



INVESTMENTS

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786 INVESTMENTS LIMITED

FOR THE
QUARTER ENDED
MARCH 31, 2023
(UN-AUDITED)

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CORPORATE INFORMATION

Management Company	786 Investments Limited G-3 B.R.R. Tower, Hassan Ali Street, Off I.I. Chundrigar Road, Karachi - 74000 Pakistan Tel: (92-21) 32603751-54 Email: info@786investments.com Website: www.786investments.com	
Board of Directors	Mr. Ahmed Salman Munir Miss Tara Uzra Dawood Syed Shabahat Hussain Mr. Naveed Ahmed Syed Musharaf Ali Mr. Iqbal Shafiq Mr. Ahmed Zia Sarwar	Chairperson Chief Executive Officer Director Director Director Director Director
Chief Financial Officer & Company Secretary	Mr. Noman Shakir	
Audit Committee	Syed Shabahat Hussain Mr. Naveed Ahmed Syed Musharaf Ali	Chairman Member Member
Human Resource Committee	Mr. Ahmed Salman Munir Miss Tara Uzra Dawood Mr. Naveed Ahmed	Chairperson Member Member
Auditors	JASB & Associates Chartered Accountants	
Legal Advisor	Rauf & Ghaffar Law Associates (Advocates & Consultants) Suite # 65, 5th Floor, Fareed Chamber, Abdullah Haroon Road, Saddar – Karachi, Pakistan.	
Registrars	F.D. Registrar Services (SMC-Pvt.) Ltd. Office# 1705, 17th Floor Saima Trade Tower. A, I.I. Chundrigar Road, Karachi-74000, Pakistan.	
Banker:	Habib Metropolitan Bank Limited JS Bank Limited	
Rating:	PACRA: AM3	

DIRECTORS' REPORT FOR THE QUARTER ENDED MARCH 31, 2023

It is matter of honor for me to present on behalf of the Board of Directors (BODs) of 786 Investments Limited ("786" or the "Company") the Management Company of 786 Smart Fund, the reviewed financial statements the three months period ended March 31, 2023.

Economy Review & Outlook:

Global growth prospects at the end of first quarter of 2023 have improved since December, 2022. This improvement is due to China's reopening, a material easing of the European natural gas crisis and resilience in US consumer demand. Since start of the Russia-Ukraine conflict, this is the first upward world growth forecast. Fitch forecast world growth at 2.0% in 2023, revised up from 1.4% in the December 2022. This was mainly due to China's 2023 growth forecast to 5.2% from 4.1%, eurozone growth to 0.8% from 0.2% and US growth to 1.0% from 0.2%. However, lowered global growth in 2024 would reflect the lagged impact of rapid Fed and ECB interest rate hikes. The European gas crisis has eased sharply in recent months with gas supply holding up, inventories improving relative to seasonal norms and wholesale prices are falling significantly. This is helping Eurozone growth prospects and easing headline inflation pressures.

Money Market Review & Outlook:

The Central Bank of Pakistan raised its key interest rate by 100bps to 21% on April 4, 2023, pushing borrowing costs to their highest level since records began in 1992. The MPC noted that inflation rose further to 35.4% in March, the highest since December of 1973, and is expected to remain high in the near term. Looking ahead, the MPC considered the current monetary policy stance appropriate and stressed that the decision, along with previous accumulated monetary tightening, will help achieve the medium-term inflation target over the next 8 quarters. In January 2023, CPI stands at 27.6 percent on a year-on-year basis, which is higher than 24.5 percent in the previous month and 13.0 percent in January 2022. On average, the CPI inflation was recorded at 25.4 percent during Jul-Jan FY2023, which is higher than the 10.3 percent recorded in the same period last year.

Stock Market Review & Outlook:

Pakistan Stock Exchange (PSX) witnessed an overall lackluster week ended on March 10, 2023. The news about US\$500 million inflow from China boosted reserves up to US\$4.3 billion as of March 03, thereby instilling investor confidence. Despite fulfilling further IMF conditions, i.e. imposition of power surcharge and cabinet approval of 25% GST on luxury items, the long-awaited SLA (Staff-Level Arrangement) still hangs in the balance. The benchmark index closed the week at 41,794 points, indicating a 1.1%WoW gain.

Other major news flows during the week included: 1) Pakistan got closer to signing IMF agreement, 2) Import curbs to be eased after IMF review, 3) Foreign exchange manipulation probe against banks completed, 4) ECP issued schedule for Punjab elections, to be held on April 30 this year, 5) PKR depreciation and borrowing raised debt stocks soar to PKR55 trillion by end January 2023.

Engineering, Tobacco and Cable & Electrical goods were amongst the top performing sectors, As against this, Miscellaneous, Woollen and Textile weaving were amongst the worst performers.

The market is expected to remain range-bound in the near future as already record-high inflation is expected to rise further. Furthermore, the long-awaited Staff-Level Agreement with the IMF will

remain a topic of focus, and if achieved, could potentially bolster investor confidence and lead to euphoria in the market. Investors are advised to stay cautious while building new positions in the market.



Company Performance

The Company's profit during the period stood at PKR 8.201 million as compared to PKR 4.036 million in the same period last year. The Company Income which comprised of Management Fees PKR 9,398 million for the period as compared to the PKR 10.098 million last year. Administrative and operating expenses were PKR 21.167 million as compared to PKR 17.937 million in the same period last year. The earnings per share (EPS) of the Company for the period was PKR 0.55 as compared to PKR 0.27 during the corresponding period.

Acknowledgement:

The Directors wish to express their gratitude to the Security & Exchange Commission of Pakistan (SECP) and other regulatory bodies for their valuable support, assistance and guidance. The Board also thanks the employees of the Asset Management Company, the Trustee for their dedication and hard work and the unitholders for their confidence in the Management.

---SD---

Director

---SD---

Chairperson

786 انویسٹمنٹ لمیٹڈ ڈائریکٹرز کی رپورٹ برائے 31 مارچ 2023ء مختصر نوامی

یہ ریسے لیے بڑے اعزاز کی بات ہے کہ 786 انویسٹمنٹ لمیٹڈ ("786" یا "کمپنی") کے بورڈ آف ڈائریکٹرز (BODs) کی جانب سے، میں 786 گروپ کی 31 مارچ 2023 کو ختم ہونے والی سہ ماہی کے لئے نظر ثانی شدہ مالیاتی گوشوارے پیش کر رہا ہوں۔

اقتصادی جائزہ اور مستقبل کا نقطہ نظر:

دسمبر 2022 سے 2023 کی پہلی سہ ماہی کے اختتام پر عالمی نمو کے امکانات بہتر ہوئے ہیں۔ یہ بہتری چین کے دوبارہ کھلنے، یورپی قدرتی گیس کے بحران میں مادی آسانی اور امریکی صارفین کی طلب میں پلک کی وجہ سے ہوئی ہے۔ روس-یوکرین تنازعہ کے آناز کے بعد سے، یہ دنیا کی نمونہ پہلی پیش گوئی ہے۔ سچ نے 2023 میں عالمی نمو 2.0 فیصد کی پیش گوئی کی، جو دسمبر 2022 میں 1.4 فیصد سے زیادہ ہوئی۔ اس کی بنیادی وجہ چین کی 2023 کی شرح نمو 4.1 فیصد سے 5.2 فیصد، یورو زون کی نمو 0.2 فیصد سے 0.8 فیصد اور امریکی نمونہ کی شرح 0.2 فیصد سے 1.0 فیصد تھی۔ تاہم، تاہم، 2024 میں کم عالمی نمو تیزی سے Fed اور ECB کی شرح سود میں اضافے کے پیچھے پھر جانے والے اثرات کی عکاسی کرے گی۔ یورپی گیس بحران حالیہ مہینوں میں تیزی سے کم ہوا ہے جس میں گیس کی سپلائی روک دی گئی تھی، انویسٹریوں میں بینرل معمول کے مطابق بہتری آئی ہے اور ہول سیل قیمتیں نمایاں طور پر گری ہیں۔ اس سے یورو زون کی نمو کے امکانات اور ہیڈ لائن افراط زر کے دباؤ کو کم کرنے میں مدد مل رہی ہے۔

مٹی مارکیٹ کا جائزہ اور مستقبل کا نقطہ نظر:

سنٹرل بینک آف پاکستان نے 4 اپریل 2023 کو اپنی کلیدی شرح سود کو 100bps بڑھا کر 21% کر دیا، جس سے قرض کی لاگت 1992 میں ریکارڈ شروع ہونے سے اپنی بلند ترین سطح پر پہنچ گئی۔ MPC نے نوٹ کیا کہ مارچ میں افراط زر مزید بڑھ کر 35.4 فیصد ہو گیا، جو کہ دسمبر 1973 کے بعد سب سے زیادہ ہے، اور قریب کی مدت میں بھی زیادہ رہنے کی توقع ہے۔ آگے دیکھتے ہوئے، MPC نے موجودہ ماہیٹری پالیسی کے موقف کو مناسب سمجھا اور اس بات پر زور دیا کہ یہ فیصلہ، گزشتہ مجموعی مالیاتی تختی کے ساتھ، اگلی 8 سہ ماہیوں میں درمیانی مدت کے افراط زر کے ہدف کو حاصل کرنے میں مدد کرے گا۔ جنوری 2023 میں، ہی ٹی آئی سال بھر کی بنیاد پر 27.6 فیصد رہا، جو پچھلے مہینہ میں 24.5 فیصد اور جنوری 2022 میں 13.0 فیصد سے زیادہ ہے۔ اوسطاً، مالی سال 2023 جولائی-جنوری کے دوران CPI افراط زر 25.4 فیصد ریکارڈ کیا گیا تھا، جو پچھلے سال کی اسی مدت میں ریکارڈ شدہ 10.3 فیصد سے زیادہ ہے۔

اسٹاک مارکیٹ کا جائزہ اور مستقبل کا نقطہ نظر:

10 مارچ 2023 کو ختم ہونے والا ہفتہ پاکستان سٹاک ایکسچینج (PSX) میں نمونہ طور پر کمزور ترین دیکھا گیا۔ چین سے 500 بلین امریکی ڈالر کی آمد کی خبروں نے 03 مارچ تک ڈخاڑ کو 4.3 بلین امریکی ڈالر تک بڑھا دیا، جس سے سرمایہ کاروں کا اعتماد بحال ہوا۔ آئی ایم ایف کی مزید شرائط کو پورا کرنے یعنی پاور سرجارج کے نفاذ اور لکٹوری آئٹمز پر 25% جی ایس ٹی کی کاہلی کی منظوری کے باوجود، طویل مدت سے معطل SLA (سٹاف لیول از رینٹ) ابھی تک باقی ہے۔ شیخ مارک انڈیکس ہفتے میں 41,794 پوائنٹس پر بند ہوا، جو کہ WoW 1.1% اضافی نشاندہی کرتا ہے۔

ہفتے کے دوران آنے والی دیگر اہم خبروں میں شامل ہیں: (1) پاکستان آئی ایم ایف معاہدے پر دستخط کرنے کے قریب پہنچ گیا، (2) آئی ایم ایف کے جائزے کے بعد درآمدی پابندیوں میں نرمی کی جائے گی، (3) ٹیکسوں کے خلاف فیصلگی ریمالڈ میں بہتر اہلیت کی تحقیقات مکمل (4) ای سی بی نے پنجاب کے انتخابات کا شیلڈنگ جاری کر دیا، جو اس سال 30 اپریل کو منعقد ہوئے، (5) پاکستانی روپیہ کی قدر میں کمی اور قرض لینے سے قرضوں کا مجموعہ جنوری 2023 کے آخر تک 55 بلین ٹریلین روپے تک بڑھ گیا۔

انجینئرنگ، تہما کو اور کیبل اور الیکٹریکل سامان سرفہرست کارکردگی کا مظاہرہ کرنے والے شعبوں میں شامل تھے، اس کے مقابلے میں متفرق، اونٹنی اور ٹیکسٹائل و یوگنگ سب سے اہتر کارکردگی کا مظاہرہ کرنے والوں میں شامل تھے۔

توقع ہے کہ مستقبل قریب میں مارکیٹ ایک حد تک محدود رہے گی کیونکہ پہلے سے ہی ریکارڈ بلند افراط زر میں مزید اضافہ متوقع ہے۔ مزید برآں، آئی ایم ایف کے ساتھ طویل عرصے سے معطل اسٹاف لیول کا معاہدہ روٹوچ کا مرکز بنا ہوا ہے، اور اگر گئے ہو جاتا ہے، تو ممکنہ طور پر سرمایہ کاروں کے اعتماد کو بڑھا سکتا ہے اور مارکیٹ میں جوش و خروش کا باعث بن سکتا ہے۔ سرمایہ کاروں کو مشورہ دیا جاتا ہے کہ وہ مارکیٹ میں نئی پوزیشنیں بنانے سے وقت محتاط رہیں۔

کمپنی کی کارکردگی کا جائزہ

گزشتہ سال کی اسی مدت میں 4.036 بلین روپے کے مقابلے موجودہ مدت میں کمپنی کی مجموعی آمدنی 8.201 بلین روپے رہی۔ گزشتہ سال کی اسی مدت میں 10.098 بلین روپے کے مقابلے موجودہ مدت کے لئے کمپنی کی آمدنی 9,398 بلین روپے ہوئی جو کہ بیجمنٹ فیس پر مشتمل ہے۔ انتظامی اور آپریٹنگ اخراجات گزشتہ سال کی اسی مدت میں 17.937 بلین روپے کے مقابلے 21.167 بلین روپے ہوئے۔ کمپنی کی فی شیئر آمدنی (EPS) گزشتہ سال اسی مدت کے دوران 0.27 روپے کے مقابلے موجودہ مدت میں 0.55 روپے تھی۔

اعتراف

ڈائریکٹرز سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور دیگر ریگولیٹری اداروں کے قابل قدر تعاون، مدد اور رہنمائی کے لیے ان کا شکریہ ادا کرتے ہیں۔ بورڈ اجاڑ بیجمنٹ کمپنی کے ملازمین، غزنی کا ان کی لگن اور محنت کے لیے، اور بزنس ہولڈرز کا بیجمنٹ پر ان کے اعتماد کے لیے بھی شکریہ ادا کرتے ہیں۔

---SD---

جیو پرسن

---SD---

ڈائریکٹر

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT MARCH 31, 2023**

	Note	Un-Audited March 31, 2023	Audited June 30, 2022
		-----Rupees-----	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	1,092,411	877,914
Intangible assets	6	727,177	831,060
Long-term deposits	7	36,300	36,300
		1,855,888	1,745,274
CURRENT ASSETS			
Loans and advances		60,000	300,000
Investments	8	242,741,879	226,530,045
Prepayments and other receivable	9	8,035,481	7,105,869
Trade receivables	10	2,505,994	2,814,597
Accrued markup	11	122,730	902,734
Tax refund due from Government	12	7,501,345	7,406,613
Cash and bank balances	13	590,452	5,065,871
		261,557,881	250,125,729
TOTAL ASSETS		263,413,769	251,871,003
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised Share Capital			
20,000,000 (June 30, 2022: 20,000,000) Ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, Subscribed and Paid-Up Share Capital			
Ordinary shares 14,973,750 (June 30, 2022: 14,973,750) of Rs. 10 each		149,737,500	149,737,500
General reserves		33,630,264	33,630,264
Subordinated loan form director	14	22,000,000	22,000,000
Unappropriated profit		33,755,971	25,554,608
		239,123,735	230,922,372
CURRENT LIABILITIES			
Accrued and other liabilities	15	23,291,292	19,949,889
Unclaimed dividend	16	998,742	998,742
		24,290,034	20,948,631
Contingencies and Commitments	17	-	-
TOTAL EQUITY AND LIABILITIES		263,413,769	251,871,003

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

**For 786 Investments Limited
(Management Company)**

---SD---
Chief Executive Officer

---SD---
Chief Financial Officer

---SD---
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE NINE MONTH AND QUARTER ENDED MARCH 31, 2023**

	Nine Months Period Ended		Three Months Period Ended	
	2023	2022	2023	2022
Income	----- Rupees -----			
Remuneration from fund under management	9,398,193	10,098,013	3,193,380	3,559,313
Advisory fee	833,334	833,334	277,778	277,778
Income on term deposit receipt (TDR)	80,121	-	-	-
Income on term finance certificates	-	257,628	-	(924,842)
Income on Pakistan investment bonds	1,495,890	1,249,827	490,411	241,608
	<u>11,807,538</u>	<u>12,438,802</u>	<u>3,961,569</u>	<u>3,153,857</u>
Net unrealized loss on revaluation of investments at fair value through profit or loss	(1,434,608)	(1,678,297)	(702,079)	(260,886)
	<u>10,372,930</u>	<u>10,760,505</u>	<u>3,259,490</u>	<u>2,892,971</u>
Expenses				
Administrative and operating expenses	(21,167,979)	(17,937,327)	(6,851,411)	(6,103,776)
Financial charges	(3,037,876)	(1,786,400)	(1,081,871)	(698,097)
	<u>(24,205,855)</u>	<u>(19,723,727)</u>	<u>(7,933,282)</u>	<u>(6,801,873)</u>
Operating loss	<u>(13,832,925)</u>	<u>(8,963,222)</u>	<u>(4,673,792)</u>	<u>(3,908,902)</u>
Other operating income	503,846	592,254	56,977	243,667
Share of profit from associate	22,146,442	13,092,447	7,849,543	4,551,214
Profit before taxation	<u>8,817,363</u>	<u>4,721,479</u>	<u>3,232,728</u>	<u>885,979</u>
Taxation	(616,000)	(684,563)	(182,611)	(23,965)
Net Profit for the period	<u>8,201,363</u>	<u>4,036,916</u>	<u>3,050,117</u>	<u>862,014</u>
Earnings per share for the period - basic and diluted	<u>0.55</u>	<u>0.27</u>	<u>0.20</u>	<u>0.06</u>

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

**For 786 Investments Limited
(Management Company)**

---SD---
Chief Executive Officer

---SD---
Chief Financial Officer

---SD---
Director



**STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTH AND QUARTER ENDED MARCH 31, 2023**

	Nine Months Period Ended		Three Months Period Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
	----- Rupees -----			
Net Profit for the period	8,201,363	4,036,916	3,050,117	862,014
Other Comprehensive Income/(Loss)				
Share of Other Comprehensive Income from Associates	-	-	-	(50,373)
Other Comprehensive Income	-	-	-	(50,373)
Total Comprehensive Income for the Period	8,201,363	4,036,916	3,050,117	811,641

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

**For 786 Investments Limited
(Management Company)**

---SD---
Chief Executive Officer

---SD---
Chief Financial Officer

---SD---
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTH AND QUARTER ENDED MARCH 31, 2023**

Share Capital	---Capital Reserve---		-----Revenue Reseve-----			Total	
	Issued, Subscribed and Paid-Up Share Capital	General Reserve	Sub Ordinated Loan from Director	Surplus on Revaluation of Investments Classified at Fair Value through Other Comprehensive Income	Share of Other Comprehensive Income from Associate		Unappropriated Profit
----- Rupees -----							
Balance as at July 1, 2021	149,737,500	33,630,264	22,000,000	-	182,232	24,580,088	230,130,084
Effect of Restatement (Refer Note 4.4 - June 2022)	-	-	-	-	-	-	-
Balance as at July 1, 2021 as Restated	149,737,500	33,630,264	22,000,000	-	182,232	24,580,088	230,130,084
Profit for the Period - As Restated	-	-	-	-	-	4,036,916	4,036,916
Other Comprehensive Loss for the Period - As Restated	-	-	-	-	-	-	-
Total Comprehensive Loss for the Period	-	-	-	-	-	4,036,916	4,036,916
Balance as at March 31, 2022	149,737,500	33,630,264	22,000,000	-	182,232	28,617,004	234,167,000
Balance as at July 1, 2022	149,737,500	33,630,264	22,000,000	-	-	25,554,608	230,922,372
Profit for the Period	-	-	-	-	-	8,201,363	8,201,363
Other Comprehensive Income for the Period	-	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	-	8,201,363	8,201,363
Balance as at March 31, 2023	149,737,500	33,630,264	22,000,000	-	-	33,755,971	239,123,735

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

**For 786 Investments Limited
(Management Company)**

-----SD-----
Chief Executive Officer

-----SD-----
Chief Financial Officer

-----SD-----
Director

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE NINE MONTH AND QUARTER ENDED MARCH 31, 2023**

	March 31, 2023	March 31, 2022
Note	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,817,363	4,721,479
Adjustments for Non-cash and other items:		
Depreciation on property and equipment	447,566	1,186,675
Amortization	103,883	103,883
Financial charges	3,037,876	1,786,400
Mark-up earned on saving account	(626,544)	(515,979)
Income on pakistan investment bonds	(1,495,890)	(1,249,827)
Income on term finance certificate	-	(257,628)
Share of profit from Associate	(22,146,442)	(13,092,447)
Revaluation gain/(loss) on investments classified at fair value through profit or loss	1,434,608	1,678,297
Working Capital Changes	(19,244,943)	(10,360,626)
<i>Changes in Current Assets:</i>		
Loans and advances	240,000	(330,000)
Deposits, prepayments and other receivable	(929,612)	(421,244)
Trade receivable	308,603	(1,630,002)
Accrued markup	780,004	-
	398,995	(2,381,246)
<i>Changes in Current Liabilities:</i>		
Accrued and other liabilities	313,685	(263,592)
Cash used in operations	(9,714,900)	(8,283,985)
Taxes paid	(710,732)	(994,326)
Finance cost paid	(10,158)	(8,961)
Net Cash Used in Operating Activities	(10,435,790)	(9,287,272)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption Made during the Period	4,500,000	-
Term Finance Certificate Redeemed	-	2,500
Receipt of Mark-Up on Savings Account	626,544	1,050,561
Income Received on Term Finance Certificate	-	1,165,766
Principal & Income Received on Pakistan Investment Bonds	1,495,890	2,000,000
Capital Expenditure Incurred	(662,063)	(71,277)
Net Cash Generated (Used In)/From Investing Activities	5,960,371	4,147,550
Net Decrease in Cash and Cash Equivalents	(4,475,419)	(5,139,722)
Cash and Cash Equivalents at Beginning of the Year	5,065,871	11,957,163
Cash and Cash Equivalents at End of the Period	590,452	6,817,441

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

**For 786 Investments Limited
(Management Company)**

----SD----
Chief Executive Officer

----SD----
Chief Financial Officer

----SD----
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTH AND QUARTER ENDED MARCH 31, 2023

1 STATUS AND NATURE OF BUSINESS

- 1.1** 786 Investments Limited, the Company was incorporated on September 18, 1990 as a public limited Company in Pakistan, with its registered office at G3, Ground Floor BRR Tower, Hassan Ali Street, Off I.I. Chundrigar Road, Karachi 74000. The Company is listed on the Pakistan Stock Exchange Limited. The Company has changed its name to 786 Investments Limited from Dawood Capital Management Limited with effect from 20 January, 2017 after completing regulatory formalities.
- 1.2** The Company is registered as a Non Banking Finance Company under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Company has obtained the licenses to carry out investment advisory services and asset management services under the NBFC Rules and the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).
- 1.3** The license to carry out "Asset Management Service" has been successfully renewed dated May 12, 2022 under Rule 5 of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 amended through S.R.O 1131(1) 2007, S.R.O 271(1) 2010, S.R.O 570(1)/2012 and S.R.O 1002(1)/2015 respectively.
- 1.4** The license to carry out "Investment Advisory Services" has been successfully renewed vide its letter No.SCD/AMCW/37/786IL/IAS/07/2022 dated May 12, 2022 with effect from May 26, 2022 and valid till May 25, 2025 . Licence shall further be renewable by the Commission for next three years, subject to the compliance of the NBFC Rules and the NBFC Regulations.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the international Accounting Standard Boards (IASB) as notified under the Companies Act, 2017;
- Provision of and directives issued under the Companies Act, 2017;
- The Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (The NBFC Rules), and the Non Banking Finance Companies and Notified Entities Regulations, 2008 (The NBFC Regulations); and
- Directives issued by the SECP.

Where provisions of and directives issued under the Companies Act, 2017, The NBFC Rules, The NBFC Regulations and by the SECP differ with the requirements of IFRS the provisions of and directives issued under the Companies Act, 2017, The NBFC Rules, The NBFC Regulations and SECP have been followed.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for certain investments which are measured at fair value. These financial statements have been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the method of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the company for the year ended 30 June 2022.

The preparation of these condensed interim financial statement in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of these condensed interim financial statement, the significant judgement made by management in applying the company's accounting policies and key sources of estimates and uncertainty were the same as those that applied to audited annual financial statement of the company for the year ended 30 June 2022.

3.2 Standards, amendments and interpretations to published standards that may be relevant to the company.

There are certain new and amended standards, interpretations and amendments that are mandatory for the company's accounting period beginning on or after July 01, 2022 but are considered not to be relevant or do not have any significant effect on the company's operations and therefore are not detailed in these condensed interim financial information.

3.3 Standards, amendments and interpretations to the published standards that may be relevant but not yet notified by the securities and Exchange Commission of Pakistan (SECP)

In addition certain IFRS, amendment and interpretations to approved accounting standards are not yet effective. The company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the company.

3.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange commission of Pakistan (SECP)

Further, certain IFRS have been issued by the international Accounting Standards Boards (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

4 FINANCIAL RISK MANAGEMENT

The company's financial risk management objectives and policies are consistent with that disclosed in the annual audited financial statements for the year ended June 30, 2022.

		Un-Audited March 31, 2023	Audited June 30, 2022
	Note	-----Rupees-----	
5 PROPERTY AND EQUIPMENT			
	5.1	<u><u>1,092,411</u></u>	<u><u>877,914</u></u>

5.1 The following is the statement of property and equipment:

Description	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
	-----Rupees-----				
Period ended March 31, 2023					
Opening net book value (NBV)	277,552	198,180	207,397	194,785	877,914
Additions (at cost)	-	-	-	662,063	662,063
Disposals					
Cost	-	-	-	-	-
Depreciation	-	-	-	-	-
Net Book value	-	-	-	-	-
Depreciation charge	(39,378)	(198,175)	(63,800)	(146,213)	(447,566)
Closing net book value	238,174	5	143,597	710,635	1,092,411
Gross carrying value basis					
Cost	1,487,514	5,593,370	1,701,852	6,246,765	15,029,501
Accumulated depreciation	(1,249,340)	(5,593,365)	(1,558,255)	(5,536,130)	(13,937,090)
Net book value	238,174	5	143,597	710,635	1,092,411
Depreciation rate % per annum	10	20	20	33	
Year ended June 30, 2022					
Opening net book value (NBV)	330,056	1,206,194	195,579	320,416	2,052,245
Additions (at cost)	-	-	207,350	46,277	253,627
Disposals					
Cost	-	-	-	-	-
Depreciation	-	-	-	-	-
Net Book value	-	-	-	-	-
Depreciation charge	(52,504)	(1,008,014)	(195,532)	(171,908)	(1,427,958)
Closing net book value	277,552	198,180	207,397	194,785	877,914
Gross carrying value basis					
Cost	1,487,514	5,593,370	1,701,852	5,584,702	14,367,438
Accumulated depreciation	(1,209,962)	(5,395,190)	(1,494,455)	(5,389,917)	(13,489,524)
Net book value	277,552	198,180	207,397	194,785	877,914
Depreciation rate % per annum	10	20	20	33	

6. INTANGIBLE ASSETS

	Un-Audited	Audited
	March 31,	June 30,
	2023	2022
	-----Rupees-----	
Note		
Computer software	6.1	831,060
	727,177	831,060

		Un-Audited March 31, 2023	Audited June 30, 2022
6.1 Computer software	Note	-----Rupees-----	
Opening Net Book Value		831,060	969,570
Addition		-	-
Amortization Charges		<u>(103,883)</u>	<u>(138,510)</u>
Closing Net Book Value		<u>727,177</u>	<u>831,060</u>
Cost		1,385,100	1,385,100
Accumulated Amortization		<u>(657,923)</u>	<u>(554,040)</u>
Closing Net Book Value		<u>727,177</u>	<u>831,060</u>
Amortization rate		<u>10%</u>	<u>10%</u>

6.2 Intangibles relates to software developed for business operations having remaining useful life of 6 years.

		Un-Audited March 31, 2023	Audited June 30, 2022
7 LONG TERM DEPOSITS		-----Rupees-----	
Deposits			
With Central Depository Company of Pakistan Limited		25,000	25,000
Against utilities		<u>11,300</u>	<u>11,300</u>
		<u>36,300</u>	<u>36,300</u>

8 INVESTMENTS

At fair value through profit or loss

		Un-Audited March 31, 2023	Audited June 30, 2022
Pakistan investment bonds	8.1	15,838,184	17,311,043
Units of mutual fund- related party	8.2	206,692,310	189,007,617
Term finance certificate - unlisted	8.3	<u>20,211,385</u>	<u>20,211,385</u>
		<u>242,741,879</u>	<u>226,530,045</u>

8.1 This Government securities - Pakistan investment bonds will mature latest by September 19, 2029 and carry interest at the rate of 12.14% (June 30, 2022: 12.14%).

8.2 Units of mutual funds- related party

	March 31, 2023	June 30, 2022	March 31, 2023	June 30, 2022
-----Number of units-----	Carrying value	Fair value	Fair value	Fair value
	-----Rupees-----			
2,261,245	188,969,365	206,692,310	189,007,617	

786 Smart Fund- Fund Under
Management

8.3 Term Finance Certificate - Unlisted

March 31, 2023	June 30, 2022		March 31, 2023	June 30, 2022
---Number of certificates---			-----Rupees-----	
<u>5,000</u>	<u>5,000</u>	Silk Bank Limited	22,457,095	22,457,095
		Provision against investment	(2,245,710)	(2,245,710)
			<u>20,211,385</u>	<u>20,211,385</u>

8.3.1 This represents investments in BBB+ rated, unsecured and subordinated Term Finance Certificate (TFCs) carry profit equal to 6 months KIBOR plus 1.85% (June 30, 2022: 6 months KIBOR plus 1.85%) receivable half yearly in arrears and will mature in August 2025. The instrument is structured to redeem 0.14% of the issue amount during the first 7 years and remaining 99.86% in last two (2) equal semi annual installments of 49.93%.

During the year ended June 30, 2022, Silk Bank Limited (the issuer) has not made its payment of principal and mark-up due on February 10, 2022, as issuer informed the investors the status of minimum capital requirement and invoked lock-in clause governed by Terms and Conditions of the Trust Deed till minimum capital requirement is met and does not constitute a breach of issuer's redemption obligations pursuant to the Trust Deed as per the legal opinion sought by the issuer. Due the above fact the management has prudently recorded an impairment of 10% on the amount of investments based on the Company's policy. Further, the accrual of markup on the same was also suspended. The management is actively looking the matter for the redemption of the same.

		Un-Audited March 31, 2023	Audited June 30, 2022
		-----Rupees-----	
9 PREPAYMENTS AND OTHER RECEIVABLE	Note		
Prepayments			
Insurance		164,377	142,453
Rent		499,445	124,862
Others		<u>857,980</u>	<u>324,875</u>
		1,521,802	592,190
Other receivable			
Federal excise duty		<u>6,513,679</u>	6,513,679
		<u>8,035,481</u>	<u>7,105,869</u>

9.1 This represents amount receivable from funds in lieu of Federal Excise Duty the break up of which is as follows:

786 Smart Fund- Fund Under Management	9.1.1	<u>6,513,679</u>	<u>6,513,679</u>
---------------------------------------	-------	------------------	------------------

9.1.1 The Maximum amount outstanding at any time during the year with reference to month end balances from the funds is Rs. 6.51 (June 2022: Rs. 6.51) million .

10 TRADE RECEIVABLES

Receivable against management fees	1,905,994	1,914,597
Receivable on account of advisory fees	<u>600,000</u>	<u>900,000</u>
	<u>2,505,994</u>	<u>2,814,597</u>

		Un-Audited March 31, 2023	Audited June 30, 2022
	Note	-----Rupees-----	
11 ACCRUED MARKUP			
Saving accounts		56,977	332,871
Pakistan investment bonds		65,753	569,863
		<u>122,730</u>	<u>902,734</u>
12 TAX REFUND DUE FROM GOVERNMENT			
Opening		7,406,613	6,664,825
Tax paid during the period		710,732	3,770,041
Provision for the period		(616,000)	(3,028,253)
Closing		<u>7,501,345</u>	<u>7,406,613</u>
13 CASH AND BANK BALANCES			
Cash in hand		25,460	-
Cash at bank-saving accounts	13.1	564,992	5,065,871
		<u>590,452</u>	<u>5,065,871</u>
13.1	The balance in savings accounts carry profit at rates of 12.5% - 15.5% per annum (June 30, 2022: 5.5% - 12.5% per annum).		
14 SUBORDINATED LOAN FROM DIRECTOR			
	This subordinated loan carries markup @ 3 Months KIBOR + 2 % (June 30, 2021: 3 Months KIBOR + 2%) and is repayable at the discretion of the Company. This loan has been classified as part of equity as per NBFC rules and ATR 32 issued by the ICAP.		
15 ACCRUED AND OTHER LIABILITIES			
Accrued expenses	15.1	9,334,769	9,140,992
Accrued mark-up on director loan		7,214,800	4,187,082
FED payable	15.2	6,513,677	6,513,677
Sales tax payable		176,849	100,901
Withholding tax payable		51,197	7,237
		<u>23,291,292</u>	<u>19,949,889</u>
15.1	This includes an amount of Rs. 7.895 million (June 30, 2022: Rs. 7.895 million) received from NCCPL being refund of tax amount with respect to funds under management. This amount will be disbursed to unit holders.		
15.2	This represents amount payable against Federal Excise Duty (FED) on management fees received/receivable from the Funds under management. The amount is being held for payment to Federal Board of Revenue on the basis of stay order of the Honorable High Court of Sindh dated September 04, 2013. The stay order was granted as a result of petition filed by asset management companies on the forum of MUFAP against the amendment in Finance Act, 2013 which levied FED on the fees received by asset management companies from funds under management.		

The Honorable Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. On September 23, 2016, the Federal Government has filed an appeal against the said order in the Honorable Supreme Court of Pakistan (SCP) and thus, the previous balance of FED has not been reversed.

Further, the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non-banking finance companies from charge of FED on their services. Accordingly, no provision for FED is made from July 01, 2016 onwards.

16 UNCLAIMED DIVIDEND

In compliance of sec 244 of companies Act, 2017, company is in the process of opening a separate bank account for unclaimed dividend.

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

The Additional Commissioner of Income Tax (ACIT) has amended the assessment order under section 122(5A) of the Income Tax Ordinance, 2001, resulting in an additional tax of Rs. 1.005 million and Rs. 0.820 million for Tax Years 2003 and 2004 respectively. The Company has filed appeals with the Commissioner of Income Tax Appeals-II (CIT-A). The said appeals are pending for hearing. The management is confident that the appeal will be decided in favour of the Company and therefore no provision in this respect has been made in these financial statements. Appeals have been filed before Income Tax Appellate Tribunal (ITAT) for the Tax Year 2003 and 2004 against the order of CIT-A. Hearing has been fixed and ITAT has finalized the order for the Tax Year 2004, which partially allowed and partially remanded back the order to the CIT-A for passing an order. The case has been decided in favour of the Company by the Appellate Tribunal in Tax Year 2017.

17.2 Commitments

There was no commitment during the period (June 30, 2022: Nil)

	Un-Audited	Un-Audited
	March 31,	March 31,
	2023	2022
	-----Rupees-----	
18 TAXATION		
Current tax	(616,000)	(684,563)
18.1	(616,000)	(684,563)

18.1 The tax reconciliation has not been prepared in these financial statements as the Company's income attracts minimum tax and final tax regime under the Income Tax Ordinance, 2001.

	(Un-Audited)		(Un-Audited)	
	Nine months period ended		Three months period ended	
	2023	2022	2023	2022
	Rupees		Rupees	

19 EARNINGS/(LOSS) PER SHARE

Profit/(loss) for the period	8,201,363	4,036,916	3,050,117	862,014
Weighted average number of ordinary shares outstanding during the period				
	Numbers:	14,973,750	14,973,750	14,973,750
Earning/(loss) per share	Rupees	0.55	0.27	0.20
		0.06		

20 FAIR VALUE ESTIMATION

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

20.1 Fair value hierarchy

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level - 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level - 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level - 3: fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of financial asset fail into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets that are recognised in the financial statements at fair value on a recurring basis, the Modaraba recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned below:

March 31, 2023 (Un-audited)						
Carrying amount			Fair Value hierarchy			
Amortized cost	Total		Level 1	Level 2	Level 3	Total
-----Rupees-----						
Financial asset measured at fair value						
Term finance certificates (note 20.2.1)	22,457,095	22,457,095	-	20,211,385	-	20,211,385
Pakistan investment bonds (note 20.2.2)	17,311,043	17,311,043	-	15,838,184	-	
	<u>39,768,138</u>	<u>39,768,138</u>	<u>-</u>	<u>36,049,569</u>	<u>-</u>	<u>36,049,569</u>
Financial asset not measured at fair value						
Long-term deposits (note 20.2.3)	36,300	36,300	-	-	-	-

Receivable from related parties (note 20.2.3)	2,505,994	2,505,994	-	-	-	-
Accrued markup (note 20.2.3)	122,730	122,730	-	-	-	-
Cash and bank balances (note 20.2.3)	590,452	590,452	-	-	-	-
	<u>3,255,476</u>	<u>3,255,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Financial Liabilities not measured at fair value

Accrued and other liabilities (note 20.2.3)	23,291,292	23,291,292	-	-	-	-
	<u>23,291,292</u>	<u>23,291,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

June 30, 2022 (Audited)

Carrying amount		Fair Value hierarchy			
Amortized cost	Total	Level 1	Level 2	Level 3	Total
		-----Rupees-----			

Financial asset measured at fair value

Term finance certificates (note 20.2.1)	22,457,095	22,457,095	-	20,211,385	-	20,211,385
Pakistan investment bonds (note 20.2.2)	20,166,533	20,166,533	-	17,311,043	-	17,311,043
	<u>42,623,628</u>	<u>42,623,628</u>	<u>-</u>	<u>37,522,428</u>	<u>-</u>	<u>37,522,428</u>

Financial asset not measured at fair value

Long-term deposits (note 20.2.3)	36,300	36,300	-	-	-	-
Receivable from related parties (note 20.2.3)	2,814,597	2,814,597	-	-	-	-
Accrued markup (note 20.2.3)	902,734	902,734	-	-	-	-
Cash and bank balances (note 20.2.3)	5,065,871	5,065,871	-	-	-	-
	<u>8,819,502</u>	<u>8,819,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Financial Liabilities
not measured at fair value**

Accrued and other liabilities (note 20.2.3)	19,949,889	19,949,889	-	-	-	-
	<u>19,949,889</u>	<u>19,949,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

20.2 Valuation techniques used in determination of fair values within level 2:

20.2.1 Investment in sukuk, issued by Silk Bank Limited are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan (SECP).

20.2.2 The valuation of Pakistan Investment bonds has been done on the based on PKRV valuation technique taken by MUFAP.

20.2.3 The Company has not disclosed the fair values for these financial assets, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

21 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of related group companies, directors, their close family members, senior executives, retirement benefit plans, major shareholders of the Company and funds under management. Transactions with the related parties other then those disclosed elsewhere during the period are as follows:

Relationship with the Company	Nature of Transactions During the period	March 31, 2023	March 31, 2022
		-----Rupees-----	
Transactions During the period			
Chief executive officer	Interest bearing subordinated loan	3,027,718	1,777,439
786 Smart Fund- Fund under Management	Management fee charged - net of tax	9,398,193	10,098,013
	Sales tax on management Fee	1,221,765	1,312,742
	Accounting and operational charges	626,544	673,200
	Redemption of 51,042 units (2022: Nil Units)	4,500,000	-
Other Related Party			
First Dawood Investment Bank Limited & Others Employees' Provident Fund B.R.R Guardian Modaraba- 12.93% shareholder	Provident fund contribution	599,458	533,867
Key Management Personnel	Rent charge during the period	1,123,758	1,115,015
	Remuneration and directors fee	8,285,671	4,223,390
Dawood Family Takaful Limited- common directorship	Insurance expense charge during the period	44,511	55,275
	Advisory fee	833,334	833,334

Balances as the period end	Un-Audited	Audited
	March 31, 2023	June 30, 2022

	Units Held:		
786 Smart Fund- Fund under Management	786 Smart Fund 2,261,245 (June 30, 2022: 2,312,993) Units	206,692,310	189,007,617
	Receivable against management fees	1,905,994	1,914,597
Dawood Family Takaful Limited- common directorhsip	insurance	15,654	-
	Advisory fee receivable	600,000	900,000
B.R.R Guardian Modaraba- 12.93% shareholder	Prepaid rent	499,445	124,862
Key Management Personnel	Loan to Chief Financial Officer	60,000	300,000
	Subordinated loan	29,214,800	26,187,082

The Company has not entered into any transaction with director and senior executives other than those provided under the Company's policies and terms of employment.

22 GENERAL

22.1 In compliance of the NBFC Rules read with SRO 1002(1)/2015 dated October 15, 2015 of SECP, the management would like to report that the Company has sufficient insurance coverage from an insurance company, rated AA++ by the Pakistan Credit Rating Agency limited (PACRA), against financial losses that may be caused as a result of gross negligence of its employees.

22.2 Figures have been rounded off to the nearest rupee.

23 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors on 11 April, 2023 of the Company.

For 786 Investments Limited
(Management Company)

---SD---
Chief Executive Officer

---SD---
Chief Financial Officer

---SD---
Director



BOOK POST



If undelivered, please return to:

786 Investments Limited
G-3, B.R.R. Tower,
Hassan Ali Street,
Off I.I. Chundrigar Road,
Karachi - 74000 Pakistan



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