxy form as per above requirements together with attested copy of CNIC or Passport of the beneficial owner and proxy. In case of corporate entity, the Board of Directors' resolution/power of attorney, along with the specimen signature of the nominee, shall be submitted along with the proxy form to the Company.
  - The proxy form shall be witnessed by two witnesses with their names, addresses, and CNIC numbers. The proxy shall produce his/her original CNIC or original Passport at the time of meeting.
6. Members are requested to notify/submit the following information/documents, in case of book entry securities in CDS to their respective participants and in case of physical shares to the registrar of the Company by quoting their folio numbers and name of the Company at the above mentioned address, if not earlier notified/submitted:
  - Change in their addresses, if any.
  - Members, who have not yet submitted attested photocopy of their valid CNIC are requested to submit the same along with folio numbers at earliest, directly to the Company's Share Registrar M/s. F.D. Registrar Services (Pvt) Ltd.
7. In accordance with the Companies (Distribution of Dividends) Regulations, 2017, shareholders are requested to provide required dividend mandate information (IBAN) to their respective CDS accounts through their participants or to the Share Registrar (if shares are in physical form) for direct credit of cash dividends into their designated bank accounts through electronic modes.
8. Pursuance to the SECP's SRO No. 470(I)/2016 dated May 31, 2016 and Section 223(6) of the Act, the Company has sought approval from members in the 18th AGM held on October 6, 2017. Therefore, audited financial statement for the financial year ended December 31, 2020 will be circulated through CD/DVD/USB. However, hard copies of the financial statements along with all respective report can be provided on written demand of the members at their registered address. Further more, aforesaid Financial Statements and reports will also be available at the website of the Company [www.efghermespakistan.com](http://www.efghermespakistan.com) at least twenty-one days before the date of meeting.
9. All corporate members are requested to provide list of ultimate beneficial shareholding having 10% and above controls in their organization.
10. For any query/information, members may contact the Company at email [companysecretary@efg-hermes.com](mailto:companysecretary@efg-hermes.com) and/or the Share Registrar of the Company at above mentioned address. Members may also visit website of the Company [www.efghermespakistan.com](http://www.efghermespakistan.com) for notices/information.

## DIRECTORS' PROFILE

### Mr. Murad Ansari - Director & Chairman

Mr. Murad Ansari has become the Director of the Company on April 04, 2017 as nominated by EFG Hermes Frontier Holdings LLC. He joined EFG Hermes group in 2007 and is currently Co-head of the MENA financials team. He has over 16 years' experience of equity research and sales. Before joining EFG Hermes, Murad headed equity research and later institutional sales at KASB Securities (currently BIPL Securities) one of the largest investment banks in Pakistan. He holds a MBA from Institute of Business Administration, Karachi.

### Mr. Johannes Hailu Gunnell- Director

Johannes Gunnell joined Maris Capital as a Partner in 2010. Following Maris Africa Fund's conversion into an investment holding company in 2014, he became interim CFO for Maris Ltd. Johannes now sits as the Commercial Director of Maris Ltd and is responsible for new investments, corporate actions and follow-on expansions across Maris' 20 investee companies. He also sits on the board and heads the audit committee of Tatepa, a listed Tanzanian tea and avocado producer, and Equator Energy, the largest Commercial & Industrial Solar provider in East Africa.

Previously, he spent seven years at UBS Investment Bank working as a Director in global equities in London and Amsterdam, serving European and international clients. He had a particular focus on socially responsible investments and was involved in the listing of various renewables companies, including the largest European IPO in 2008, EDP Renovaveis. Johannes graduated in Philosophy, Politics and Economics from Magdalen College, Oxford.

### Ms. Sarah Kwena Maja- Director

Sarah Maja is the head of Frontier Equity Sales Trading at EFG Hermes. She has 18 years experience in Financial Services across Trading and Investment Banking covering some of the largest global institutional investors in Sub Sahara Africa and South East Asia. Over the last 8 years Sarah has managed trading teams, interacted with regulators and other stakeholders in key SSA markets such as Nigeria and Kenya. Before joining EFG Hermes, Sarah was instrumental in setting up the Frontier platform at Exotix Africa and served as Head of the Nigerian Business

### Mr. Freyan Byram Avari- Director

Freyan Avari joined at R.B.Avari Enterprises (Pvt) Ltd in 2001 after he graduated from King College London with a degree in Business Management. After spending the first few years rotating through various departments within the company learning about the industry he took his first management role as head of Marketing in 2007. He was elevated to the position of CEO in 2011 and then Managing Director in 2015 which is the role he currently holds. Freyan has helped to make RBAE a leading agrochemical distribution company in Pakistan with the sole aim of providing the best possible solutions for their customers. Under his guidance the company has evolved from being a family run business to being a fully professional organization which has helped the company grow faster. Freyan is also the CEO of R.B. Avari & Company which is a holding company for the families real estate assets. He has successfully managed to develop multiple industrial warehouse and office space projects over the past 10 years. Freyan is also a majority shareholder of Eugene Road Services (Pvt) Ltd which is a fleet management company with the major purpose of providing vehicles to mobile based booking platforms.

### Mr. Mohamed AbdelKhabir- Director

Mr. Khabir has become the Director of the Company on April 04, 2017 as nominated by EFG Hermes Frontier Holdings LLC. He is the Chief Financial Officer of EFG Hermes Holding. He joined EFG Hermes' Investment Banking Division in early 2008 and remained in this division until March 2016 as a director. Previously, he held the position of Financial Planning Manager at Procter and Gamble in the Corporate Finance divisions with a focus on financial planning, budgeting, corporate restructuring, integration and profit forecasting. He holds a BA in Business Administration from the American University in Cairo with a concentration in finance where he graduated with high honors and is a CFA charter holder.

### Mr. Mohamed Ebeid-Director

A 20-year veteran with EFG Hermes Holding, Mr. Mohamed Ebeid is currently the Co-CEO of the Investment Bank, a position he took in 2016 with a mandate to grow the business on the sell side and to expand its product offering in multiple continents. Since then, he has successfully built out the Firm's Frontier Business with on-the-ground operations in four different continents, giving clients access to more than 75 markets around the world. He has also led the development of the Firm's structured products platform, which has pulled in trades worth c. USD2 billion in its first two years of inception, and on the creation of the Fixed-Income business, which began operations in 2018.

Mr. Ebeid began his career with the firm in 1999 in the Brokerage division as part of the High-Net-Worth team and has since held numerous positions within the Firm, the most recent prior to his current post being Co-Head of Brokerage where he managed over just two years to restructure the business and streamline its activities all while boosting profitability. He held the post of Head of Institutional Sales beginning 2006 where he managed to add GCC institutional clients and sovereign wealth funds to the Firm's client base. He led the team on every single ECM transaction that had taken place under his tenure, raising more than USD20 billion in ECM transactions across jurisdictions. Mr. Ebeid was also an integral part of EFG Hermes's Institutional Desk, to head an endeavour to expand the Firm's Western institutional client base and further root the business in its home market of Egypt. During that time, he was part of the team executing the Firm's



expansion plan in the MENA region and directing its capabilities in terms of research and corporate access to Western institutional clients to execute on-the-ground and offshore trades through the Firm's brokerage network.

#### **Mr. Ahmed Youssef-Director**

Mr. Ahmed joined EFG Hermes Holdings LLC UAE in 2008. He is currently working as Head of Institutional Trading since 2014. He has also been director of EFG Hermes Frontier Holdings LLC since July 2016. He holds a Bachelor of Arts in Accounting from American University in Cairo.

#### **Mr. Ahmed Mohamed Ahmed El Khamissy El Naggar - Director**

Ahmed El Khamissy received his B.A in Accounting from Cairo University in 1992. He later joined the firm in 1995 as an accountant in the Brokerage arm and soon moved up the ranks to hold the position of Tax Director in 2003. Mr. El Khamissy assumed this role for over three years before shifting to Assistant Group Treasurer in 2006. As of 2012, Mr. El Khamissy has become the Group's Treasurer where he led and participated in key projects and transactions throughout the Group. In July 2017, Mr. El Khamissy became the Finance Director for brokerage operations across the group.

#### **Mr. Fayyaz Ilyas - Director**

Mr. Fayyaz is one of the partners of Falaknaz Properties/Group, a family owned firm/group engaged in the business of real estate development and a member of Association of Builders and Developers. He has a vast experience in construction and development industry comprising of over 18 years. He has expertise in sales, marketing, advertisement and architectural designs. He has attended various seminars/workshops abroad and also represented the firm/group on various forums both within the country and abroad. Mr. Fayyaz holds a Bachelor of Commerce Degree.

#### **Mr. Hayat Javed-Director**

Mr. Hayat is well conversant with the financial markets especially equity/commodity markets being actively engaged in portfolio management and trading of securities/commodities. He has been providing financial advisory services including equity market, commodity market, portfolio management, IPO offerings, customized services to provide technical analysis and investment strategies to high net worth individuals. Mr. Hayat also has expertise in business development and marketing strategies. He is a certified director from the Institute of Chartered Accountants of Pakistan

#### **Mr. Danish Iqbal - Director**

Mr. Danish Iqbal is Bachelor of Science in Business from American University of Sharjah, (U.A.E). He has been one of the entrepreneurs of Wind Industry in Pakistan.

He is currently the CEO of Metro Power, a 50MW wind power project and also involved in group's second wind power Project Gul Ahmed Wind, another 50MWs, both projects achieved financial closes in 2015 and are currently in operations. Though Danish started his career from his family's textile business where he was involved weaving and garments industry and then he moved to the more vibrant energy sector where Pakistan is facing huge shortage. His energy experience derives from Gul Ahmed Energy 136 MW, Thermal Power Generation power plant located in center of Karachi and supplying electricity to Karachi Electric, he is involved in operations with Power purchaser, O&M contractor and fuel supplier and financial investments of the company. The group companies have invested in new energy ventures, of 110MWs namely Metro Wind (60MW) and Gul Ahmed Electric (50MW) and 80MWs of Hybrid Solar Power. He is also currently the Chairman of Pakistan Wind Energy Association and a Certified Director from Pakistan Institute of Corporate Governance.

#### **Mr. Syed Asad Mustafa Shafqat, CFA - Director**

Mr Asad Shafqat possess over 20 years of experience in investment banking, capital markets, private equity, principal investing and strategy. He is currently advisor to the Marine Group of Companies. Before his current engagement, he was the on-ground partner / lead in charge at JS Private Equity / JS Bank, responsible for the deployment and management of a \$50m Pakistani focused private equity fund (principal investor in which is the USAID) for the support and expansion of high-growth potential SMEs. Prior to this, Mr Shafqat has been associated with KASB Securities in the capacity of Executive Director & CFO. He was also one of the founder shareholders at Foundation Securities and played a key role in conceiving and executing the partnership between Fauji Foundation and the founding group of professionals. Mr Shafqat also worked with Actis Capital, one of the largest emerging markets private equity funds, where he managed Actis' existing portfolio in Pakistan and was responsible for identifying, developing and working on potential private equity and distressed assets opportunities, across a variety of sectors. Mr Shafqat is a CFA Charter holder and also holds a BSc in Accounting from the University of Hull, United Kingdom.

#### **Mr. Saad Iqbal- CEO & Director**

He has over 10 years of experience in equity sales, trading and investment advisory. Prior to joining EFG Hermes as Head of Brokerage, Saad served as Head of Institutional Sales and Trading at Next Capital Limited where he was also part of marketing team that successfully placed Ittefaq Steel IPO (USD 10mn). Prior to joining Next Capital Limited, Saad worked at KASB Securities Limited as Institutional Sales Trader. He holds a degree of BAS (Accounting and Finance) from Atkinson, York University and also a Chartered Financial Analyst(CFA).



## CHAIRMAN REVIEW

Review Report by the Chairman on the overall performance of Board and effectiveness of the role played by the Board in achieving the Company's objectives:

- The Board of Directors ("the Board") of EFG Hermes Pakistan Limited ("EFGH") has performed their duties meticulously in safeguarding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner, towards achieving its objective, in accordance with applicable laws and regulations.
- The Board is comprised of diverse experience of professionals. They brought with them local and international working expertise in various segments of the business. The Board has ensured that there is adequate representation of non-executive and independent directors on the Board and its committees as required under the Code of Corporate Governance ("Code") and that members of the Board and its respective committees has adequate skill experience and knowledge to manage the affairs of the Company.
- The Board has formed an Audit Committee and Human Resource and Remuneration Committee and has approved their respective TORs as required under the Code and has assigned them with adequate resources to achieve the desired objective effectively.
- The Board has established and put in place the rigorous mechanism for an annual evaluation of its own performance and that of its committees and individual directors.
- The Board has ensured that the directors are provided with orientation courses to enable them to perform their duties in an effective manner and that the one director on the Board have already taken certification under the Directors Training Program and the remaining directors meet the qualification and experience criteria of the Code.
- The Board has ensured that the meetings of the Board and that of its committee were held with the requisite quorum, all the decision making were taken through Board resolution and that the minutes of all the meetings including its committee are appropriately recorded and maintained.
- The Board has developed a code of conduct setting forth the professional standards and corporate values adhered through the Company and has developed significant policies for smooth functioning.
- The Board has actively participated in strategic planning process enterprise risk management system, policy development, and financial structure, monitoring and approval.
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process.
- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and /or internal audit activities.
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings.
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making.

On behalf of the Board, I would like to thank all the stakeholders for their trust and support. I am confident that the Company has all the ingredients necessary to achieve the expectations of all its stakeholders.

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

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**Murad Ansari**  
CHAIRMAN

Karachi: March 01, 2021

# DIRECTORS' REPORT TO THE MEMBERS

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

Dear Member(s)

Assalam-o-Alykum!

We, on behalf of Board of Directors of your Company, are pleased to present herewith Audited Financial Statements of the Company for the year ended December 31, 2020, together with the Auditors' Report thereon.

### Principle Activities of the Business & Performance Review

The core business activity of your Company is the equity brokerage. The Company earned operating revenues of Rs. 204.327 million during year under review as compared to 158.002 million for the corresponding period. Before and after-tax earnings stood at Rs. 16.222 million and Rs. 1.661 million respectively as compared to before and after tax loss Rs. 37.191 million and Rs. 47.726 million respectively for the corresponding period.

The operating results of the Company for the year ended December 31, 2020 are summarized as follows:

|                           | December 31,<br>2020<br>Rupees | December 31,<br>2019<br>Rupees |
|---------------------------|--------------------------------|--------------------------------|
| Operating Revenues        | 204,327,420                    | 158,002,356                    |
| (Loss)/Profit before tax  | 16,222,487                     | (37,191,497)                   |
| (Loss)/Profit after tax/  | 1,661,344                      | (47,725,876)                   |
| (Loss)/Earnings per share | 0.08                           | (2.38)                         |

The Company reported net earnings of Rs. 1.661mn (Rs. 0.08 per share) versus a net loss of Rs. 47.725mn (Rs. 2.38 per share). The company was able to improve the results on higher operating revenues due to increasing market-wide turnover amid minimum commission slabs, and reduction in operating costs.

Going forward, we are optimistic over our operations, and expect volumes to remain healthy at the exchange during 2021. We remain committed in further enhancing our clientele both locally and globally (institutional and retail) and curtailing operating costs.

### Dividend and other appropriations

The Directors have not recommended any payout this year because of accumulated loss to the Company.

### Post Balance Sheet Events

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company to which the balance sheet relates and the date of this report.

### Financial Statements

These financial statements have been endorsed by Chief Executive Officer and Chief Financial Officer of the Company, recommended for approval by the Audit Committee of the Board, and approved by the Board of Directors for presenting before the Members and for Members' consideration, approval and adoption. The auditors of the Company, M/s. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants, audited the financial statements and have issued an unqualified report to the Members.

### Auditors

The present auditors, M/s. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants, shall retire at the conclusion of Annual General Meeting and being eligible for reappointment have offered themselves for the same. The Board of Directors of your Company, based on the recommendation of the audit committee of the Board, proposed M/s. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants, for reappointment as auditors of the Company for the ensuing year.

### Credit Rating

The Pakistan Credit Rating Agency (PACRA) has maintained credit rating of the Company as for long term A- (A minus) and for short term A1 (A one) ratings have been assigned. These ratings reflect low expectation of credit risk and strong capacity for timely repayments of financial commitments.

**Management Rating**

PACRA has maintained the management rating of the Company as BMR2+. The outlook on the assigned ratings is 'Stable'. This certification has endorsed the Company's capability in upholding sound regulatory compliance, control environment, and financial management. Further, governance and risk management frameworks are effective while Human Resource, Information Technology and customer services are proactive.

**Pattern of Shareholding**

The detailed pattern of the shareholding and categories of shareholders of the Company as at December 31, 2020, as required under the listing regulations, have been appended to this Annual Report.

**The Name and Country of Origin of the Holding Company**

The Name of Holding Company is EFG Hermes Frontier Holdings LLC having its office at Unit 6, Gate Building, West Wing, Dubai International Financial Centre, P.O.Box 30727, Dubai, UAE.

**Corporate Social Responsibility**

The Company acknowledges the importance of corporate social responsibility and necessary measures are taken to fulfill its responsibilities.

The Company being a service provider in nature of business undertakes necessary measures in respect of energy conservation and environment protection at its offices premises and safety and health of its employees.

The Company has established proper systems and procedures to avoid corruption and to operate the Company in a professional and ethical manner to protect the clients and otherwise.

The Company has excellent relationships with its peers, bankers, regulators and other relevant institutions / organizations.

The Directors fully recognizing the social responsibilities are of the view that the provisions for charity, community welfare etc., will be considered in future depending on the Company's profitability/financial health.

The Company's contribution to National Exchequer in the form of taxes and levies is given in the notes to the financial statements.

**Corporate Governance**

The Directors confirm compliance with the Corporate & Financial Reporting Framework of the Code of Corporate Governance for the annexed below:

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements except for the changes given in notes to the financial statements, if any; and accounting estimates are based on reasonable and prudent judgments.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departures there from has been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) Key operating and financial data for last six years in summarized form is annexed.
- h) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on December 31, 2020 except for those disclosed in financial statements.
- i) The Company operates an approved contributory provident fund for its eligible employees. Value of investments as per un-audited financial statements for the period ended December 31, 2020 amounts to approximately Rs. 23,237,569/-.

**Changes in the Board**

During the year under review, Mr. \*Asad Shafqat was appointed on January 14, 2020 and Mr. \*Saad Iqbal was



appointed on October 27, 2020 to fill the casual vacancy, which occurred due to resignation of Mr. Muhammad Yousuf and \*Mr. Safdar Mummunka respectively, within the stipulated time.

- j) During the period four (4) meetings of Board of Directors were held. Attendance by each Director was as follows:

| S. No. | Name of Director           | No. of meetings eligible to attend | No. of meetings attended |
|--------|----------------------------|------------------------------------|--------------------------|
| 1.     | Mr. Murad Ansari           | 4                                  | 3                        |
| 2.     | Mr. Ahmed Youssef          | 4                                  | 3                        |
| 3.     | Mr. Mohamed Ebeid          | 4                                  | 3                        |
| 4.     | Mr. Mohamed Abdel Khabir   | 4                                  | 4                        |
| 5.     | Mr. Fayyaz Ilyas           | 4                                  | 0                        |
| 6.     | Mr. Hayat Javed            | 4                                  | 4                        |
| 7.     | Ms. Sarah Kwena Maja       | 4                                  | 0                        |
| 8.     | Mr. Freyan Byram Avari     | 4                                  | 4                        |
| 9.     | Mr. Johannes Hailu Gunnell | 4                                  | 4                        |
| 10.    | Mr. Safdar Mummunka*       | 2                                  | 1                        |
| 11.    | Mr. Asad Shafqat*          | 4                                  | 4                        |
| 12.    | Mr. Ahmed El Khamissy      | 4                                  | 4                        |
| 13.    | Mr. Danish Iqbal           | 4                                  | 1                        |
| 14.    | Mr. Saad Iqbal*            | 1                                  | 1                        |

Leave of absence was granted to Directors who could not attend the Board meetings.

- During the period four (4) meetings of Audit Committee were held. Attendance by each Member was as follows:

| S. No. | Name of Member        | No. of meetings eligible to attend | No. of meetings attended |
|--------|-----------------------|------------------------------------|--------------------------|
| 1.     | Mr. Johannes Gunnell  | 4                                  | 4                        |
| 2.     | Mr. Ahmed El Khamissy | 4                                  | 4                        |
| 3.     | Mr. Fayyaz Ilyas      | 4                                  | 0                        |

Leave of absence was granted to Members/Directors who could not attend the Audit Committee meetings.

- During the period, one (1) meeting of Human Resource and Remuneration Committee (HRRC) was held.

| S. No. | Name of Member         | No. of meetings eligible to attend | No. of meetings attended |
|--------|------------------------|------------------------------------|--------------------------|
| 1.     | Mr. Freyan Byram Avari | 1                                  | 1                        |
| 2.     | Mr. Mohamed Ebeid      | 1                                  | 0                        |
| 3.     | Mr. Hayat Javed        | 1                                  | 1                        |

Leave of absence was granted to Directors who could not attend the HR & RC meetings.

- k) Pattern of shareholding is annexed at the end of report.
- l) Directors have gone through orientation programs held on August 05, 2020 and October 27, 2020. Six directors have necessary certification in respect of Directors' Training Program (DTP).
- m) One of executives has also certification in respect of Directors' Training Program.
- n) The Company is not in default or likely to default in any loans, sukuks or other debt instruments.
- o) The Directors and Executives including their respective spouses and minor children have not traded in the shares of the Company during the period.

(For the clause 'o' above under Code of Corporate Governance the expression 'Executive' includes, in addition to Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary by whatever name called, all other employees of the Company having basic salary of Rs. 1,200,000/- or above in a financial year.)

### Economic Overview

Outbreak of COVID led to restrictive measures including complete lockdown in order to prevent the spread of the infection. Closure of businesses and economic activity disrupted the overall macro-economy which was already adjusting through stabilization measures under the IMF program. Overall growth slowed down in FY2020, with GDP growth sharply contracting to 0.4% in FY20 driven largely by slowdown in manufacturing and service sector as agriculture remained relatively resilient. The latter remained less affected as rural areas were not as severely impacted by these restrictive measures. Overall economic contraction was more prominent in domestic demand which contracted 1.7%. To support the economy, the State Bank of Bank quickly shifted the monetary policy stance to accommodative by delivering 625bps cut in policy rates along with rolling out financial support to businesses including loan deferments and low-cost financing facilities. Fiscal support was also extended in form of subsidy and ease in policies. As COVID cases started to recede and restrictive measures were eased off, economy activity recovered sharply and picked up further momentum during 2HCY20. High-frequency economic data indicate towards sustained broad base recovery across all major sectors of the economy. The country's external account turned positive, as the slowdown in domestic demand led to a contraction in overall import bill. Current account recorded monthly surplus balance for five consecutive months. Strong remittance inflows during this time were a key catalyst, growing at double-digits to reach record levels. The positive external account also filtered into the currency, which after some short term volatility, appreciated against the USD in 2HCY20. With the recovery momentum set in, government's focus has shifted back towards the reforms process and official resumption of the IMF program. The program focus would remain the same amidst a more challenging environment on the implications from the COVID.

### Market Performance

Post a tough 1Q with the outbreak of COVID-19 globally, KSE100 rebounded sharply in the backdrop of government's favorable policies (relief package), monetary easing by the State Bank of Pakistan and control of COVID-19 outbreak in the country. On top of this, the economy saw significant improvement on the external front as diminishing trade deficit was further augmented by record remittances flow. This encouraging operating environment not only supported the index recouping the losses of 1Q20 (KSE100 CY20 return of 7%), but more importantly the trading volumes at the exchange also improved significantly - April to December'20 ADVT averaged USD83mn vs. USD39mn in 2019 and USD53mn in 1Q2020.

### Future Prospects and Outlook

There is a strong case for the positive momentum at the exchange to continue over 2021. Despite the rally in the latter half of 2020, KSE100 trades at attractive valuation as the earnings recovery across various sectors is strong. More importantly, SBP's recent monetary policy meeting suggests that the central bank is sticking with lower rates over the short term, and hikes will be rolled out in a phased manner. This will be key in supporting the liquidity in the market, as local investor participation in the stock market has improved significantly. Recovery in economic activity resulting in better corporate results should further rejuvenate interest in the market. Vaccine success in Pakistan and globally will hold the key to continuing the market's momentum.

### Acknowledgements

The Board of Directors of your Company wishes to place on record its gratitude to the regulators, its bankers, members, clients and business partners for their continued cooperation and support. Further, the Board appreciates the valuable, loyal, and commendable services rendered to the Company by its employees.

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

### On behalf of the Board of Directors

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Chief Executive Officer

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Director

Karachi: March 01, 2021

## ڈائریکٹرز رپورٹ برائے ممبران

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

محترم ممبران

السلام علیکم

میں آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے بخوشی سالانہ مدت 31 دسمبر 2020 کو ختم ہونے والی کمپنی کی آڈٹ شدہ مالی تفصیلات، آڈیٹرز کی رپورٹ کے ساتھ پیش کرتا ہوں۔

بنیادی کاروباری سرگرمیاں اور کارکردگی کا جائزہ:

آپ کی کمپنی کی بنیادی کاروباری سرگرمی ایکویٹی بروکریج ہے۔ زیر غور سال کے دوران کمپنی نے آپریٹنگ آمدنی کی مد میں 204.327 ملین روپے کمائے جبکہ گذشتہ اسی مدت کے دوران 158.002 روپے کمائے تھے۔ قبل از ٹیکس اور بعد از ٹیکس کمائی 16.222 ملین روپے اور 1.661 ملین بالترتیب ہے جبکہ گذشتہ اسی مدت کے دوران قبل از ٹیکس اور بعد از ٹیکس نقصان 37.191 ملین اور 47.726 ملین روپے بالترتیب تھا۔ کمپنی کے کاروباری نتائج سالانہ مدت کیلئے مورخہ 31 دسمبر 2020 درج ذیل ہیں۔

| 31 دسمبر<br>2019 | 31 دسمبر<br>2020 |                                   |
|------------------|------------------|-----------------------------------|
| روپے             | روپے             |                                   |
| 158,002,356      | 204,327,420      | آمدنی (کاروبار سے حاصل شدہ آمدنی) |
| (37,191,497)     | 16,222,487       | (نقصان) / منافع قبل از ٹیکس       |
| (47,725,876)     | 1,661,344        | (نقصان) / منافع بعد از ٹیکس       |
| (2.38)           | 0.08             | فی حصص (نقصان) / آمدنی            |

کمپنی نے 47.725 ملین روپے (فی حصص 2.38 روپے) خسارہ کے مقابلہ میں 1.661 ملین روپے (فی حصص 0.08 روپے) کمائے۔ مارکیٹ میں بڑھتی ہوئی کاروباری وسعت کے درمیان کم سے کم کمیشن سلیپز اور آپریٹنگ اخراجات میں کمی کی وجہ سے کمپنی آپریٹنگ آمدنی کو زیادہ بہتر بنانے کے قابل ہوئی۔ آگے بڑھتے ہوئے، ہم اپنے کام سے پُر امید ہیں، اور توقع کرتے ہیں کہ 2021 کے دوران آپریشن میں حجم بہتر رہیں گے۔ ہم مقامی اور عالمی سطح پر اپنے کلائنٹس بڑھانے، اور آپریٹنگ اخراجات میں کمی کے لئے پُر عزم ہیں۔

تقسیم شدہ منافع اور دیگر تخصیص

کمپنی کو مجموعی خسارہ ہونے کی وجہ سے ڈائریکٹرز نے اس سال کسی ادائیگی کی اجازت نہیں دی۔

پوسٹ بیلنس شیٹ وقوع

اس رپورٹ کی تاریخ اور کمپنی کے مالی سال کے اختتام پر کمپنی کی مالی پوزیشن میں کوئی خاص تبدیلی نہیں کی گئی جس سے بیلنس شیٹ کا تعلق ہو۔

## مالیاتی گوشوارے

کمپنی کے چیف ایگزیکٹو آفیسر اور چیف فنانس آفیسر نے مالیاتی گوشواروں کی تفصیلات تصدیق کر کے بورڈ کی آڈٹ کمیٹی کو منظور کیلئے بھیجیں اور بورڈ آف ڈائریکٹرز نے ممبران کے سامنے پیش کرنے اور ممبران کو اس پر غور کرنے، منظور کرنے اور اختیار کرنے کیلئے منظوری دی۔ کمپنی کے آڈیٹرز میسرز ریاض احمد، ثاقب، گوہرا اینڈ کمپنی کے چارٹرڈ اکاؤنٹنٹس نے مالیاتی گوشواروں کا آڈٹ کیا اور ممبرز کو غیر مشروط رپورٹ جاری کی۔

## محاسب/آڈیٹرز

موجودہ آڈیٹرز میسرز ریاض احمد، ثاقب، گوہرا اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس، سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے اور انہوں نے اپنے آپ کو دوبارہ تعیناتی کے لیے پیش کیا ہے۔ آپ کی کمپنی کے بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی رپورٹ کی بنیاد پر میسرز ریاض احمد، ثاقب، گوہرا اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو مابعد سال کے لئے بطور آڈیٹرز دوبارہ تعیناتی کی منظوری دی ہے۔

## کریڈٹ درجہ بندی

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے کمپنی کی کریڈٹ درجہ بندی کی طویل المعیاد کیلئے A- (منفی اے) اور مختصر مدت کیلئے A1 (اے ون) درجہ برقرار رکھا۔ یہ درجہ بندیاں کریڈٹ رسک کی کم توقعات کی عکاسی کرتی ہیں اور بروقت مالی ادائیگیوں کیلئے مضبوط صلاحیت رکھتی ہیں۔

## انتظامی درجہ بندی

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے کمپنی کی انتظامی درجہ بندی بطور BMR2+ تفویض برقرار رکھی ہے۔ تفویض کردہ درجہ بندی "مستحکم" ہونے کی عکاسی کرتی ہے۔ سیر ٹیفیکٹ کمپنی کے بطور ادارہ مستحکم ہونے، ماحول کو قابو میں رکھنے اور مالی انتظامات کو برقرار رکھنے میں کمپنی کی اہلیت کی تصدیق کرتی ہے۔ مزید یہ کہ، گورنس اور رسک مینجمنٹ کے فریم ورک مؤثر ہیں جبکہ ہیومن ریسورس، انفارمیشن ٹیکنالوجی اور صارفین کی خدمات کے ڈھانچے فعال ہیں۔

## حصص رکھنے کا طرز

31 دسمبر 2020 کو درکار لسٹنگ ریگولیشنز کے مطابق حصص رکھنے کا تفصیلی طرز اور کمپنی کے حصص یافتگان کی اقسام اس سالانہ رپورٹ کے ساتھ منسلک کی گئی ہے۔

## ہولڈنگ کمپنی کا نام اور شناخت

ہولڈنگ کمپنی کا نام ای ایف جی ہرمز فرنیچر ہولڈنگز ایل سی ہے جس کا دفتر یونٹ 6، گیٹ بلڈنگ، ویسٹ ونگ، دہئی انٹرنیشنل فنانشل سینٹر، پی۔ او۔ بکس 30727، دہئی، متحدہ عرب امارات میں واقع ہے۔

## کارپوریٹ سماجی ذمہ داریاں

کمپنی کا کارپوریٹ سماجی ذمہ داری کی اہمیت کو سمجھتی ہے اور ان ذمہ داریوں کو نبھانے کیلئے ضروری اقدامات اٹھائے گئے ہیں۔ کمپنی جس کے کام کی نوعیت خدمات مہیا کرنا ہے نے توانائی اور ماحولیاتی حفاظت کے لیے اپنے دفاتر کی جگہ اور اپنے ملازمین کی صحت اور حفاظت کے لیے ضروری اقدامات کئے ہیں۔

کمپنی نے کرپشن سے بچاؤ، کمپنی کو اخلاقی و پیشہ ورانہ انداز میں چلانے، اپنے گاہکوں اور دیگر کی حفاظت کیلئے مناسب طریقہ پر نظام قائم کیا ہے۔

کمپنی کے اپنے ساتھیوں، بینکرز، ریگولیٹرز اور دیگر متعلقہ اداروں / تنظیموں کے ساتھ مثالی تعلقات ہیں۔



ڈائریکٹرز اپنی سماجی ذمہ داریوں سے مکمل طور پر آگاہ ہیں اور ان کے خیال میں چندہ، خدمت خلق پر آئندہ غور کیا جاسکتا ہے جس کا انحصار کمپنی کے منافع مالی استحکام پر ہے۔ کمپنی نے جوئیکس اور ڈیوٹی ادا کی ہے اس کا ذکر مالیاتی گوشواروں کے نوٹس میں کیا گیا ہے۔

### کاروباری نظم و نسق

ڈائریکٹرز نے کاروباری اور مالیاتی رپورٹنگ ڈھانچے کے ضابطہ برائے کاروباری نظم و نسق کی تصدیق کی ہے جو کہ درج ذیل ہے۔

- مالیاتی گوشوارے جو کہ کمپنی کی انتظامیہ نے تیار کیے جن میں آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کو شفاف طور پر پیش کیا گیا۔
- کمپنی کے کھاتے صحیح طریقہ پر تیار کیے گئے۔
- مالیاتی گوشواروں کی تیاری میں مستقل مناسب اکاؤنٹنگ پالیسی اختیار کی گئی ماسوائے ان تبدیلیوں کے جن کا ذکر مالیاتی گوشواروں کے نوٹس میں کیا گیا؛ اور اکاؤنٹنگ کے تخمینے مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ معیار اختیار کیا گیا اور وضاحت کے ساتھ بیان کیا گیا اور اس سے کوئی بھی انحراف مناسب طور پر واضح اور بیان کیا گیا ہے۔
- اندرونی کنٹرول کا نظام بہترین بنا کر اسے نافذ کیا اور نگرانی کی گئی۔
- کمپنی کے کاروبار کے جاری رہنے پر کوئی نمایاں شبہات نہیں ہیں۔
- گزشتہ چھ سالوں کے خاص کاروباری اور مالیاتی اعداد و شمار مختصر طور پر منسلک ہیں۔
- ٹیکسوں، ڈیوٹیز، محصولات اور چارجز کی مد میں کسی طرح کے قانونی بقایا جات نہیں ماسوائے ان کے جن کو 31 دسمبر 2020 کے مالیاتی گوشواروں میں ظاہر کیا گیا۔
- کمپنی اپنے اہل ملازمین کے لیے منظور شدہ پروویڈنٹ فنڈ چلاتی ہے جس کی سرمایہ کاری کی رقم غیر آڈٹ شدہ مالی تفصیلات کے مطابق 31-12-2020 کے اختتام پر تقریباً مبلغ 23,237,569 روپے ہے۔

### بورڈ میں تبدیلیاں

زیر نور سال کے دوران جناب محمد یوسف اور\* جناب صفدر مemon کا استعفیٰ دینے کی وجہ سے خالی ہونے والی عارضی اسامیوں پر بعد ازاں مقررہ مدت میں 14 جنوری 2020 کو\* جناب اسد شفقت اور 27 اکتوبر 2020 کو\* جناب سعد اقبال کا بالترتیب تقرر کیا گیا۔

(j)۔ اس مدت کے دوران بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد ہوئے ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

| نمبر شمار | ڈائریکٹر کا نام        | اجلاس کی تعداد (قابل حاضری) | اجلاس کی تعداد (جن میں حاضر ہوئے) |
|-----------|------------------------|-----------------------------|-----------------------------------|
| ۱۔        | جناب مراد انصاری       | 4                           | 3                                 |
| ۲۔        | جناب احمد یوسف         | 4                           | 3                                 |
| ۳۔        | جناب محمد عبید         | 4                           | 3                                 |
| ۴۔        | جناب محمد عبدالجبار    | 4                           | 4                                 |
| ۵۔        | جناب فیاض الیاس        | 4                           | 0                                 |
| ۶۔        | جناب حیات جاوید        | 4                           | 4                                 |
| ۷۔        | محترمہ سارہ کوینا ماجہ | 4                           | 0                                 |
| ۸۔        | جناب فریان بیرام آواری | 4                           | 4                                 |
| ۹۔        | جناب جوہانز ہائیگنل    | 4                           | 4                                 |

| نمبر شمار | ڈائریکٹر کا نام   | اجلاس کی تعداد (قابل حاضری) | اجلاس کی تعداد (جن میں حاضر ہوئے) |
|-----------|-------------------|-----------------------------|-----------------------------------|
| ۱۰۔       | جناب صفدر مومناک* | 2                           | 1                                 |
| ۱۱۔       | جناب اسد شفقت*    | 4                           | 4                                 |
| ۱۲۔       | جناب احمد انجمیسی | 4                           | 4                                 |
| ۱۳۔       | جناب دانش اقبال   | 4                           | 1                                 |
| ۱۴۔       | جناب سعد اقبال*   | 1                           | 1                                 |

جو ڈائریکٹر بورڈ کے اجلاس میں حاضر نہیں ہو سکے انہیں غیر حاضری کی منظوری دے دی گئی۔

دوران مدت آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے۔ ہر ممبر کی حاضری درج ذیل ہے۔

| نمبر شمار | ڈائریکٹر کا نام        | اجلاس کی تعداد (قابل حاضری) | اجلاس کی تعداد (جن میں حاضر ہوئے) |
|-----------|------------------------|-----------------------------|-----------------------------------|
| ۱۔        | جناب جوهانز ہائیگلوگنل | 4                           | 4                                 |
| ۲۔        | جناب احمد انجمیسی      | 4                           | 4                                 |
| ۳۔        | جناب فیاض الیاس        | 4                           | 0                                 |

جو ممبرز/ ڈائریکٹر آڈٹ کمیٹی کے اجلاس میں حاضر نہیں ہو سکے انہیں غیر حاضری کی منظوری دے دی گئی۔

دوران مدت ہیومن ریسورس اینڈ ریمو نیشن کمیٹی کا اجلاس ایک (1) دفعہ منعقد ہوا۔

| نمبر شمار | ڈائریکٹر کا نام        | اجلاس کی تعداد (قابل حاضری) | اجلاس کی تعداد (جن میں حاضر ہوئے) |
|-----------|------------------------|-----------------------------|-----------------------------------|
| ۱۔        | جناب فریان بیرام آواری | 1                           | 1                                 |
| ۲۔        | جناب محمد عبید         | 1                           | 0                                 |
| ۳۔        | جناب حیات جاوید        | 1                           | 1                                 |

جو ممبرز/ ڈائریکٹر ہیومن ریسورس اینڈ ریمو نیشن کمیٹی کے اجلاس میں حاضر نہیں ہو سکے انہیں غیر حاضری کی منظوری دے دی گئی۔

(k) - طرز حصص یافتگان سالانہ رپورٹ کے آخر میں منسلک ہیں۔

(l) - ڈائریکٹر نے 05 اگست 2020 اور 27 اکتوبر 2020 کو منعقد ہونے والے واقفیت کے پروگراموں میں شرکت کی۔ چھ ڈائریکٹر کو ڈائریکٹر ٹریننگ پروگرام (ڈی ٹی پی) کے سلسلے میں ضروری اسناد ملیں۔

(m) - ایک عدد ایگزیکٹو بھی ڈائریکٹر ٹریننگ پروگرام (ڈی ٹی پی) کے سلسلے میں سند ملی۔

(n) - کمپنی کسی بھی طرح کے قرض، سکوکس اور دیگر وغیرہ میں نادہندہ یا قابل نادہندہ نہیں ہے۔

(o) - ڈائریکٹر ز اور ایگزیکٹوز بشمول انکے بیوی، بچوں نے اس مدت کے دوران کمپنی کے حصص کی تجارت نہیں کی۔

(اوپر دی گئی شق "o" کے تحت ضابطہ برائے کارپوریٹ گورننس کے مطابق 'Executive' کی ٹرم/ وضاحت میں کمپنی کے دیگر ملازمین جن کی مالی سال میں بنیادی تنخواہ 1,200,000/- روپے یا اس سے زیادہ ہے 'Executive' ہیں جنہیں چاہے کسی بھی نام سے مخاطب کریں بشمول چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانس آفیسر، انٹرنل آڈٹ کاسر براہ اور کمپنی سیکریٹری کے)۔

#### اقتصادی جائزہ

کرونا کو بڑھنے سے روکنے کے لئے مکمل لاک ڈاؤن سمیت پابندیوں کے اقدامات کئے گئے تاکہ انفیکشن مزید نہ پھیلے۔ کاروبار اور معاشی سرگرمیوں کی بندش نے مجموعی طور پر پوری معیشت کو متاثر کیا جو کہ پہلے ہی آئی ایم ایف پروگرام کے تحت مستحکم ہونے کے لئے اقدامات کر رہی تھی۔ مالی سال 2020 میں جی ڈی پی کی نمو بڑے پیمانے پر مینوفیکچرنگ اور خدمات کے شعبوں میں سست روی سے متاثر ہو کر تیزی سے 0.4 فیصد تک سکر گئی جبکہ زراعت کا شعبہ نسبتاً اپنی جگہ مستحکم رہا، اسلئے مالی سال 2020 میں مجموعی نمو سست ہوئی،

کیونکہ دیہی علاقوں پر ان پابندیوں کے اقدامات کا اتنا سخت اثر نہیں پڑا۔ مجموعی طور پر معاشی اختصار داخلی طلب میں زیادہ نمایاں رہا جس میں 1.7 فیصد تک کمی واقع ہوئی۔ معیشت کی معاونت کے لئے، اسٹیٹ بینک آف پاکستان نے قرضوں میں تاخیر اور کم لاگت فنانسنگ کی سہولیات سمیت کاروبار کو مالی مدد فراہم کرنے کے ساتھ شرح سود کے نرخوں میں 625bps کمی کے ذریعے مانیٹری پالیسی کے متوقف کو فوری طور پر موافقت کی طرف منتقل کر دیا۔ مالی اعانت میں سبسڈی اور پالیسیوں میں آسانی کی صورت میں بھی توسیع کی گئی۔ جیسے ہی کرونا کیسز میں پسپائی شروع ہوئی پابندیوں سے متعلق اقدامات میں آسانی پیدا ہوتے ہی مالی سال کے دوسرے نصف میں معاشی سرگرمی میں تیزی سے بہتری آئی اور رفتار نے مزید زور پکڑا۔ بہت زیادہ تعداد میں معاشی اعداد و شمار معیشت کے تمام بڑے شعبوں میں وسیع بنیادوں پر ریکوری کی طرف اشارہ کرتے ہیں۔ ملک کا بیرونی کھاتہ مثبت ہو گیا، چونکہ ڈومیسٹک طلب میں سست روی نے مجموعی طور پر درآمدی بل میں سکڑاؤ پیدا کیا۔ کرنٹ اکاؤنٹ میں مسلسل پانچ ماہ تک ماہانہ اضافی بیلنس ریکارڈ کیا گیا۔ اس وقت کے دوران ترسیلات زر کی مضبوط آمد ایک اہم عمل تھا۔ مثبت بیرونی اکاؤنٹ سے کرنسی بھی بہتر ہوئی، جسے کچھ قلیل مدت کے اتار چڑھاؤ کے بعد، مالی سال 2020 کی دوسرے نصف میں امریکی ڈالر کے مقابلہ میں سراہا گیا۔ بحالی کی رفتار برقرار ہوتے ہی، حکومت نے اپنی توجہ اصلاحات کے عمل اور آئی ایم ایف پروگرام کو باضابطہ طور پر دوبارہ شروع کرنے کی جانب مبذول کر دی ہے۔ کرونا کے مضمرات میں گھرے ہوئے مزید چیلنگ ماحول میں پروگرام کی توجہ اسی طرح مبذول رہے گی۔

### مارکیٹ کارکردگی

عالمی سطح پر کرونا کے پھیلاؤ کی وجہ سے پہلی سہ ماہی کی پوسٹنگ ایک مشکل مرحلہ رہا، KSE100 انڈیکس، حکومت کی سازگار پالیسیوں (امدادی پیکیج)، اسٹیٹ بینک آف پاکستان کی طرف سے مانیٹری پالیسی میں آسانی اور ملک میں کرونا کے پھیلاؤ پر قابو پانے کے پس منظر میں تیزی دیکھی گئی۔ سب سے اہم بات یہ ہے کہ، بیرونی محاذ پر معیشت میں نمایاں بہتری دیکھنے میں آئی کیونکہ گھٹتا ہوا تجارتی خسارہ ریکارڈ ترسیلات زر کے بہاؤ سے مزید بڑھا۔ اس حوصلہ افزا آپریٹنگ ماحول میں نہ صرف مالی سال 2020 کی پہلی سہ ماہی (کے ایس ای، CY20100 میں 7 فیصد کارپوریشن) کے نقصانات کی تلافی ہوئی، بلکہ ایکسچینج میں تجارتی حجم میں بھی نمایاں بہتری آئی۔ اپریل تا دسمبر 2020 میں اے ڈی وی ٹی اوسطاً 83 ملین امریکی ڈالر ہوئی جبکہ 2019 میں 39 ملین امریکی ڈالر تھی اور پہلی سہ ماہی 2020 میں 53 ملین امریکی ڈالر تھی۔

### آئندہ کے منصوبے

یہ 2021 میں ایکسچینج کے اندر مثبت رجحان برقرار رہنے کی ایک مضبوط وجہ ہے۔ 2020 کی آخری ششماہی کے باوجود، کے ایس ای 100 نے پُرکشش انداز میں تجارت کی جیسا کہ مختلف شعبوں میں آمدنی میں ریکوری مضبوط ہوئی۔ مزید اہم بات یہ ہے کہ، اسٹیٹ بینک آف پاکستان کی حالیہ مالیاتی پالیسی اجلاس سے پتہ چلتا ہے کہ مرکزی بینک قلیل مدت کیلئے کم شرحوں پر عمل پیرا ہے، اور اضافی کو مرحلہ وار نافذ کرے گا۔ مارکیٹ میں لیکویڈیٹی کی معاونت میں یہ کلیدی ثابت ہوگا، جیسا کہ اسٹاک مارکیٹ میں مقامی سرمایہ کاروں کی شرکت میں نمایاں بہتری آئی ہے۔ اقتصادی سرگرمی میں بازیافت کے نتیجے میں بہتر کارپوریٹ نتائج برآمد ہوں گے جس سے مارکیٹ میں دلچسپی کو مزید تقویت ملے گی۔ پاکستان اور عالمی سطح پر ویکسین کی کامیابی مارکیٹ کی رفتار کو جاری رکھنے میں کلیدی ثابت ہوگی۔

### تصدیق

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز خواہش رکھتے ہیں کہ ریگولیٹرز، ان کے بینکرز، ممبران، گاہک اور کاروباری ساتھی حضرات ان کے ساتھ تعاون جاری رکھی گے۔ بورڈ اپنے ملازمین کو ان کی خدمات کے عوض خراج تحسین پیش کرتا ہے۔

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

کراچی، یکم مارچ، 2021

## SIX YEARS AT A BALANCE

| PARTICULARS                                     | December 31,<br>2020 | December 31,<br>2019 | December 31,<br>2018 | Half Year<br>December 31,<br>2017 | June 30,<br>2017 | June 30,<br>2016 | June 30,<br>2015 |
|-------------------------------------------------|----------------------|----------------------|----------------------|-----------------------------------|------------------|------------------|------------------|
| <b>Operating Performance (Rupees in 000)</b>    |                      |                      |                      |                                   |                  |                  |                  |
| Revenue                                         | 204,327              | 158,002              | 151,604              | 81,050                            | 181,393          | 82,735           | 193,832          |
| Operating expenses                              | (157,578)            | 166,804              | 171,198              | 80,342                            | 129,290          | 88,603           | 69,002           |
| Financial expenses                              | 46,749               | 45,071               | 29,162               | 16,118                            | 9,470            | 840              | 5,366            |
| Other income                                    | 5,531                | 9,528                | 17,854               | 10,647                            | 1,826            | 1,386            | 43,906           |
| Gain / (loss) on revaluation of investments     | 4,372                | 7,152                | 223                  | 1,885                             | 908              | (601)            | (10,838)         |
| Profit / (loss) before tax                      | 16,222               | (37,192)             | (30,679)             | (2,878)                           | 45,367           | (5,923)          | 149,541          |
| Profit / (loss) after tax                       | 1,661                | (47,726)             | (45,634)             | (10,877)                          | 36,903           | (9,673)          | 138,523          |
| <b>Per Ordinary Shares (Rupees)</b>             |                      |                      |                      |                                   |                  |                  |                  |
| (Loss) / earnings per share                     | 0.08                 | (2.38)               | (2.28)               | (0.54)                            | 1.84             | (0.48)           | 5.66             |
| Break-up value per share                        | 6.79                 | 6.52                 | 8.99                 | 11.98                             | 12.79            | 9.59             | 22.82            |
| <b>Dividends (Percentage)</b>                   |                      |                      |                      |                                   |                  |                  |                  |
| Cash                                            | -                    | -                    | -                    | -                                 | -                | -                | 202.50%          |
| Bonus shares                                    | -                    | -                    | -                    | -                                 | -                | -                | -                |
| <b>Assets &amp; Liabilities (Rupees in 000)</b> |                      |                      |                      |                                   |                  |                  |                  |
| Total assets                                    | 862,135              | 761,759              | 977,139              | 819,609                           | 1,109,012        | 275,783          | 898,295          |
| Current assets                                  | 797,510              | 696,963              | 909,480              | 729,661                           | 1,020,230        | 192,449          | 837,024          |
| Current liabilities                             | 351,152              | 256,189              | 422,095              | 200,914                           | 197,125          | 79,411           | 441,052          |
| <b>Financial Position (Rupees in 000)</b>       |                      |                      |                      |                                   |                  |                  |                  |
| Shareholder's equity                            | 135,983              | 130,571              | 180,044              | 239,832                           | 255,967          | 191,932          | 456,805          |
| Share capital                                   | 200,156              | 200,156              | 200,156              | 200,156                           | 200,156          | 200,156          | 200,156          |
| Reserves                                        | (64,174)             | (69,586)             | (20,113)             | 39,676                            | 55,810           | (8,225)          | 256,648          |
| Shares outstanding- (Number in 000)             | 20,016               | 20,016               | 20,016               | 20,016                            | 20,016           | 20,016           | 20,016           |
| Return on capital employed-(%)                  | 1.22%                | -36.55%              | -25.35%              | -4.54%                            | 14.42%           | -5.04%           | 30.32%           |
| Return on total assets-(%)                      | 0.19%                | -6.27%               | -4.67%               | -1.33%                            | 3.33%            | -3.51%           | 15.42%           |
| Current ratio-times                             | 2.27                 | 2.72                 | 2.15                 | 3.63                              | 5.18             | 2.42             | 1.90             |



## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 FOR YEAR ENDED DECEMBER 31, 2020

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are thirteen (13) as per the following:
  - a. Male: 12directors
  - b. Female: 1 director
2. The composition of board is as follows:

| CATEGORY                   | NAMES                                                                                                                                                                       |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a) Independent Directors   | 1) Mr. Johannes Hailu Gunnell<br>2) Mr. Danish Iqbal<br>3) Mr. Freyan Byram Avari<br>4) Mr. Asad Shafqat                                                                    |
| b) Non-Executive Directors | 5) Mr. Murad Ansari<br>6) Mr. Mohamed AbdelKhabir<br>7) Mr. Ahmed Youssef<br>8) Mr. Hayat Javed<br>9) Mr. Ahmed ElKhamissy<br>10) Mr. Fayyaz Ilyas<br>11) Mr. Mohamed Ebeid |
| c) Female Director         | 12) Ms. Sarah Kwena Maja                                                                                                                                                    |
| d) Executive Director      | 13) Mr. Saad Iqbal                                                                                                                                                          |

*(\*Mr. Saad Iqbal has been appointed as director of the Company on 27-10-2020 in place of Mr. Safdar Mummunka within the stipulated time.)*

3. The directors have confirmed that none of them is serving as a director of other Pakistani listed companies, excluding this company.
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board arranged Directors' Training program last year and all local directors have already sought certification of certified director including one employee of the Company. Further, Directors have gone through orientation held on August 05, 2020 and October 27, 2020. Six directors have necessary certification in respect of Directors' Training Program (DTP).
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
- a) Audit Committee**
- |                            |          |
|----------------------------|----------|
| Mr. Johannes Hailu Gunnell | Chairman |
| Mr. Fayyaz Ilyas           | Member   |
| Mr. Ahmed El Khamissy      | Member   |
- b) HR and Remuneration Committee**
- |                        |          |
|------------------------|----------|
| Mr. Freyan Byram Avari | Chairman |
| Mr. Mohamed Ebeid      | Member   |
| Mr. Hayat Javed        | Member   |
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
- |                                         |           |
|-----------------------------------------|-----------|
| <b>a) Audit Committee</b>               | Quarterly |
| <b>b) HR and Remuneration Committee</b> | Yearly    |
15. The board has set up an effective internal audit function/ or has outsourced the internal audit function to the holding company who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

**Chief Executive Officer****Director**

Dated: March 01, 2021  
Karachi

## REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of EFG Hermes Pakistan Limited "the Company" for the year ended December 31, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of Section 208 of Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2020.

Karachi: March 01, 2021

**Chartered Accountants**  
**Engagement Partner: Shahid Kamran**

**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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EFG HERMES PAKISTAN LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## Opinion

We have audited the annexed financial statements of EFG Hermes Pakistan Limited (the Company), which comprise of the statement of financial position as at December 31, 2020 and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.     | <p><b>Contingent Liabilities</b></p> <p>(Refer notes 16.1 to 16.9 to the financial statements).</p> <p>The Company has contingent liabilities in respect of income tax and sales tax matters, which are pending adjudication before various taxation authorities and Courts of law. Contingencies require management to make judgments and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provisions that may be required against such contingencies.</p> | <p>Our audit procedures amongst others, included:</p> <ul style="list-style-type: none"> <li>- obtained and reviewed details of the pending tax matters and discussed the same with the Company's management;</li> <li>- circularized confirmations to the Company's external legal and tax counsels for their views on open tax assessments;</li> <li>- reviewed correspondence of the Company with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved;</li> </ul> |

**RIAZ AHMAD, SAQIB, GOHAR & CO.**

Chartered Accountants

5-Nasim C.H.S., Major Nazir Bhatti Road, Off: Shaheed-e-Millat Road, Karachi.

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Regional Offices at Lahore & Islamabad

| S. No. | Key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.     | <p>Due to significance of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts, we considered contingent liabilities relating to income tax and sales tax a key audit matter.</p> <p><b>Deferred tax assets relating to tax losses</b></p> <p>(Refer to note 21.2 to the financial statements)</p> <p>The Company has estimated a deferred tax asset of Rs. 14.177 million resulting from unused tax losses and unused tax credits as disclosed in the financial statements. The recoverability of this deferred tax asset is dependent on the generation of sufficient future taxable profit to utilise these unused tax losses and unused tax credits. As the Company is uncertain about the future taxable profits, therefore deferred tax asset is not recorded in the financial statements.</p> <p>Significant judgment is required in forecasting future taxable profits and therefore we consider it a key audit matter.</p> | <ul style="list-style-type: none"> <li>- involved internal tax professionals to assess management's conclusions on contingent tax matters and to evaluate the consistency of such conclusions with the views of the management and external tax advisors engaged by the Company; and</li> <li>- reviewed disclosures made in respect of such contingent liabilities.</li> </ul> <p>Our audit procedures amongst others included:</p> <ul style="list-style-type: none"> <li>- we have assessed and challenged management's judgments relating to the forecasts of future taxable profit and evaluated the reasonableness of the assumptions underlying the preparation of these forecasts; and</li> <li>- we have also assessed the appropriateness of the disclosures included in Note 21.2.</li> </ul> |

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:



Result Assured Services for Growth

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- d) the Company was in compliance with the requirements of section 78 of the Securities Act, 2015 and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the balance sheet was prepared; and
- e) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Shahid Kamran.

#### **Chartered Accountants**

Karachi: March 01, 2021

# STATEMENT OF FINANCIAL POSITION

## AS AT DECEMBER 31, 2020

|                                                                                                       | Note | 2020<br>Rupees     | 2019<br>Rupees     |
|-------------------------------------------------------------------------------------------------------|------|--------------------|--------------------|
| <b>ASSETS</b>                                                                                         |      |                    |                    |
| <b>NON-CURRENT ASSETS</b>                                                                             |      |                    |                    |
| Property, plant and equipment                                                                         | 4    | 27,463,364         | 29,807,693         |
| Intangible assets                                                                                     | 5    | 4,855,728          | 5,433,508          |
| Long-term investments                                                                                 | 6    | 31,755,763         | 28,004,853         |
| Long-term deposits                                                                                    |      | 550,000            | 1,550,000          |
|                                                                                                       |      | <b>64,624,855</b>  | <b>64,796,054</b>  |
| <b>CURRENT ASSETS</b>                                                                                 |      |                    |                    |
| Trade debts                                                                                           | 7    | 9,165,495          | 21,576,437         |
| Short-term investments                                                                                | 8    | 383,966,275        | 367,839,200        |
| Advances, deposits, prepayments and other receivables                                                 | 9    | 127,524,398        | 137,845,193        |
| Advance tax - net                                                                                     |      | 51,663,573         | 59,699,216         |
| Receivable under margin finance                                                                       | 10   | 41,357,037         | 13,249,680         |
| Cash and bank balances                                                                                | 11   | 183,833,593        | 96,753,415         |
|                                                                                                       |      | <b>797,510,371</b> | <b>696,963,141</b> |
| <b>TOTAL ASSETS</b>                                                                                   |      | <b>862,135,226</b> | <b>761,759,195</b> |
| <b>EQUITY AND LIABILITIES</b>                                                                         |      |                    |                    |
| <b>SHARE CAPITAL AND RESERVES</b>                                                                     |      |                    |                    |
| Authorized capital<br>100,000,000 (December 31, 2019: 100,000,000) ordinary<br>shares of Rs.10/- each |      | 1,000,000,000      | 1,000,000,000      |
| Issued, subscribed and paid-up capital                                                                | 12   | 200,156,500        | 200,156,500        |
| <b>RESERVES</b>                                                                                       |      |                    |                    |
| Gain on re-measurement of investment at FVOCI - net                                                   |      | 9,724,322          | 5,973,412          |
| Accumulated loss                                                                                      |      | (73,897,874)       | (75,559,218)       |
|                                                                                                       |      | <b>135,982,948</b> | <b>130,570,694</b> |
| <b>NON-CURRENT LIABILITIES</b>                                                                        |      |                    |                    |
| Long-term loan                                                                                        | 13   | 375,000,000        | 375,000,000        |
| <b>CURRENT LIABILITIES</b>                                                                            |      |                    |                    |
| Short-term running finance                                                                            | 14   | 65,477,639         | 72,166,547         |
| Trade and other payables                                                                              | 15   | 274,470,959        | 172,794,042        |
| Unclaimed dividend                                                                                    |      | 11,203,680         | 11,227,912         |
|                                                                                                       |      | <b>351,152,278</b> | <b>256,188,501</b> |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                                                  | 16   | -                  | -                  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                                                   |      | <b>862,135,226</b> | <b>761,759,195</b> |

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

|                                                                                                                  | Note | 2020<br>Rupees       | 2019<br>Rupees |
|------------------------------------------------------------------------------------------------------------------|------|----------------------|----------------|
| <b>OPERATING REVENUES</b>                                                                                        |      |                      |                |
| Operating revenues                                                                                               | 17   | <b>172,187,865</b>   | 123,397,169    |
| Gain on sale of investments - net                                                                                |      | <b>32,139,555</b>    | 34,605,187     |
|                                                                                                                  |      | <b>204,327,420</b>   | 158,002,356    |
| <b>EXPENDITURES</b>                                                                                              |      |                      |                |
| Administrative and general expenses                                                                              | 18   | <b>(157,578,492)</b> | (166,803,510)  |
| Operating profit / (loss)                                                                                        |      | <b>46,748,928</b>    | (8,801,154)    |
| Other income - net                                                                                               | 19   | <b>2,235,310</b>     | 5,493,579      |
| Income on margin finance                                                                                         |      | <b>3,295,737</b>     | 4,034,431      |
| Financial charges                                                                                                | 20   | <b>(40,429,163)</b>  | (45,070,823)   |
| Gain on re-measurement of investments categorised as<br>'fair value through profit or loss' - net                |      | <b>4,371,675</b>     | 7,152,470      |
|                                                                                                                  |      | <b>(30,526,441)</b>  | (28,390,343)   |
| <b>PROFIT / (LOSS) BEFORE TAXATION</b>                                                                           |      | <b>16,222,487</b>    | (37,191,497)   |
| <b>TAXATION</b>                                                                                                  | 21   | <b>(14,561,143)</b>  | (10,534,379)   |
| <b>PROFIT / (LOSS) AFTER TAXATION</b>                                                                            |      | <b>1,661,344</b>     | (47,725,876)   |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                                                |      |                      |                |
| <i>Item that will not be reclassified subsequently to profit or loss</i>                                         |      |                      |                |
| Gain / (loss) on re-measurement of investments categorised as<br>'fair value through other comprehensive income' |      | <b>3,750,910</b>     | (1,747,219)    |
| <b>Total comprehensive income / (loss) for the year</b>                                                          |      | <b>5,412,254</b>     | (49,473,095)   |
| Earnings / (loss) per share - basic and diluted                                                                  | 22   | <b>0.08</b>          | <b>(2.38)</b>  |

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED DECEMBER 31, 2020

|                                                                                                   | Note | 2020<br>Rupees | 2019<br>Rupees |
|---------------------------------------------------------------------------------------------------|------|----------------|----------------|
| <b>Cash Flows From Operating Activities</b>                                                       |      |                |                |
| Profit / (loss) before taxation                                                                   |      | 16,222,487     | (37,191,497)   |
| <b>Adjustments for:</b>                                                                           |      |                |                |
| Depreciation                                                                                      |      | 5,305,816      | 5,078,862      |
| Amortisation                                                                                      |      | 577,780        | 866,626        |
| Financial charges                                                                                 |      | 40,429,163     | 45,070,823     |
| Gain on re-measurement of investments categorised as<br>'fair value through profit or loss' - net |      | (4,371,675)    | (7,152,470)    |
| Loss / (gain) on disposal of property, plant and equipment - net                                  |      | 602,809        | (1,603,801)    |
|                                                                                                   |      | 42,543,893     | 42,260,040     |
| Profit before working capital changes                                                             |      | 58,766,380     | 5,068,543      |
| <b>Changes in working capital</b>                                                                 |      |                |                |
| <b>Decrease / (increase) in current assets</b>                                                    |      |                |                |
| Trade debts - unsecured                                                                           |      | 12,410,942     | (10,171,377)   |
| Short-term investments                                                                            |      | (11,755,400)   | (75,436,060)   |
| Advances, deposits, prepayments and other receivables                                             |      | 10,320,795     | 229,664,829    |
| Receivable under margin finance                                                                   |      | (28,107,357)   | 80,931,001     |
|                                                                                                   |      | (17,131,020)   | 224,988,393    |
| <b>Increase / (decrease) in current liabilities</b>                                               |      |                |                |
| Trade and other payables                                                                          |      | 105,159,318    | 50,629,991     |
| Unclaimed dividend                                                                                |      | (24,232)       | (49,279)       |
| Cash generated from operations                                                                    |      | 146,770,446    | 280,637,648    |
| Income tax paid                                                                                   |      | (6,525,500)    | (5,737,276)    |
| Financial charges paid                                                                            |      | (43,911,564)   | (43,381,197)   |
| Net cash generated from operating activities                                                      |      | 96,333,382     | 231,519,175    |
| <b>Cash Flows From Investing Activities</b>                                                       |      |                |                |
| Purchase of property, plant and equipment                                                         |      | (3,701,296)    | (7,075,674)    |
| Proceeds from disposal of property, plant and equipment                                           |      | 137,000        | 3,700,000      |
| Long-term deposits                                                                                |      | 1,000,000      | 150,000        |
| Net cash used in investing activities                                                             |      | (2,564,296)    | (3,225,674)    |
| <b>Cash Flows From Financing Activities</b>                                                       |      |                |                |
|                                                                                                   |      | -              | -              |
| <b>Net increase in cash and cash equivalents</b>                                                  |      | 93,769,086     | 228,293,501    |
| <b>Cash and cash equivalents at the beginning of the year</b>                                     |      | 24,586,868     | (203,706,633)  |
| <b>Cash and cash equivalents at the end of the year</b>                                           | 23   | 118,355,954    | 24,586,868     |

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer



**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED DECEMBER 31, 2020

|                                                                    | Share Capital      | Unappropriated<br>profit /<br>(Accumulated loss) | Gain / (loss) on<br>re-measurement of<br>Investments at<br>'FVOCI' | Total              |
|--------------------------------------------------------------------|--------------------|--------------------------------------------------|--------------------------------------------------------------------|--------------------|
|                                                                    | ----- Rupees ----- |                                                  |                                                                    |                    |
| <b>Balance as at January 01, 2019</b>                              | 200,156,500        | (27,833,342)                                     | 7,720,631                                                          | 180,043,789        |
| Loss for the year ended December 31, 2019                          | -                  | (47,725,876)                                     | -                                                                  | (47,725,876)       |
| Other comprehensive loss for the year<br>ended December 31, 2019   | -                  | -                                                | (1,747,219)                                                        | (1,747,219)        |
| <b>Balance as at December 31, 2019</b>                             | <b>200,156,500</b> | <b>(75,559,218)</b>                              | <b>5,973,412</b>                                                   | <b>130,570,694</b> |
| Profit for the year ended December 31, 2020                        | -                  | <b>1,661,344</b>                                 | -                                                                  | <b>1,661,344</b>   |
| Other comprehensive income for the year<br>ended December 31, 2020 | -                  | -                                                | <b>3,750,910</b>                                                   | <b>3,750,910</b>   |
| <b>Balance as at December 31, 2020</b>                             | <b>200,156,500</b> | <b>(73,897,874)</b>                              | <b>9,724,322</b>                                                   | <b>135,982,948</b> |

The annexed notes from 1 to 35 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chief Financial Officer

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2020

### 1 STATUS AND NATURE OF BUSINESS

**1.1** EFG Hermes Pakistan Limited ('the Company') was incorporated under the repealed Companies Ordinance, 1984 (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 repealed Companies Ordinance, 1984 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 acts as Service Provider/Distributor with Mutual Funds Association of Pakistan. The Company is engaged in Financial Brokerage, Corporate Finance and Financial Research and is well-positioned to respond to the dynamic business environment.

The Company's office in Lahore is situated at 319-Siddique Trade Centre, 72-Main Boulevard, Gulberg, Lahore, Pakistan.

### 1.2 Holding Company incorporated outside Pakistan

EFG Hermes Frontier Holdings LLC (the Holding Company) holds 51% shares of the Company. The holding Company is incorporated in UAE, having its registered office at Level 6, Gate Building, West Wing, Dubai International Financial Centre, Dubai, UAE.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) 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 IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention except for certain short-term investments and long term investments which are stated at fair value and as otherwise stated in respective policy notes.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off to the nearest rupee.

#### 2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements are described below:

|                                                                        | Note              |
|------------------------------------------------------------------------|-------------------|
| - Property, plant and equipment                                        | 3.1 and 4         |
| - Useful lives, amortisation and impairment of intangible assets       | 3.2 and 5         |
| - Classification and valuation of short-term and long-term investments | 3.3, 6 and 8      |
| - Provision for taxation                                               | 3.6 and 21        |
| - Provisions and contingencies                                         | 3.10, 3.15 and 16 |

## 2.5 New standards, amendments to approved accounting standards and new interpretations

### 2.5.1 Amendments to approved accounting standards and interpretations which are effective during the year ended December 31, 2020

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or have any significant effect on the Company's financial reporting and therefore not disclosed in these financial statements.

### 2.5.2 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:

| Standard or Interpretation                                                                                                                       | Effective Date<br>(accounting periods<br>beginning on or after) |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| IFRS 3 Amended by Reference to the Conceptual Framework                                                                                          | January 1, 2022                                                 |
| IFRS 9 Amended by Annual Improvements to IFRS Standards 2018–2020<br>(fees in the '10 per cent' test for derecognition of financial liabilities) | January 1, 2022                                                 |
| IFRS 16 Amended by Annual Improvements to IFRS Standards 2018–2020<br>(lease incentives illustrative example)                                    | January 1, 2022                                                 |
| IFRS16 Amended by Covid-19-Related Rent Concessions                                                                                              | June 1, 2020                                                    |
| IAS 1 Amended by Classification of Liabilities as Current or Non-current                                                                         | January 1, 2022                                                 |
| IAS 16 Amended by Property, Plant and Equipment — Proceeds before<br>Intended Use                                                                | January 1, 2022                                                 |
| IAS 37 Amended by Onerous Contracts — Cost of Fulfilling a Contract                                                                              | January 1, 2022                                                 |

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

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.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 1, 2020. The Company expects that such improvements to 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 Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

| Standard or Interpretation           | Effective Date<br>(accounting periods<br>beginning on or after) |
|--------------------------------------|-----------------------------------------------------------------|
| IFRS 14 Regulatory Deferral Accounts | January 1, 2016                                                 |
| IFRS 17 Insurance Contracts          | January 1, 2021                                                 |

### 3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are described below. The significant accounting policies are consistently applied in the preparation of financial statements for all prior periods.

#### 3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress.

These are transferred to specific assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is charged to income by applying the reducing balance method over the estimated useful lives of related assets, at the rates specified in note 4 to the financial statements. Depreciation is charged from the month the assets are available for use while no depreciation is charged in the month of disposal.

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains or losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in the profit or loss of the period to which it relates.

The Company assesses at each reporting date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the estimated recoverable amount, assets are written down to the recoverable amount.

#### 3.2 Intangible assets

##### (a) TRE certificates & membership

These are stated at revalued amount. Provision is made for decline in value other than temporary, if any.

##### (b) Others

These are stated at cost less impairment, if any. The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts and where carrying value exceeds estimated recoverable amount, these are written down to their estimated recoverable amount.

Amortization is charged to income by applying the reducing balance method over the estimated useful lives of related assets. Full year's amortization on intangible assets is charged in the year of acquisition, whereas no amortization is charged in the year of disposal.

Intangible assets are capitalized when it is probable that future economic benefits attributable to the asset will flow to the enterprise and the same shall be amortized by applying an appropriate amortization rate.

### **3.3 Financial instruments**

Financial instruments include deposits, investments, trade debts, receivable under margin finance, advances, other receivables, cash and bank balances, long term loan, short-term running finance and trade and other payables. The Company recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

#### **3.3.1 Financial assets**

##### **3.3.1.1 Initial Recognition**

All financial assets are measured initially at their fair value plus transaction costs, except:

- financial assets at fair value through profit or loss which are measured initially at their fair values; and
- trade receivables which are measured initially at their transaction price.

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

##### **3.3.1.2 Classification of financial assets**

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

###### ***Financial assets at amortised cost***

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### ***Financial assets at fair value through other comprehensive income***

Financial assets at fair value through other comprehensive income (FVOCI) are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss (FVTPL) are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

##### **3.3.1.3 Subsequent measurement**

Financial assets are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets is included in the profit or loss for the period in which it arises.



***Financial assets at amortised cost***

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the profit or loss. Any gain or loss on de-recognition is also recognized in the profit or loss.

***Financial assets at FVOCI***

These assets are subsequently measured at fair value. Dividends are recognized as income in the profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition of a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

***Financial assets at FVTPL***

These are subsequently measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets held at FVTPL and any interest / markup or dividend income are included in the profit or loss.

**3.3.1.4 Derecognition of financial assets**

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

**3.3.1.5** 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.

**3.3.2 Financial liabilities**

The Company determines the classification of its financial liabilities at initial recognition.

**3.3.2.1 Classification**

- a) those to be measured at fair value through profit and loss and
- b) those to be measured at amortized cost

**3.3.2.2 Measurement**

All financial liabilities are recognised initially at fair value. Financial liabilities accounted at amortized cost like borrowings are accounted at the fair value determined based on the effective interest rate method (EIR) after considering the directly attributable transaction costs.

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition.

The effective interest rate ("EIR") method calculates the amortized cost of a debt instrument by allocating interest charge over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables etc.

Where management has opted to recognise a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income/(loss).

The Company's financial liabilities include other payables and borrowings. The Company measures financial liabilities (except derivatives) at amortized cost.

### **3.3.2.3 De-recognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

### **3.3.3 Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses (ECLs) associated with its financial assets. The Company applies the simplified approach to recognise lifetime expected credit losses for trade debts, due from customers and contract assets, therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets. The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

### **3.3.4 Off-setting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the company or the counter parties.

## **3.4 Foreign currency transactions**

Foreign currency transactions are converted into rupees at the rates of exchange approximating to those ruling at the date of transaction. Monetary assets and liabilities in foreign currencies have been translated into rupees at the rates of exchange approximating those ruling at the reporting date. Exchange gains or losses are included in income currently.

**3.5 Revenue recognition**

- (a) Brokerage, advisory fees, commission and other income are accrued as and when such services are rendered.
- (b) Mark-up income from investment in margin financing is calculated on outstanding balance at agreed rates, and is recorded in profit or loss when due.
- (c) Dividend income on equity investments is recognized, when the right to receive the same is established.
- (d) Gains or losses on sale of investments are recognized in the period in which they arise.
- (e) Underwriting commission is recognized when the agreement is executed. Take-up commission is recognized at the time commitment is fulfilled.
- (f) Consultancy, advisory fee and service charges, are recognized as and when earned.
- (g) Unrealized capital gains / (losses) arising from marking to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit or loss account in the period in which they arise.

**3.6 Taxation****Current**

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

**Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of temporary timing differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**3.7 Staff retirement benefits**

The Company operates a defined contribution plan i.e. recognized provident fund scheme for all of its eligible employees in accordance with the trust deed and rules made there under. Equal monthly contributions are made at the rate of 10% of basic salary.

**3.8 Borrowing cost**

The borrowing costs are interest or other auxiliary cost incurred by the Company in connection with borrowing of funds and is treated as periodic cost and charged to profit or loss account. However, borrowing costs incurred on qualifying assets are capitalized as part of the cost of the asset.

**3.9 Securities sold under repurchase / purchased under resale agreements**

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognized in the statement of financial position and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as securities sold under repurchase agreements. The difference between purchase and sale is treated as mark-up expense. Investments purchased with a corresponding commitment to resell at a specified future date (Reverse Repo) including securities purchased under margin trading / margin finance are not recognized in the statement of financial position. Amounts paid under these obligations are included in fund placements. The difference between purchase and resale price is treated as mark-up/ interest income.

**3.10 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past

events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of amount of obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimates.

### **3.11 Trade debts and other receivables**

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value and subsequently at amortised cost. An allowance is made for lifetime expected credit losses using simplified approach as mentioned in note 3.3.3. Trade debts are written off when there is no reasonable expectation of recovery, i.e., when these are considered irrecoverable.

### **3.12 Trade and other payables**

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

### **3.13 Impairment of non-financial assets**

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in the profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **3.14 Dividend distributions and appropriations**

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

### **3.15 Contingent liabilities**

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events, not wholly within the control of the Company; or when the Company has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### **3.16 Earnings/(loss) per share**

Earnings/(loss) per share is calculated by dividing the profit/(loss) after tax for the year by the weighted average number of shares outstanding during the year.

### **3.17 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These are recorded at cost/amortised cost.

Cash and cash equivalents also consist of bank overdrafts repayable on demand, if any.

## 4. PROPERTY, PLANT AND EQUIPMENT

| Particulars            | C O S T                      |                                             |                               | 2020                 |                              | D E P R E C I A T I O N                                  |                               | WRITTEN<br>DOWN VALUE         |
|------------------------|------------------------------|---------------------------------------------|-------------------------------|----------------------|------------------------------|----------------------------------------------------------|-------------------------------|-------------------------------|
|                        | As at<br>January 01,<br>2020 | Additions/<br>(Disposals)/<br>(Adjustment)* | As at<br>December 31,<br>2020 | Depreciation<br>Rate | As at<br>January 01,<br>2020 | Charge for<br>the year/<br>(Disposals)/<br>(Adjustment)* | As at<br>December 31,<br>2020 | As at<br>December 31,<br>2020 |
|                        | Rupees                       |                                             |                               | %                    | Rupees                       |                                                          | Rupees                        |                               |
| <b>Owned</b>           |                              |                                             |                               |                      |                              |                                                          |                               |                               |
| Building               | 4,028,200                    | -<br>(307,768)*                             | 3,720,432                     | 10                   | 1,555,146                    | 222,792<br>(62,631)*                                     | 1,715,307                     | 2,005,125                     |
| Furniture and fixtures | 18,563,065                   | -                                           | 18,563,065                    | 10                   | 6,332,262                    | 1,223,080                                                | 7,555,342                     | 11,007,723                    |
| Office equipment       | 8,267,576                    | 370,667<br>(1,879,700)                      | 6,758,543                     | 10                   | 2,306,644                    | 594,171<br>(1,153,611)                                   | 1,747,204                     | 5,011,339                     |
| Computers              | 16,774,736                   | 3,435,913<br>(186,550)                      | 20,024,099                    | 33                   | 9,720,203                    | 2,903,980<br>(172,830)                                   | 12,451,353                    | 7,572,746                     |
| Vehicles               | 11,002,545                   | 202,484                                     | 11,205,029                    | 20                   | 8,914,174                    | 424,424                                                  | 9,338,598                     | 1,866,431                     |
|                        | 58,636,122                   | 3,701,296<br>(2,066,250)                    | 60,271,168                    |                      | 28,828,429                   | 5,305,816<br>(1,326,441)                                 | 32,807,804                    | 27,463,364                    |

| Particulars            | C O S T                      |                           |                               | 2019                 |                              | D E P R E C I A T I O N                |                               | WRITTEN<br>DOWN VALUE         |
|------------------------|------------------------------|---------------------------|-------------------------------|----------------------|------------------------------|----------------------------------------|-------------------------------|-------------------------------|
|                        | As at<br>January 01,<br>2019 | Additions/<br>(Disposals) | As at<br>December 31,<br>2019 | Depreciation<br>Rate | As at<br>January 01,<br>2019 | Charge for<br>the year/<br>(Disposals) | As at<br>December 31,<br>2019 | As at<br>December 31,<br>2019 |
|                        | Rupees                       |                           |                               | %                    | Rupees                       |                                        | Rupees                        |                               |
| <b>Owned</b>           |                              |                           |                               |                      |                              |                                        |                               |                               |
| Building               | 4,028,200                    | -                         | 4,028,200                     | 10                   | 1,280,362                    | 274,784                                | 1,555,146                     | 2,473,054                     |
| Furniture and fixtures | 18,563,065                   | -                         | 18,563,065                    | 10                   | 4,973,284                    | 1,358,978                              | 6,332,262                     | 12,230,803                    |
| Office equipment       | 4,632,073                    | 3,635,503                 | 8,267,576                     | 10                   | 1,848,418                    | 458,226                                | 2,306,644                     | 5,960,932                     |
| Computers              | 13,638,979                   | 3,440,171<br>(304,414)    | 16,774,736                    | 33                   | 7,588,643                    | 2,392,233<br>(260,673)                 | 9,720,203                     | 7,054,533                     |
| Vehicles               | 16,041,545                   | -<br>(5,039,000)          | 11,002,545                    | 20                   | 11,306,075                   | 594,641<br>(2,986,542)                 | 8,914,174                     | 2,088,371                     |
|                        | 56,903,862                   | 7,075,674<br>(5,343,414)  | 58,636,122                    |                      | 26,996,782                   | 5,078,862<br>(3,247,215)               | 28,828,429                    | 29,807,693                    |

## 4.1 Disposal of property, plant and equipment

Aggregate of office equipment and computers with individual book values not exceeding Rs. 500,000:

| Particulars      | Acquisition<br>Cost | Accumulated<br>Depreciation | Written Down<br>Value | Sale<br>Proceeds | Loss      |
|------------------|---------------------|-----------------------------|-----------------------|------------------|-----------|
|                  | Rupees              |                             |                       |                  |           |
| Office equipment | 1,879,700           | 1,153,611                   | 726,089               | 124,000          | (602,089) |
| Computers        | 186,550             | 172,830                     | 13,720                | 13,000           | (720)     |
|                  | 2,066,250           | 1,326,441                   | 739,809               | 137,000          | (602,809) |

| 5 | INTANGIBLE ASSETS                                 | Note | 2020<br>Rupees   | 2019<br>Rupees   |
|---|---------------------------------------------------|------|------------------|------------------|
|   | Membership - Pakistan Mercantile Exchange Limited |      | 2,500,000        | 2,500,000        |
|   | Telephone booths                                  |      | 1,200,000        | 1,200,000        |
|   | Trading Right Entitlement Certificate             | 5.1  | -                | -                |
|   | Computer softwares                                | 5.2  | 1,155,728        | 1,733,508        |
|   |                                                   |      | <u>4,855,728</u> | <u>5,433,508</u> |

**5.1** The Company has been granted Trading Right Entitlement (TRE) Certificates in pursuance of Section 5 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 read with Regulation 6 of the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012. The TRE Certificate represents intangible asset and is accounted for on Nil value as presently, the value of the TRE Certificate can not be determined with reasonable accuracy.

## 5.2 Computer Software

| 2020                         |                          |                               |        |                              |                                       |                               |
|------------------------------|--------------------------|-------------------------------|--------|------------------------------|---------------------------------------|-------------------------------|
| Cost                         |                          |                               | Rate % | Accumulated Amortisation     |                                       | Written Down Value            |
| As at<br>January 01,<br>2020 | Additions/<br>(Disposal) | As at<br>December 31,<br>2020 |        | As at<br>January 01,<br>2020 | Charge for<br>the year/<br>(Disposal) | As at<br>December 31,<br>2020 |
| Rupees                       |                          |                               |        | Rupees                       |                                       |                               |
| 5,900,000                    | -<br>(2,000,000)         | 3,900,000                     | 33.33  | 4,166,492                    | 577,780<br>(2,000,000)                | 2,744,272                     |
|                              |                          |                               |        |                              |                                       | 1,155,728                     |

| 2019                         |           |                               |        |                              |                        |                               |
|------------------------------|-----------|-------------------------------|--------|------------------------------|------------------------|-------------------------------|
| Cost                         |           |                               | Rate % | Accumulated Amortisation     |                        | Written Down Value            |
| As at<br>January 01,<br>2019 | Additions | As at<br>December 31,<br>2019 |        | As at<br>January 01,<br>2019 | Charge for<br>the year | As at<br>December 31,<br>2019 |
| Rupees                       |           |                               |        | Rupees                       |                        |                               |
| 5,900,000                    | -         | 5,900,000                     | 33.33  | 3,299,866                    | 866,626                | 4,166,492                     |
|                              |           |                               |        |                              |                        | 1,733,508                     |

| 6 | LONG TERM INVESTMENTS | Note | 2020<br>Rupees    | 2019<br>Rupees    |
|---|-----------------------|------|-------------------|-------------------|
|   | At FVOCI              |      | 23,755,763        | 20,004,853        |
|   | At amortised cost     |      | 8,000,000         | 8,000,000         |
|   |                       | 6.1  | <u>31,755,763</u> | <u>28,004,853</u> |

## 6.1 Description of investments

| 31-Dec-20        | 31-Dec-19 | Name of<br>Investee<br>Company  | Note          | 31-Dec-20         |                   | 31-Dec-19         |                   |
|------------------|-----------|---------------------------------|---------------|-------------------|-------------------|-------------------|-------------------|
| Number of Shares |           |                                 |               | Cost              | Carrying<br>Value | Cost              | Carrying<br>Value |
| 1,602,953        | 1,602,953 | Pakistan Stock<br>Exchange Ltd. | 6.2 &<br>16.1 | 14,031,441        | 23,755,763        | 14,031,441        | 20,004,853        |
| 843,975          | 843,975   | LSE Financial<br>Services Ltd.  | 6.3 &<br>16.1 | 8,000,000         | 8,000,000         | 8,000,000         | 8,000,000         |
|                  |           |                                 |               | <u>22,031,441</u> | <u>31,755,763</u> | <u>22,031,441</u> | <u>28,004,853</u> |



**6.2** The Company has pledged 1,081,194 shares with PSX to fulfil the Base Minimum Capital requirement as per the PSX Regulations. The PSX shares have been revalued at a price of Rs. 14.82 (December 31, 2019 : Rs. 12.48) as at reporting date.

**6.3** This represents unquoted shares of LSE Financial Services Limited (LSEFSL) which have been pledged with PSX to fulfill the Base Minimum Capital requirement as per PSX Regulations. Since shares of LSEFSL are not presently tradable therefore fair value cannot be determined.

| <b>7</b> | <b>TRADE DEBTS - UNSECURED</b>                | <b>Note</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|----------|-----------------------------------------------|-------------|------------------------|------------------------|
|          | Considered good                               |             | <b>9,165,495</b>       | 21,576,437             |
|          | Considered doubtful                           |             | <b>1,660,224</b>       | 1,660,224              |
|          |                                               |             | <b>10,825,719</b>      | 23,236,661             |
|          | Less: Allowance for impairment of trade debts |             | <b>(1,660,224)</b>     | (1,660,224)            |
|          |                                               |             | <b>9,165,495</b>       | 21,576,437             |

## **8 SHORT - TERM INVESTMENTS**

### **At fair value through profit or loss**

|                                                      |            |                    |             |
|------------------------------------------------------|------------|--------------------|-------------|
| Investment in Government Securities - Treasury Bills | <b>8.1</b> | <b>383,966,275</b> | 367,839,200 |
|------------------------------------------------------|------------|--------------------|-------------|

**8.1** The Company has treasury bills of face value of Rs. 250 million (December 31, 2019: Rs. 250 million) held as collateral with NCCPL against exposure deposit and the remaining are marked as lien with a Commercial Bank against financing facility.

| <b>9</b> | <b>ADVANCES, DEPOSITS, PREPAYMENTS<br/>AND OTHER RECEIVABLES</b> | <b>Note</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|----------|------------------------------------------------------------------|-------------|------------------------|------------------------|
|          | Advances to employees - considered good                          |             | <b>3,563,540</b>       | 1,262,842              |
|          | Security deposit                                                 |             | <b>1,746,600</b>       | 1,746,600              |
|          | Short term deposits                                              | <b>9.1</b>  | <b>109,804,361</b>     | 127,345,092            |
|          | Prepayments                                                      |             | <b>9,488,438</b>       | 4,849,271              |
|          | Other receivables                                                |             | <b>2,921,459</b>       | 2,641,388              |
|          |                                                                  |             | <b>127,524,398</b>     | 137,845,193            |

**9.1** This represents deposits with the National Clearing Company of Pakistan Limited (NCCPL) against exposure, mark to market losses and future profit held.

## **10 RECEIVABLE UNDER MARGIN FINANCE**

|                                 |             |                   |            |
|---------------------------------|-------------|-------------------|------------|
| Receivable under margin finance | <b>10.1</b> | <b>41,357,037</b> | 13,249,680 |
|---------------------------------|-------------|-------------------|------------|

**10.1** The margin finance rate ranged from 12.56% to 18.81% (December 31, 2019: 14% to 16.75%) and is secured against shares of listed securities.

| <b>11</b> | <b>CASH AND BANK BALANCES</b>                         | <b>Note</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|-----------|-------------------------------------------------------|-------------|------------------------|------------------------|
|           | Cash in hand                                          |             | <b>50,000</b>          | 50,000                 |
|           | Cash at banks                                         |             |                        |                        |
|           | - in deposit accounts                                 | <b>11.1</b> | <b>11,296,130</b>      | 11,328,527             |
|           | - in current accounts - pertaining to brokerage house |             | <b>1,661,492</b>       | 2,812,308              |
|           | - in current accounts - pertaining to clients         |             | <b>170,825,971</b>     | 82,562,580             |
|           |                                                       |             | <b>183,783,593</b>     | 96,703,415             |
|           |                                                       |             | <b>183,833,593</b>     | 96,753,415             |

- 11.1** These carry return ranging from 5.5% to 11.25% (December 31, 2019 : 8.00% to 11.75%) per annum.
- 11.2** Client(s) balances in margin deposit account is Rs. nil (December 31, 2019: Rs. 'nil') with the National Clearing Company of Pakistan Limited.
- 11.3** Value of customers assets held in the Central Depository Company under Company's Participant ID as at December 31, 2020 is Rs. 1,352 million (December 31, 2019 : Rs. 861.2 million).

**12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

| 2020                | 2019         |                                  | Note        | 2020<br>Rupees       | 2019<br>Rupees |
|---------------------|--------------|----------------------------------|-------------|----------------------|----------------|
| Number of Shares    |              | Ordinary shares of Rs. 10/- each |             |                      |                |
| <b>27,015,500</b>   | 27,015,500   | Fully paid in cash               |             | <b>270,155,000</b>   | 270,155,000    |
| <b>39,039,060</b>   | 39,039,060   | Issued as bonus shares           |             | <b>390,390,600</b>   | 390,390,600    |
| <b>(46,038,910)</b> | (46,038,910) | Buy back of shares               | <b>12.1</b> | <b>(460,389,100)</b> | (460,389,100)  |
| <b>20,015,650</b>   | 20,015,650   |                                  |             | <b>200,156,500</b>   | 200,156,500    |

- 12.1** These shares had been bought back under and pursuant to the provisions of Section 95A of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and the Companies (Buy-Back of Shares) Rules, 1999.

| 13 | LONG-TERM LOAN           | Note        | 2020<br>Rupees     | 2019<br>Rupees |
|----|--------------------------|-------------|--------------------|----------------|
|    | Term Finance Facility I  |             | <b>200,000,000</b> | 200,000,000    |
|    | Term Finance Facility II | <b>13.1</b> | <b>175,000,000</b> | 175,000,000    |
|    |                          |             | <b>375,000,000</b> | 375,000,000    |

- 13.1** The loan has been obtained from a Commercial Bank with mark-up rate 6 Months KIBOR + 0.25% (2019: 6 Months KIBOR + 0.25%) and are valid till May 2023 against facilities of Rs. 200 million & Rs. 175 Million respectively. These facilities are secured against irrevocable and unconditional financial guarantee(s) provided by a bank in UAE on behalf of EFG Hermes Frontier Holdings LLC (the Holding Company) to the bank.

| 14 | SHORT - TERM RUNNING FINANCE<br>UNDER MARK-UP ARRANGEMENTS - Secured | Note        | 2020<br>Rupees    | 2019<br>Rupees |
|----|----------------------------------------------------------------------|-------------|-------------------|----------------|
|    | Habib Bank Limited                                                   | <b>14.1</b> | <b>65,477,639</b> | 72,166,547     |

- 14.1** The Company has running finance facilities of Rs. 600 million (December 31, 2019 : Rs. 600 million) under mark-up arrangements. These facilities carry Mark-up at 1 month KIBOR + 0.10% (December 31, 2019 : 1 month KIBOR + 0.10%). This arrangement is valid upto April 2021 on a renewal basis. This facility is secured against lien of government securities and irrevocable and unconditional financial guarantee(s) provided by a bank in UAE on behalf of EFG Hermes Frontier Holdings LLC (the Holding Company) to the bank. Securities held as collateral value related to client(s) were nil ( December 31, 2019 : 'nil').

| 15 | TRADE AND OTHER PAYABLES               | 2020<br>Rupees     | 2019<br>Rupees |
|----|----------------------------------------|--------------------|----------------|
|    | Creditors                              | <b>170,825,971</b> | 82,562,580     |
|    | Accrued liabilities:                   |                    |                |
|    | Mark-up on finance                     | <b>3,955,980</b>   | 7,438,381      |
|    | Workers' Welfare Fund                  | <b>8,006,299</b>   | 8,006,299      |
|    | Sales tax - net                        | <b>2,192,096</b>   | 2,830,214      |
|    | Accrued expenses and other liabilities | <b>89,490,613</b>  | 71,956,568     |
|    |                                        | <b>103,644,988</b> | 90,231,462     |
|    |                                        | <b>274,470,959</b> | 172,794,042    |

**16 CONTINGENCIES AND COMMITMENTS**

- 16.1** The Company has pledged / hypothecated TRE Certificates of Pakistan Stock Exchange Limited and 1,081,194 (2019: 1,081,194) ordinary shares of PSX and 843,975 shares of LSE Financial Services Limited with PSX to fulfill the Base Minimum Capital requirement under the Regulations of the Exchange.
- 16.2** The income tax authorities had 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 had passed an order vide decreasing tax loss claimed for the year. The Company had filed an appeal before the Commissioner (Appeals-III) against the above order and order was decided against the Company. However, the Company has filed appeal before Appellate Tribunal against order and the proceedings thereof are pending till date. The management is confident that the eventual outcome of the matters will be decided in favour of the Company. Accordingly, no provisions have been made in these financial statements.
- 16.3** The income tax authorities had 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 favour of the Company. In respect of tax year 2013 the Company had already filed an appeal mentioned in note 16.2 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.
- 16.4** The tax department had filed appeal against the Supreme Court decision in the matter of Federal Excise Duty. The case is being defended by PSX Stock Brokers Association and the Company is 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.
- 16.5** The tax department had 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 had 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.
- 16.6** In the matter of Workers' Welfare Fund ('WWF') for tax years 2010 to 2015 the Honorable Supreme Court of Pakistan had decreed on 10th November, 2016 that impugned amendments in the Finance Act related to WWF as unlawful. However, a review petition had been filed in the Honorable Supreme Court of Pakistan by the tax authorities. 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.
- 16.7** 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 had demanded additional output tax of Rs. 3,755,845/- & Rs. 1,027,176/- for tax year 2015 & 2016 respectively. Sindh Revenue Board had passed order by raising demand of short payment of Rs. 3,375,056/- along with penalty of Rs. 4,730,329/-. The Company had filed an appeal before the Commissioner Appeals against the above order and the proceedings are pending till date. Further, to avoid recovery proceedings the Company had made partial payment of Rs. 2,554,198/- under the head of 'Other Receivable' and simultaneously had recorded provision of Rs.3,375,056/- However, the management is confident that eventual outcome will be decided in favor of the Company.
- 16.8** The income tax authorities had 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 repealed Companies Ordinance, 1984 (now Companies Act, 2017). 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.
- 16.9** The income tax authorities have passed order under section 122(1) of the Income Tax Ordinance 2001 for tax year 2016 thereby decreasing taxable loss by an amount of Rs. 3,636,251/- and refundable income tax by an amount of Rs. 4,843,308/-. The Company have filed an appeal with Commissioner (Appeals) against such order and the management is confident that the case will be decided in Company's favor accordingly no provision has been made in these financial statements.

|                                                            | Note                                                                                                                                                | 2020<br>Rupees     | 2019<br>Rupees     |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>17 OPERATING REVENUES</b>                               |                                                                                                                                                     |                    |                    |
| Equity brokerage income                                    |                                                                                                                                                     | 171,596,629        | 122,716,590        |
| Fees and commission                                        |                                                                                                                                                     | 453                | 5,321              |
| Dividend income                                            |                                                                                                                                                     | 590,783            | 675,258            |
|                                                            |                                                                                                                                                     | <u>172,187,865</u> | <u>123,397,169</u> |
| <b>18 ADMINISTRATIVE AND GENERAL EXPENSES</b>              |                                                                                                                                                     |                    |                    |
| Salaries, allowances and other benefits                    |                                                                                                                                                     | 77,984,463         | 72,694,192         |
| Traveling, conveyance and vehicle running                  |                                                                                                                                                     | 3,857,526          | 4,605,087          |
| Rent rates & taxes                                         |                                                                                                                                                     | 10,821,712         | 10,002,211         |
| Utility charges                                            |                                                                                                                                                     | 2,530,183          | 2,532,967          |
| Postage, telephone and telegram                            |                                                                                                                                                     | 1,624,647          | 1,379,515          |
| Repair and maintenance                                     |                                                                                                                                                     | 4,307,613          | 3,521,766          |
| Insurance                                                  |                                                                                                                                                     | 7,813,077          | 9,222,419          |
| Depreciation                                               | 4                                                                                                                                                   | 5,305,816          | 5,078,862          |
| Amortisation                                               | 5                                                                                                                                                   | 577,780            | 866,626            |
| Entertainment                                              |                                                                                                                                                     | 654,199            | 701,980            |
| Newspaper and periodicals                                  |                                                                                                                                                     | 44,788             | 72,557             |
| Advertisement                                              |                                                                                                                                                     | 231,250            | 185,650            |
| Printing and stationery                                    |                                                                                                                                                     | 744,581            | 895,657            |
| Legal and professional charges                             |                                                                                                                                                     | -                  | 1,077,950          |
| Auditors' remuneration                                     | 18.1                                                                                                                                                | 400,000            | 400,000            |
| Service charges                                            |                                                                                                                                                     | 14,731,556         | 12,846,719         |
| CDC charges                                                |                                                                                                                                                     | 1,069,435          | 1,258,142          |
| Fees and subscription                                      | 18.2                                                                                                                                                | 24,127,938         | 32,513,479         |
| Commission                                                 |                                                                                                                                                     | -                  | 5,186,671          |
| Office supplies                                            |                                                                                                                                                     | 751,928            | 836,477            |
| Allowance for impairment                                   |                                                                                                                                                     | -                  | 850,274            |
| Impairment loss                                            |                                                                                                                                                     | -                  | 74,309             |
|                                                            |                                                                                                                                                     | <u>157,578,492</u> | <u>166,803,510</u> |
| <b>18.1 Auditors' remuneration</b>                         |                                                                                                                                                     |                    |                    |
| Audit fee                                                  |                                                                                                                                                     | 210,000            | 210,000            |
| Quarterly & half yearly review fee                         |                                                                                                                                                     | 150,000            | 150,000            |
| Code of Corporate Governance                               |                                                                                                                                                     | 30,000             | 30,000             |
| Out of pocket expenses                                     |                                                                                                                                                     | 10,000             | 10,000             |
|                                                            |                                                                                                                                                     | <u>400,000</u>     | <u>400,000</u>     |
| <b>18.2</b>                                                | This include tax services and other services obtained from Riaz Ahmad Saqib Gohar and Co amounting to Rs. 244,088 (December 31, 2019: Rs. 378,600). |                    |                    |
| <b>19 OTHER INCOME - NET</b>                               | Note                                                                                                                                                | 2020<br>Rupees     | 2019<br>Rupees     |
| Return on bank deposits                                    |                                                                                                                                                     | 843,525            | 1,116,487          |
| Return on exposure deposit with exchange                   |                                                                                                                                                     | 3,315,450          | 4,807,029          |
| (Loss) / gain on disposal of property, plant and equipment |                                                                                                                                                     | (602,809)          | 1,603,801          |
| - net Loss on translation of foreign exchange balances     | 19.1                                                                                                                                                | (1,320,856)        | (2,033,738)        |
|                                                            |                                                                                                                                                     | <u>2,235,310</u>   | <u>5,493,579</u>   |
| <b>19.1</b>                                                | The exchange loss pertains to related party balance as mentioned in note no. 27.                                                                    |                    |                    |

| 20   | FINANCIAL CHARGES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Note | 2020<br>Rupees     | 2019<br>Rupees     |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|--------------------|--------------------|
|      | Bank charges                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |      | 87,379             | 111,887            |
|      | Mark-up on finance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | 40,341,784         | 44,958,936         |
|      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |      | <u>40,429,163</u>  | <u>45,070,823</u>  |
| 21   | TAXATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |      |                    |                    |
|      | Current                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 21.1 | 14,413,905         | 10,534,379         |
|      | Prior                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |      | 147,238            | -                  |
|      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |      | <u>14,561,143</u>  | <u>10,534,379</u>  |
| 21.1 | Provision for current tax is based on minimum tax and final tax regime. Accordingly, tax reconciliation has not been presented in these financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |      |                    |                    |
| 21.2 | Being prudent, the Company has not recognized deferred tax asset of Rs. 12,692,703 (2019: 16,378,640) in respect of unused tax losses, to be expired by accounting year 2026, and Rs. 5,939,656 (2019: Rs. 4,015,636) in respect of minimum tax available to be carried forward up to accounting year 2026 under the Income Tax Ordinance, 2001, as sufficient taxable profits would not be available to utilize these unused tax losses and tax credits in the foreseeable future. Consequently, net deferred tax asset amounting to Rs. 15,174,447 (2019: Rs. 16,286,572) comprising total deferred tax asset of Rs. 19,113,824 and deferred tax liability of Rs. 3,939,377 has not been recognised in these financial statements. |      |                    |                    |
| 22   | EARNINGS / (LOSS) PER SHARE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Note | 2020<br>Rupees     | 2019<br>Rupees     |
|      | Profit / (loss) after taxation - Rupees                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |      | 1,661,344          | (47,725,876)       |
|      | Weighted average number of ordinary shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |      | 20,015,650         | 20,015,650         |
|      | Earnings / (loss) per share - basic and diluted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 22.1 | 0.08               | (2.38)             |
| 22.1 | Diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at December 31, 2020 (December 31, 2019 : Nil) which could have any effect on the earnings per share if the option exercised.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |      |                    |                    |
| 23   | CASH AND CASH EQUIVALENTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |      | 2020<br>Rupees     | 2019<br>Rupees     |
|      | Cash and bank balances                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |      | 183,833,593        | 96,753,415         |
|      | Short-term running finance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |      | (65,477,639)       | (72,166,547)       |
|      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |      | <u>118,355,954</u> | <u>24,586,868</u>  |
| 24   | FINANCIAL INSTRUMENTS BY CATEGORY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |      |                    |                    |
| 24.1 | Financial assets and liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |      |                    |                    |
|      | Financial assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |      | 2020<br>Rupees     | 2019<br>Rupees     |
|      | - At amortised cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |      |                    |                    |
|      | Loans and advances                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | 3,563,540          | 1,262,842          |
|      | Deposits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |      | 112,100,961        | 130,641,692        |
|      | Trade debts - unsecured                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |      | 9,165,495          | 21,576,437         |
|      | Receivable under margin finance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |      | 41,357,037         | 13,249,680         |
|      | Other receivables                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |      | 2,921,459          | 2,641,388          |
|      | Cash and bank balances                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |      | 183,833,593        | 96,753,415         |
|      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |      | <u>352,942,085</u> | <u>266,125,454</u> |

|                                                                             | 2020<br>Rupees     | 2019<br>Rupees |
|-----------------------------------------------------------------------------|--------------------|----------------|
| - at fair value through profit or loss<br>Short-term investments            | <b>383,966,275</b> | 367,839,200    |
| - at fair value through other comprehensive income<br>Long-term investments | <b>31,755,763</b>  | 28,004,853     |

### Financial liabilities

|                                           |                    |             |
|-------------------------------------------|--------------------|-------------|
| - Financial liabilities at amortized cost |                    |             |
| Long term loan                            | <b>375,000,000</b> | 375,000,000 |
| Short-term running finance                | <b>65,477,639</b>  | 72,166,547  |
| Accrued mark-up                           | <b>3,955,980</b>   | 7,438,381   |
| Trade and other payables                  | <b>264,272,564</b> | 161,957,529 |
|                                           | <b>708,706,183</b> | 616,562,457 |

## 25 FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to variety of financial risks namely market risk (including currency risk, interest rate and other price risk), credit risk, liquidity risk. The Company has established adequate procedures to manage each of these risks as explained below:

### 25.1 Market risk

Market risk is the risk that the fair values or future cash flows of the financial instrument may fluctuate due to changes in market interest rates or the market price of securities due to changes in market variables such as: interest rate, foreign exchange rate and equity prices.

#### 25.1.1 Foreign Currency risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk on a few inter company transactions which are shown in note 27. Further, any resulting exchange gain/loss on these transactions is recognised in the profit or loss as disclosed in note 19.1.

#### 25.1.2 Yield / interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of financial instruments or cash flows relating to financial instruments, will fluctuate due to changes in the market rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest / mark-up based assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of financial assets and liabilities through appropriate policies.

|                                 | 2020                     |                                |             |                              |                                |              |             |
|---------------------------------|--------------------------|--------------------------------|-------------|------------------------------|--------------------------------|--------------|-------------|
|                                 | Mark-up bearing maturity |                                |             | Non-mark-up bearing maturity |                                |              |             |
|                                 | Upto one year            | Over one year up to five years | Sub-total   | Upto one year                | Over one year up to five years | Sub-total    | Total       |
|                                 | Rupees                   |                                |             |                              |                                |              |             |
| Financial assets                |                          |                                |             |                              |                                |              |             |
| Loan and advances               | -                        | -                              | -           | 3,563,540                    | -                              | 3,563,540    | 3,563,540   |
| Deposits                        | 100,300,000              | -                              | 100,300,000 | 11,250,961                   | 550,000                        | 11,800,961   | 112,100,961 |
| Trade debts - unsecured         | -                        | -                              | -           | 9,165,495                    | -                              | 9,165,495    | 9,165,495   |
| Receivable under margin finance | 41,357,037               | -                              | 41,357,037  | -                            | -                              | -            | 41,357,037  |
| Investments at FVTPL            | 383,966,275              | -                              | 383,966,275 | -                            | -                              | -            | 383,966,275 |
| Investments at FVOCI            | -                        | -                              | -           | -                            | 31,755,763                     | 31,755,763   | 31,755,763  |
| Other receivables               | -                        | -                              | -           | 2,921,459                    | -                              | 2,921,459    | 2,921,459   |
| Cash and bank balances          | 11,296,130               | -                              | 11,296,130  | 172,537,463                  | -                              | 172,537,463  | 183,833,593 |
|                                 | 536,919,442              | -                              | 536,919,442 | 199,438,918                  | 32,305,763                     | 231,744,681  | 768,664,123 |
| Financial liabilities           |                          |                                |             |                              |                                |              |             |
| Long term loan                  | -                        | 375,000,000                    | 375,000,000 | -                            | -                              | -            | 375,000,000 |
| Accrued mark-up                 | -                        | -                              | -           | 3,955,980                    | -                              | 3,955,980    | 3,955,980   |
| Short-term running finance      | 65,477,639               | -                              | 65,477,639  | -                            | -                              | -            | 65,477,639  |
| Trade and other payables        | -                        | -                              | -           | 264,272,564                  | -                              | 264,272,564  | 264,272,564 |
|                                 | 65,477,639               | 375,000,000                    | 440,477,639 | 268,228,544                  | -                              | 268,228,544  | 708,706,183 |
| On-balance Sheet Gap            | 471,441,803              | (375,000,000)                  | 96,441,803  | (68,789,626)                 | 32,305,763                     | (36,483,863) | 59,957,940  |
| Off-balance Sheet Gap           | -                        | -                              | -           | -                            | -                              | -            | -           |



## 2019

|                                 | Mark-up bearing maturity |                                |                    | Non-mark-up bearing maturity |                                |                    | Total              |
|---------------------------------|--------------------------|--------------------------------|--------------------|------------------------------|--------------------------------|--------------------|--------------------|
|                                 | Upto one year            | Over one year up to five years | Sub-total          | Upto one year                | Over one year up to five years | Sub-total          |                    |
|                                 | Rupees                   |                                |                    |                              |                                |                    |                    |
| Financial assets                |                          |                                |                    |                              |                                |                    |                    |
| Loan and advances               | -                        | -                              | -                  | 1,262,842                    | -                              | 1,262,842          | 1,262,842          |
| Deposits                        | 41,700,000               | -                              | 41,700,000         | 87,391,692                   | 1,550,000                      | 88,941,692         | 130,641,692        |
| Trade debts - unsecured         | -                        | -                              | -                  | 21,576,437                   | -                              | 21,576,437         | 21,576,437         |
| Receivable under margin finance | 13,249,680               | -                              | 13,249,680         | -                            | -                              | -                  | 13,249,680         |
| Investments at FVTPL            | 367,839,200              | -                              | 367,839,200        | -                            | -                              | -                  | 367,839,200        |
| Investments at FVOCI            | -                        | -                              | -                  | -                            | 28,004,853                     | 28,004,853         | 28,004,853         |
| Other receivables               | -                        | -                              | -                  | 2,641,388                    | -                              | 2,641,388          | 2,641,388          |
| Cash and bank balances          | 11,328,527               | -                              | 11,328,527         | 85,424,888                   | -                              | 85,424,888         | 96,753,415         |
|                                 | <u>434,117,407</u>       | <u>-</u>                       | <u>434,117,407</u> | <u>198,297,247</u>           | <u>29,554,853</u>              | <u>227,852,100</u> | <u>661,969,507</u> |
| Financial liabilities           |                          |                                |                    |                              |                                |                    |                    |
| Long term loan                  | -                        | 375,000,000                    | 375,000,000        | -                            | -                              | -                  | 375,000,000        |
| Accrued mark-up                 | -                        | -                              | -                  | 7,438,381                    | -                              | 7,438,381          | 7,438,381          |
| Short-term running finance      | 72,166,547               | -                              | 72,166,547         | -                            | -                              | -                  | 72,166,547         |
| Trade and other payables        | -                        | -                              | -                  | 161,957,529                  | -                              | 161,957,529        | 161,957,529        |
|                                 | <u>72,166,547</u>        | <u>375,000,000</u>             | <u>447,166,547</u> | <u>169,395,910</u>           | <u>-</u>                       | <u>169,395,910</u> | <u>616,562,457</u> |
| On-balance Sheet Gap            | 361,950,860              | (375,000,000)                  | (13,049,140)       | 28,901,337                   | 29,554,853                     | 58,456,190         | 45,407,050         |
| Off-balance Sheet Gap           | -                        | -                              | -                  | -                            | -                              | -                  | -                  |

### 25.1.3 Other price risk

Other price risk is the risk of volatility in shares prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The Company is exposed to price risk because of investments held by the Company and classified in the statement of financial position as investments at fair value through profit or loss. The management believes that 10% increase or decrease in the value of investments at fair value through profit or loss, while all other factors remaining constant would result in increase or decrease of the Company's profit by Rs. nil (December 31, 2019: 'nil').

### 25.2 Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting commitments associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, marketable securities and availability of funds through an adequate amount of committed credit lines. The Company is not exposed to liquidity risk. The maturity profile is monitored to ensure that adequate liquidity is maintained. The liquidity profile of the Company is disclosed in note 25.1.2.

### 25.3 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. All the financial assets of the Company are exposed to credit risk. To manage the exposure to credit risk, the Company applies credit limit to its customers and in certain cases obtains margin and deposit in the form of cash. The Company has established internal policies for extending credit which captures essential details regarding customers. Based on the review of borrowers credentials as available internally and value of collaterals held as security, the management is confident that credit quality of debts which are not past due nor impaired remains sound at the reporting date.

The majority of the Company's transactions, and consequently, the concentration of its credit exposure are with the customers, brokers and other financial institutions. These activities primarily involve collateralized arrangement and may result in credit exposure if the counter party fails to meet its contracted obligations. The Company's exposure to credit risk can only be directly impacted by volatile security markets which may impair the ability of counter parties to satisfy their contractual obligations. The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limit based upon

a review of the counter parties' financial conditions. The Company monitors collateral levels on a regular basis and requests changes in collateral levels as appropriate if considered necessary.

An analysis of the age of significant financial assets that are past due or impaired are as under:

|                                                        | 2020<br>Rupees     | 2019<br>Rupees     |
|--------------------------------------------------------|--------------------|--------------------|
| <b>Financial instruments carried at amortized cost</b> |                    |                    |
| Trade debts - unsecured                                | <u>9,165,495</u>   | <u>21,576,437</u>  |
| <b>Payments over due</b>                               |                    |                    |
| 1-360 days                                             | 9,365,657          | 21,671,605         |
| Above 360 days                                         | 1,460,062          | 1,565,056          |
| Allowance for impairment of trade debts                | <b>(1,660,224)</b> | <b>(1,660,224)</b> |
|                                                        | <u>9,165,495</u>   | <u>21,576,437</u>  |

**25.3.1** The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

| Bank                                     | Rating<br>Agency | Rating     |           |
|------------------------------------------|------------------|------------|-----------|
|                                          |                  | Short term | Long Term |
| Allied Bank Limited                      | PACRA            | A1+        | AAA       |
| Askari Bank Limited                      | PACRA            | A1+        | AA+       |
| Bank Al-Falah Limited                    | VIS              | A-1+       | AA+       |
| Bank Al- Habib Limited                   | PACRA            | A1+        | AA+       |
| BankIslami Pakistan Limited              | PACRA            | A1         | A+        |
| Habib Bank Limited                       | VIS              | A-1+       | AAA       |
| Habib Metropolitan Bank Limited          | PACRA            | A1+        | AA+       |
| JS Bank Limited                          | PACRA            | A1+        | AA-       |
| MCB Bank Limited                         | PACRA            | A1+        | AAA       |
| Meezan Bank Limited                      | VIS              | A-1+       | AA+       |
| Standard Chartered Bank Pakistan Limited | PACRA            | A1+        | AAA       |
| United Bank Limited                      | VIS              | A-1+       | AAA       |

## 25.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying amounts of all the financial instruments reflected in these financial statements approximate to their fair value.

## 25.5 Financial assets fair value hierarchy

All financial instruments carried at fair value are categorized in three categories defined as follows:

Level 1 - Quoted prices in active markets for identical assets.

Level 2 - Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 - Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

| December 31, 2020                                  |                    |          |                    |
|----------------------------------------------------|--------------------|----------|--------------------|
| Level 1                                            | Level 2            | Level 3  | Total              |
| Rupees                                             |                    |          |                    |
| <b>Financial assets</b>                            |                    |          |                    |
| - at fair value through profit or loss             |                    |          |                    |
| Government Securities                              | 383,966,275        | -        | 383,966,275        |
| - at fair value through other comprehensive income |                    |          |                    |
| Listed Securities                                  | 23,755,763         | -        | 23,755,763         |
|                                                    | <u>407,722,038</u> | <u>-</u> | <u>407,722,038</u> |
| December 31, 2019                                  |                    |          |                    |
| Level 1                                            | Level 2            | Level 3  | Total              |
| Rupees                                             |                    |          |                    |
| <b>Financial assets</b>                            |                    |          |                    |
| - at fair value through profit or loss             |                    |          |                    |
| Government Securities                              | 367,839,200        | -        | 367,839,200        |
| - at fair value through other comprehensive income |                    |          |                    |
| Listed Securities                                  | 20,004,853         | -        | 20,004,853         |
|                                                    | <u>387,844,053</u> | <u>-</u> | <u>387,844,053</u> |

## 25.6 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

The Company monitors capital on the basis of gearing ratio. Gearing ratio is calculated as total debt divided by total equity plus total debts, where debt represents total long term borrowings and total equity represents paid-up capital, reserves and accumulated loss.

|                      | 2020<br>Rupees     | 2019<br>Rupees     |
|----------------------|--------------------|--------------------|
| Long term loan       | 375,000,000        | 375,000,000        |
| Shareholders' equity | 135,982,948        | 130,570,694        |
| Total                | <u>510,982,948</u> | <u>505,570,694</u> |
| <b>Gearing ratio</b> | <b>73.39%</b>      | <b>74.17%</b>      |

## 26 REMUNERATION OF CHIEF EXECUTIVE OFFICER, EXECUTIVE DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the remuneration, including certain benefits to the Chief Executive, Executive Directors and Executives of the Company is as follows:

|                      | Chief Executive Officer |                  | Executives        |                   |
|----------------------|-------------------------|------------------|-------------------|-------------------|
|                      | 2020                    | 2019             | 2020              | 2019              |
| Rupees               |                         |                  |                   |                   |
| Remuneration         | 4,645,161               | 3,664,516        | 8,613,097         | 6,132,043         |
| House rent allowance | 2,090,323               | 1,649,032        | 3,875,894         | 2,759,419         |
| Utility allowance    | 464,516                 | 366,452          | 861,310           | 613,204           |
| Commission & Bonus   | 3,980,220               | 583,786          | 3,204,608         | 1,114,479         |
| Car allowance        | 2,173,320               | -                | -                 | -                 |
|                      | <u>13,353,540</u>       | <u>6,263,786</u> | <u>16,554,909</u> | <u>10,619,145</u> |
| Number of Persons    | <u>1</u>                | <u>2</u>         | <u>5</u>          | <u>6</u>          |

- 26.1** The Company has provided company maintained car to the certain executives. The Company has paid fee to non-executive directors during the year amounting to Rs. 375,000 (December 31, 2019 : 105,000). Further, the chief executive officer is also entitled for perquisites and facilities/benefits as per the Company's policies and rules.
- 26.2** The Company has no Executive Director during the year.
- 26.3** As per the requirement of 'Research Analyst Regulations 2015', under the Securities Act 2015, following are the details of Research Analysts employed by the Company.

|              | 2020<br>Rupees    | 2019<br>Rupees   |
|--------------|-------------------|------------------|
| Remuneration | <u>10,990,000</u> | <u>8,236,000</u> |

The Research Analysts reports directly to the Head of Research/Director Research and/or Chief Executive Officer.

## 27 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. The remuneration of Chief Executive Officer, Executive Directors and Executives is disclosed in Note 26 to the financial statements.

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

| Brokerage income earned from:                            | Note | 2020<br>Rupees    | 2019<br>Rupees    |
|----------------------------------------------------------|------|-------------------|-------------------|
| Directors                                                |      | <u>3,857,949</u>  | <u>790,682</u>    |
| Employees                                                |      | <u>109,507</u>    | <u>35,968</u>     |
| <b>Transactions</b>                                      |      |                   |                   |
| Contribution to employees provident fund                 |      | <u>3,332,887</u>  | <u>3,206,175</u>  |
| Loan given to Chief Executive Officer                    |      | <u>1,800,000</u>  | <u>-</u>          |
| Deduction of loan from salary of Chief Executive Officer |      | <u>600,000</u>    | <u>-</u>          |
| <b>Associate</b>                                         |      |                   |                   |
| Commission to Financial Brokerage Group                  |      | <u>-</u>          | <u>5,186,671</u>  |
| <b>Balances</b>                                          |      |                   |                   |
| Loan receivable from Chief Executive Officer             | 27.1 | <u>1,200,000</u>  | <u>-</u>          |
| Payable to directors in their shares trading accounts    |      | <u>6,016,356</u>  | <u>110,878</u>    |
| Payable to employees in their shares trading accounts    |      | <u>254,562</u>    | <u>2,853,559</u>  |
| <b>Balances of the holding company</b>                   |      |                   |                   |
| Payable to EFG Hermes Frontier Holdings LLC              |      | <u>51,238,831</u> | <u>34,225,675</u> |
| Equivalent to US\$ 319,843 (2018: US\$ 221,046)          |      |                   |                   |
| <b>Balances of associates</b>                            |      |                   |                   |
| Payable to Financial Brokerage Group                     | 27.2 | <u>19,778,560</u> | <u>19,161,923</u> |

- 27.1** This amount has been fully recovered subsequent to year end.

**27.2** The Company and the Financial Brokerage Group (FBG) are sister concern due to common share holding in both companies by EFG Hermes Frontier Holdings LLC. FBG does not hold any direct shares in the Company and is incorporated in Egypt, having its registered office at B129, Phase 3, Smart village, KM28 Cairo Alexandria Desert Road, Cairo, Egypt. The Managing Director of the Company is Mohamed Omran. The auditors have issued an unqualified report on the latest audited Financial statements.

**27.3** The Company and Electric Lamp Manufacturer of Pakistan Limited are associated companies only due to common directorship of Mr. Fayyaz Ilyas in both the companies. However, no transactions have been made with the related party during the year.

## 28 OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting structure followed by the company.

## 29 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the provident fund as at December 31, 2020 and December 31, 2019:

|                                 | Note        | 2020<br>Rupees    | 2019<br>Rupees |
|---------------------------------|-------------|-------------------|----------------|
| Size of the fund - total assets |             | <b>23,237,569</b> | 15,753,751     |
| Fair value of investments       | <b>29.1</b> | <b>23,237,569</b> | 15,753,751     |
| Cost of investments made        |             | <b>23,205,571</b> | 14,457,792     |
| Percentage of investments made  |             | <b>100%</b>       | 100%           |

**29.1** The Break-up of fair value of investments is as follows:

|                   | 2020<br>Percentage | 2019<br>Percentage | 2020<br>Rupees    | 2019<br>Rupees |
|-------------------|--------------------|--------------------|-------------------|----------------|
| Bank deposits     | <b>4%</b>          | 9%                 | <b>974,639</b>    | 1,437,407      |
| Treasury bills    | <b>94%</b>         | 89%                | <b>21,940,930</b> | 14,072,344     |
| Listed securities | <b>1%</b>          | 2%                 | <b>322,000</b>    | 244,000        |
|                   | <b>100%</b>        | 100%               | <b>23,237,569</b> | 15,753,751     |

Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 30 NET CAPITAL BALANCE

Computation of 'Net Capital Balance' of the Company in accordance with the Schedule II of the Securities Brokers (Licensing and Operations) Regulations 2016, is as follows:

### Current assets

#### Cash and cash equivalent

|                             |                    |
|-----------------------------|--------------------|
| - Cash in hand              | <b>50,000</b>      |
| - Margin deposit with NCCPL | <b>100,300,000</b> |
|                             | <b>100,350,000</b> |

#### Bank Balances

|                                           |                    |
|-------------------------------------------|--------------------|
| - Bank balances pertaining to the Company | <b>12,957,622</b>  |
| - Bank balances pertaining to clients     | <b>170,825,971</b> |
|                                           | <b>183,783,593</b> |

#### Trade debts

|                                        |                    |
|----------------------------------------|--------------------|
| - Book value                           | <b>9,165,495</b>   |
| - Receivable from NCCPL                | <b>9,504,361</b>   |
| - Receivable under margin finance      | <b>41,357,037</b>  |
| - Less: Over due for more than 14 days | <b>(2,588,053)</b> |
|                                        | <b>57,438,840</b>  |

|                              |                    |
|------------------------------|--------------------|
| Securities held for client   | <b>1,213,591</b>   |
| Investment in Treasury bills | <b>383,966,275</b> |
|                              | <b>726,752,299</b> |

**Less: Current liabilities****Trade payables**

|                                                    | 2020<br>Rupees            |
|----------------------------------------------------|---------------------------|
| Book value                                         | 170,825,971               |
| Less: Overdue for more than 30 days                | <u>(21,860,780)</u>       |
|                                                    | 148,965,191               |
| Trade payables for than 30 days                    | 21,860,780                |
| Short-term running finance                         | 65,477,639                |
| Accured expenses and other liabilities             | <u>114,848,668</u>        |
|                                                    | <u>351,152,278</u>        |
| <i>Net capital balance as on December 31, 2020</i> | <u><u>375,600,021</u></u> |

**31 CAPITAL ADEQUACY LEVEL**

Capital Adequacy Level has been determined as per regulation 6.8.3 'Assets Under Custody' of the 'CDC Regulations', as follows:

|                                                                       | Note | 2020<br>Rupees            | 2019<br>Rupees     |
|-----------------------------------------------------------------------|------|---------------------------|--------------------|
| Total assets                                                          | 31.1 | 864,635,226               | 764,259,195        |
| Less: Total liabilities                                               |      | <b>(726,152,278)</b>      | (631,188,501)      |
| Less: Revaluation reserves (created upon revaluation of fixed assets) |      | -                         | -                  |
|                                                                       |      | <u><b>138,482,948</b></u> | <u>133,070,694</u> |

- 31.1** While determining the value of the total assets of the TREC Holder, Notional Value of the TRE certificate held by the Company as at year ended December 31, 2020 as determined by Pakistan Stock Exchange has been considered.

**32 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS**

On March 11, 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. Thereafter, Covid-19 emerged to have impacts for Pakistan's economy as the Government decided for a Country wide lockdown.

The financial year 2020 has been a challenging year for Pakistan's economy. The COVID 19 Pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. In addition, there was significant devaluation of the rupee against the U.S. dollar during the year. To reduce the impact on businesses and economies in general, State Bank of Pakistan (SBP) introduced a host of measures on both the fiscal and economic fronts. These included reduction in policy rate by 625 basis points, deferments of principal amount of loans, refinancing of loans at concessionary rates, salary refinancing, etc. to provide relief to businesses.

On Pakistan stock market, Covid-19 impact started on a negative note as news about potentially serious virus outbreak in China surfaced. Local market taking cue from global markets saw the benchmark PSX-100 index shed ~11,500 points and lost ~28% in value as local economic activity slowed down and businesses lost revenue. However, aggressive cut in interest rates by SBP led to liquidity flowing back into equities and the PSX-100 has been rallied. Consequently, due to such higher volatility in stock market, the revenue of the Company has been increased during the year.

Furthermore, the management has evaluated and concluded that there are no material implications of Covid-19 that require specific disclosure in the financial statements.

**33 NUMBER OF EMPLOYEES**

|                                             | 2020      | 2019      |
|---------------------------------------------|-----------|-----------|
| Number of employees as at year end          | <u>47</u> | <u>47</u> |
| Average number of employees during the year | <u>47</u> | <u>52</u> |



**34 DATE OF AUTHORIZATION**

These financial statements have been authorized for issue on March 01, 2021 by the Board of Directors of the Company.

**35 GENERAL**

35.1 Figures in these financial statements have been rounded off to the nearest rupee.

35.2 Prior year's figures in these financial statements have been re-arranged / re-classified, where necessary, for better presentation.

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**Chief Executive Officer**

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**Director**

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**Chief Financial Officer**

**FORM 34****PATTERN OF SHAREHOLDING**

1 Incorporation Number 0040559  
 2 Name of the Company EFG HERMES PAKISTAN LIMITED  
 3 Pattern of holding of the shares held by the shareholders as at 31-Dec-20

| 4 | No. of Shareholders | Shareholdings              | Total Shares Held |
|---|---------------------|----------------------------|-------------------|
|   | 534                 | 1 - 100 Shares             | 22,756            |
|   | 194                 | 101 - 500 Shares           | 77,140            |
|   | 1698                | 501 - 1000 Shares          | 961,358           |
|   | 264                 | 1001 - 5000 Shares         | 599,316           |
|   | 45                  | 5001 - 10000 Shares        | 343,355           |
|   | 13                  | 10001 - 15000 Shares       | 163,638           |
|   | 11                  | 15001 - 20000 Shares       | 195,400           |
|   | 7                   | 20001 - 25000 Shares       | 168,450           |
|   | 3                   | 25001 - 30000 Shares       | 89,500            |
|   | 3                   | 30001 - 35000 Shares       | 103,000           |
|   | 1                   | 35001 - 40000 Shares       | 38,000            |
|   | 2                   | 40001 - 45000 Shares       | 87,100            |
|   | 2                   | 45001 - 50000 Shares       | 100,000           |
|   | 1                   | 50001 - 55000 Shares       | 52,000            |
|   | 1                   | 65001 - 70000 Shares       | 66,500            |
|   | 1                   | 70001 - 75000 Shares       | 75,000            |
|   | 1                   | 75001 - 80000 Shares       | 79,500            |
|   | 2                   | 80001 - 85000 Shares       | 170,000           |
|   | 2                   | 85001 - 90000 Shares       | 174,400           |
|   | 1                   | 90001 - 95000 Shares       | 94,000            |
|   | 2                   | 95001 - 100000 Shares      | 200,000           |
|   | 2                   | 100001 - 105000 Shares     | 203,900           |
|   | 2                   | 120001 - 125000 Shares     | 246,000           |
|   | 1                   | 135001 - 140000 Shares     | 136,500           |
|   | 1                   | 140001 - 145000 Shares     | 145,000           |
|   | 1                   | 165001 - 170000 Shares     | 169,000           |
|   | 1                   | 180001 - 185000 Shares     | 181,000           |
|   | 2                   | 185001 - 190000 Shares     | 376,000           |
|   | 1                   | 330001 - 335000 Shares     | 331,726           |
|   | 1                   | 595001 - 600000 Shares     | 600,000           |
|   | 1                   | 635001 - 640000 Shares     | 635,500           |
|   | 1                   | 825001 - 830000 Shares     | 825,563           |
|   | 1                   | 990001 - 995000 Shares     | 990,566           |
|   | 1                   | 1105001 - 1110000 Shares   | 1,106,500         |
|   | 1                   | 10205001 - 10210000 Shares | 10,207,982        |
|   | <b>2,805</b>        | <b>Total</b>               | <b>20,015,650</b> |

| 5   | Categories of Shareholders                                                       | Shares held | Percentage |
|-----|----------------------------------------------------------------------------------|-------------|------------|
| 5.1 | Directors, Chief Executive Officer, and their spouse and minor children          | 1,592,074   | 0.08       |
| 5.2 | Associated Companies, Financial Institutions, Non-Banking Financial Institutions | 10,207,982  | 0.51       |
| 5.3 | NIT and ICP                                                                      | -           | -          |
| 5.4 | Banks, Development Financial Institutions, Non-Banking Financial Institutions    | 598,051     | 0.03       |
| 5.5 | Insurance Companies                                                              | -           | -          |
| 5.6 | Modarabas and Mutual Funds                                                       | 100,000     | 0.00       |
| 5.7 | Shareholders holding 10%                                                         | 10,207,982  | 0.51       |
| 5.8 | General Public                                                                   | -           | -          |
|     | a. Local                                                                         | 7,512,043   | 0.38       |
|     | b. Foreign                                                                       | -           | -          |
| 5.9 | Others (Joint Stock Companies, Brokrage Houses, Employees Funds, Trustees, etc.) | 5,500       | 0.00       |

**Pattern of Shareholding**  
under Rule 5.19.11(x) of the Code of Corporate Governance  
as on December 31, 2020 (additional information)

| Categories of Shareholders                                            | Number of Shareholders | Shares Held | % of Shareholding |
|-----------------------------------------------------------------------|------------------------|-------------|-------------------|
| 1 <u>ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.</u>       | 1                      | 10,207,982  | 51.00%            |
| 2 <u>MUTUAL FUNDS</u>                                                 |                        | -           | 0.00%             |
| 3 <u>DIRECTORS THEIR SPOUSE AND MINOR CHILDREN</u>                    |                        |             |                   |
| Mr. Mohamed Khaled Mohamed Abdel Khabir                               | 1                      | 1           | 0.00%             |
| Mr. Mohamed Hussein Mahmoud Mohamed Ebeid                             | 1                      | 1           | 0.00%             |
| Mr. Ahmed Adel Mahmoud Youssef                                        | 1                      | 1           | 0.00%             |
| Mr. Murad Ansari                                                      | 1                      | 1           | 0.00%             |
| Mr. Fayyaz Ilyas                                                      | 1                      | 990,566     | 4.95%             |
| Mr. Hayat Javed                                                       | 1                      | 600,000     | 3.00%             |
| Mr. Freyan Byram Avari                                                | 1                      | 501         | 0.00%             |
| Mr. Johannes Hailu Gunnell                                            | 1                      | 1           | 0.00%             |
| Mr. Ahmed Mohamed Ahmed El Khamissy El Naggar                         | 1                      | 1           | 0.00%             |
| Ms. Sarah Kwena Maja                                                  | 1                      | 1           | 0.00%             |
| Mr. Danish Iqbal                                                      | 1                      | 500         | 0.00%             |
| Syed Asad Mustafa Shafqat                                             | 1                      | 500         | 0.00%             |
|                                                                       | 12                     | 1,592,074   | 7.95%             |
| SPOUSE OF DIRECTORS                                                   |                        | -           |                   |
| MINOR CHILDREN OF DIRECTORS                                           |                        | -           |                   |
| 4 <u>EXECUTIVES</u>                                                   |                        | -           |                   |
| 5 <u>PUBLIC SECTOR COMPANIES &amp; CORPORATIONS</u>                   |                        | -           |                   |
| 6 <u>BANKS, DEVELOPMENT FINANCE INSTITUTION</u>                       |                        | -           |                   |
| 7 <u>OTHERS (INDIVIDUALS, BROKERAGE HOUSE, JOINT STOCK COMPANIES)</u> | 2793                   | 8,215,594   | 41.05%            |
|                                                                       | 2805                   | 20,015,650  | 100.00%           |

| 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             |
| Ms. Sadaf Farid                                                              | 1                      | 1,106,500             | 5.53              |

## Pattern Of Shareholding as on December 31, 2020

[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/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 |
| Ms. Sadaf Farid                   | 1 | 1,106,500  | 5.53  |

| CHANGES IN SHAREHOLDINGS HOLDING ABOVE 5% |                                        |                                        |         |
|-------------------------------------------|----------------------------------------|----------------------------------------|---------|
| Names                                     | Holding Balance as at December 31 2019 | Holding Balance as at December 31 2020 | Changes |

|                                   |            |            |             |
|-----------------------------------|------------|------------|-------------|
| EFG-Hermes Frontiers Holdings LLC | 10,207,982 | 10,207,982 | -           |
| Ms. Sadaf Farid                   | -          | 1,106,500  | 1,106,500   |
| Ms. Mubina                        | 1,496,000  | -          | (1,496,000) |
| Mr. Muzzammil Aslam               | 1,233,019  | 412,019    | (821,000)   |
| Mr. Irfan Pardesi                 | 1,102,065  | 2,065      | (1,100,000) |

**FORM OF PROXY****EFG HERMES PAKISTAN LIMITED****IMPORTANT NOTE**

This form of Proxy duly completed must be deposited at the Registered Office of the Company, Office# 904, 9th Floor, Emerald Tower, Plot No. G-19, Block-5, Clifton, Karachi, Pakistan, not later than 48 hours before the time of the meeting.

I/We \_\_\_\_\_ of \_\_\_\_\_ being member(s) of EFG HERMES PAKISTAN LIMITED and holding \_\_\_\_\_ Ordinary Shares as per Registered Folio No./CDC Investor Account/Participant ID and investor/Sub Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ who is/are as my/our proxy to vote for me/us and on my/our behalf at the 22<sup>nd</sup> Annual General Meeting of the Company to be held on Tuesday, March 30, 2021 at 4:00 PM and / or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

Signature  
over  
Revenue  
Stamp  
of Rs.5

\_\_\_\_\_  
SIGNATURE

Witness: \_\_\_\_\_  
SIGNATURE

Name: \_\_\_\_\_

Name: \_\_\_\_\_

CNIC No.: \_\_\_\_\_

CNIC No.: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

**AFFIX  
CORRECT  
POSTAGE**

**EFG HERMES PAKISTAN LIMITED**

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



فارم برائے پراسی

## ای ایف جی ہرمز پاکستان لمیٹڈ

## اہم / ضروری

یہ مکمل شدہ پر کسی اجلاس شروع ہونے سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس نمبر 904، 9th فلور، ایمر الٹاور، پلاٹ نمبر G-19، بلاک 5، کلفٹن، کراچی، پاکستان میں پہنچ جانا چاہئے۔

[illegible]

دستخط مورخه \_\_\_\_\_ بروز \_\_\_\_\_ 2021

5 روپے والی  
ریونیواسٹمپ پر دستخط

گواہ \_\_\_\_\_

دستخط \_\_\_\_\_

گواہ \_\_\_\_\_

دستخط \_\_\_\_\_

نام \_\_\_\_\_  
شناختی کارڈ نمبر \_\_\_\_\_  
پتہ \_\_\_\_\_

نام \_\_\_\_\_  
شناختی کارڈ نمبر \_\_\_\_\_  
پتہ \_\_\_\_\_

EFG HERMES PAKISTAN LIMITED  
Office # 904, 9th Floor,  
Emerald Tower, Plot No. G-19,  
Block-5, Clifton, Karachi, Pakistan  
[www.efghermespakistan.com](http://www.efghermespakistan.com)

