



INVESTMENTS

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786 INVESTMENTS LIMITED

**FOR THE
HALF YEAR ENDED
DECEMBER 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. Ahmer 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	Riaz Ahmad & Co. 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 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 HALF YEAR ENDED DECEMBER 31, 2023

The Board of Directors of **786 Investments Limited**, referred to as '786' or 'the Company,' is pleased to present the reviewed financial statements, along with the auditor's review report, for the half-year ended December 31, 2023.

Economic & Money Market Review:

The global economic growth has improved in 2023, largely due to increased consumer spending in China and accelerated growth in the U.S. This positive change has helped mitigate the significant slowdown that Europe experienced in 2022, caused by an energy crisis. As of December 2023, we observe that the government's actions to curb hoarding and stabilize foreign exchange markets have contributed to moderating inflation. According to the SBP's statistics the total liquid foreign exchange reserves held by the country surged to \$ 13.221 billion as of Dec 29, 2023, net foreign reserves held by commercial banks is \$ 4.99 billion as of Dec 29, 2023.

Company Performance

The Company recorded a profit of PKR 6.80 million during the period ended December 31, 2023, compared to a profit of PKR 5.13 million during the corresponding period. The company's income, which comprised Management Fees, increased by PKR 2.62 million, representing a 42.23% rise in Management Fees due to the average increase in fund size during the period. Administrative and operating expenses also increased by PKR 1.85 million, reflecting a 13.03% rise in these expenses. The net unrealized gain on the revaluation of investments showed a profit of PKR 21.96 million, compared to a profit of PKR 13.56 million during the corresponding period. Furthermore, the net realized gain on the sale of investments showed PKR 1.46 million, and the provision against investments showed a loss of PKR 8.98 million.

The earnings per share (EPS) of the Company for the period ended December 31, 2023, was PKR 0.45, compared to PKR 0.34 during the corresponding period.

Acknowledgement

We extend our most sincere gratitude to our shareholders and valued customers for their continued trust and patronage. Our heartfelt thanks also go to the dedicated 786 team for their hard work and commitment. Additionally, we express our appreciation to regulatory authorities, particularly the Securities & Exchange Commission of Pakistan and Pakistan Stock Exchange Ltd, for their continued professional guidance and support.

On behalf of the board of
786 Investments Limited

----SD----

Chairperson

----SD----

Director

Date: **28 February, 2024**
Place: Karachi

ڈائریکٹرز کی رپورٹ

786 انویسٹمنٹ لمیٹڈ (786 یادی کمپنی) کے بورڈ آف ڈائریکٹرز 31 دسمبر 2023 کو ختم ہونے والی ششماہی کے نظر ثانی شدہ مالیاتی حوالے معاً ڈائریکٹرز کی جائزہ شدہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

اقتصادی اور مٹی مارکیٹ کا جائزہ:

2023 میں عالمی اقتصادی نموس میں بہتری آئی ہے، جس کی بڑی وجہ چین میں صارفین کے اخراجات میں اضافہ اور امریکہ میں تیز رفتار نمو ہے۔ اس مثبت تبدیلی نے 2022 میں یورپ کو توانائی کے بحران کی وجہ سے پیش آنے والی نمایاں ست روی کو کم کرنے میں مدد کی ہے۔ دسمبر 2023 تک، ہم نے مشاہدہ کیا ہے کہ ذخیرہ اندوزی گورنوں اور زر مبادلہ کی منڈیوں کو متحکم کرنے کے لئے حکومت کے اقدامات نے افراط زر کو کم کرنے میں اہم کردار ادا کیا ہے۔

اسٹیٹ بینک پاکستان کے اعداد و شمار کے مطابق 29 دسمبر 2023 تک ملک کے مجموعی زر مبادلہ کے ذخائر بڑھ کر 13.221 بلین ڈالر ہو گئے، کمرشل بینکوں کے پاس موجود خالص زر مبادلہ کے ذخائر 29 دسمبر 2023 تک 4.99 بلین ڈالر تھے۔

کمپنی کی کارکردگی:

کمپنی نے 31 دسمبر 2023 کو ختم ہونے والی مدت کے دوران 6.80 بلین روپے کا منافع درج کیا جبکہ گزشتہ اسی عرصے کے دوران منافع 5.13 بلین روپے ہوا تھا۔ کمپنی کی آمدنی، جس میں بینجمنٹ فیس شامل ہے، میں 2.62 بلین روپے کا اضافہ ہوا، جو اس عرصے کے دوران فنڈز کے ختم میں اوسط اضافہ کی وجہ سے بینجمنٹ فیس میں 42.23 فیصد اضافہ کی نمائندگی کرتا ہے۔ انتظامی اور آپریٹنگ اخراجات میں بھی 1.85 بلین روپے کا اضافہ ہوا جو ان اخراجات میں 13.03 فیصد اضافہ کی عکاسی کرتا ہے۔ سرمایہ کاری کی ری ویلیو ایبلٹیوں پر غیر وصول شدہ خالص منافع نے 21.96 بلین روپے کا منافع ظاہر کیا جبکہ گزشتہ اسی عرصے کے دوران منافع 13.56 بلین روپے ہوا تھا۔ مزید برآں، سرمایہ کاری کی فروخت پر وصول شدہ خالص منافع 1.46 بلین روپے، اور سرمایہ کاری کے متبادل پروویژن نے 8.98 بلین روپے کا نقصان ظاہر کیا ہے۔

کمپنی کی فی حصص آمدنی (EPS) گزشتہ سال کی اسی مدت کے دوران 0.34 روپے کے مقابلے 31 دسمبر 2023 کو ختم ہونے والی مدت کے دوران 0.45 روپے رہی ہے۔

انتہائی نظر

بینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز قابل قدر معاہدات، مدد اور رہنمائی پر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج لمیٹڈ کی انتظامیہ کے شکر گزار ہیں۔ بورڈ ایسٹ بینجمنٹ کمپنی کے ملازمین بڑی ہی لگن اور سخت محنت اور بینجمنٹ میں اعتماد پر یقین ہولندرز کا بھی شکر یہ ادا کرتے ہیں۔

منجانب بورڈ

786 انویسٹمنٹ لمیٹڈ

---SD---

ڈائریکٹر

---SD---

چئیر پرسن

تاریخ: 28 فروری 2024

مقام: کراچی

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of 786 Investments Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of 786 Investments Limited ("the Company") as at 31 December 2023, and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the financial statements for the six-months period then ended (here-in –after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2022 and 31 December 2023 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 31 December 2023.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express and audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matter

The condensed interim financial statements of the Company for the period ended 31 December 2022 and annual financial statements of the Company for the year ended 30 June 2023 have been reviewed and audited by another firm of chartered accountants who vide their reports dated 27 February 2023 and 27 September 2023 expressed an unmodified conclusion and opinion thereon respectively.

The engagement partner on the engagement resulting in this independent auditor's review report is Junaid Ashraf.



RIAZ AHMAD & COMPANY
Chartered Accountants

KARACHI

DATE: 29 FEBRUARY 2024

UDIN: RR2023100456c0tMo8DS

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

	Notes	Unaudited 31 December 2023 Rupees	Audited 30 June 2023 Rupees Restated	Audited 30 June 2022 Rupees Restated
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	6	762,557	982,460	877,914
Right-of-use asset		1,827,834	2,405,045	3,559,466
Intangible assets	7	623,295	692,550	831,060
Long-term deposits		36,300	36,300	36,300
		<u>3,249,986</u>	<u>4,116,355</u>	<u>5,304,740</u>
CURRENT ASSETS				
Trade receivables		3,853,266	3,173,915	2,814,597
Investments	8	237,928,004	241,490,472	226,530,045
Loans and advances		420,000	-	300,000
Prepayments and other receivable		8,528,123	7,197,355	7,105,869
Accrued markup		775,732	713,624	902,734
Tax refund due from government		5,157,723	4,773,289	7,406,613
Cash and bank balances	9	461,953	1,488,537	5,065,871
		<u>257,124,801</u>	<u>258,837,192</u>	<u>250,125,729</u>
TOTAL ASSETS		<u>260,374,787</u>	<u>262,953,547</u>	<u>255,430,469</u>
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised share capital				
20,000,000 (30 June 2023: 20,000,000) ordinary shares of Rupees 10 each				
		<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid-up share capital				
Ordinary shares 14,973,750 (30 June 2023: 14,973,750) of Rupees 10 each				
		149,737,500	149,737,500	149,737,500
General reserves		33,630,264	33,630,264	33,630,264
Subordinated loan form director	10	12,000,000	22,000,000	22,000,000
Unappropriated profit		42,117,923	35,314,954	25,239,141
		<u>237,485,687</u>	<u>240,682,718</u>	<u>230,606,905</u>
LIABILITIES				
NON CURRENT LIABILITY				
Lease liability		822,329	1,491,943	2,739,769
CURRENT LIABILITIES				
Accrued and other liabilities	11	19,759,745	18,532,318	19,949,889
Current portion of lease liability		1,308,284	1,247,826	1,135,164
Unclaimed dividend	12	998,742	998,742	998,742
		<u>22,066,771</u>	<u>20,778,886</u>	<u>22,083,795</u>
TOTAL LIABILITIES		<u>22,889,100</u>	<u>22,270,829</u>	<u>24,823,564</u>
CONTINGENCIES AND COMMITMENTS				
	13			
TOTAL EQUITIES AND LIABILITIES		<u>260,374,787</u>	<u>262,953,547</u>	<u>255,430,469</u>

The annexed notes from 1 to 20 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2023**

Note	SIX-MONTHS PERIOD ENDED		THREE-MONTHS PERIOD ENDED	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	Rupees	Rupees Restated	Rupees	Rupees Restated
Income				
Remuneration from fund under management - net	8,825,086	6,204,813	4,558,510	3,265,530
Advisory fee - net	555,556	555,556	277,778	277,778
Net realized gain on sale of investments	1,459,405	-	1,389,763	-
Income on term deposit receipt (TDR)	-	80,121	-	31,220
Income on Pakistan investment bonds	1,005,479	1,005,479	501,369	504,109
	11,845,526	7,845,969	6,727,420	4,078,637
Provision against investments	(8,982,838)	-	(8,982,838)	-
Net unrealized Gain on revaluation of investments at fair value through profit or loss	21,960,965	13,564,370	12,130,251	6,357,696
	24,823,653	21,410,339	9,874,833	10,436,333
Expenses				
Administrative and operating expenses	(16,012,892)	(14,166,429)	(8,213,295)	(7,166,642)
Financial charges	(2,374,477)	(2,129,198)	(1,018,720)	(1,175,777)
	(18,387,369)	(16,295,627)	(9,232,015)	(8,342,419)
Operating profit	6,436,284	5,114,712	642,818	2,093,914
Other operating income	648,104	446,869	444,403	354,675
Profit before taxation	7,084,388	5,561,581	1,087,221	2,448,589
Taxation	(281,419)	(433,389)	947,104	(240,507)
Net profit for the period	6,802,969	5,128,192	2,034,325	2,208,082
Earnings per share for the period - basic and diluted	16 0.45	0.34	0.14	0.15

The annexed notes from 1 to 20 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2023**

	Six Months Period Ended		Three Months Period Ended	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	Rupees	Rupees Restated	Rupees	Rupees Restated
Net profit for the period	6,802,969	5,128,192	2,034,325	2,208,082
Other comprehensive income	-	-	-	-
	-	-	-	-
Total comprehensive income for the period	6,802,969	5,128,192	2,034,325	2,208,082

The annexed notes from 1 to 20 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2023**

	Issued, subscribed and paid-up share capital	Capital Reserves		Revenue Reserve	Total
		General reserve	Subordinated loan from director	Unappropriated profit	
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 30 June 2022 - Audited	149,737,500	33,630,264	22,000,000	25,554,608	230,922,372
Impact of restatement (Note 3)	-	-	-	(315,467)	(315,467)
Balance as at 30 June 2022 - Audited (Restated)	149,737,500	33,630,264	22,000,000	25,239,141	230,606,905
Profit for the period - restated	-	-	-	5,128,192	5,128,192
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	5,128,192	5,128,192
Balance as at 31 December 2022 - Unaudited - restated	<u>149,737,500</u>	<u>33,630,264</u>	<u>22,000,000</u>	<u>30,367,333</u>	<u>235,735,097</u>
Balance as at 30 June 2023 - Audited - Restated	149,737,500	33,630,264	22,000,000	35,314,954	240,682,718
Profit for the period	-	-	-	6,802,969	6,802,969
Repayment of subordinated loan from director	-	-	(10,000,000)	-	(10,000,000)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	(10,000,000)	6,802,969	(3,197,031)
Balance as at 31 December 2023	<u>149,737,500</u>	<u>33,630,264</u>	<u>12,000,000</u>	<u>42,117,923</u>	<u>237,485,687</u>

The annexed notes from 1 to 20 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2023**

Note	SIX-MONTHS PERIOD ENDED	
	31 December 2023	31 December 2022
	Rupees	Rupees
		Restated
Net profit for the period	7,084,388	5,561,581
Adjustments for non-cash charges and other items:		
Depreciation on property and equipment	219,903	285,262
Depreciation on right-of-use assets	577,211	577,211
Amortization	69,255	69,255
Financial charges	2,366,228	2,129,198
Impairment loss on investments	8,982,838	-
Mark-up earned on savings account	(205,869)	(413,652)
Income on Pakistan investment bonds	(1,005,479)	(1,005,479)
Net realized gain on sale of investments	(1,459,405)	-
Revaluation gain on investments at fair value through profit or loss	(21,960,965)	(13,564,370)
Net cash used in operating activities before working capital changes	(5,331,895)	(6,360,994)
Working capital changes		
(Increase) / decrease in current assets:		
Loans and advances	(420,000)	150,000
Prepayments and other receivable	(1,330,768)	(1,048,004)
Trade receivable	(679,351)	878,376
Accrued markup	-	169,207
	(2,430,119)	149,579
(Decrease) / increase in current liabilities:		
Accrued and other liabilities	(1,020,607)	543,539
Net cash used in operations after working capital changes	(8,782,621)	(5,667,876)
Taxes paid	(665,853)	(503,461)
Finance cost paid	(118,194)	(180,130)
Net cash used in operating activities	(9,566,668)	(6,351,467)
CASH FLOWS FROM INVESTING ACTIVITIES		
Units of mutual fund redeemed	21,000,000	2,500,000
Units of mutual fund purchased	(3,000,000)	-
Receipt of mark-up on savings account	149,240	413,652
Income received on Pakistan investment bonds	1,000,000	1,005,479
Capital expenditure incurred	-	(593,063)
Net cash generated from investing activities	19,149,240	3,326,068
CASH FLOWS FROM FINANCING ACTIVITIES		
Subordinated loan from director repaid	(10,000,000)	-
Lease rental paid	(609,156)	(554,157)
Net cash used in financing activities	(10,609,156)	(554,157)
Net decrease in cash and cash equivalents	(1,026,584)	(3,579,556)
Cash and cash equivalents at beginning of the period	1,488,537	5,065,871
Cash and cash equivalents at end of the period	9 461,953	1,486,315

The annexed notes from 1 to 20 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 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, 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.

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).

- 1.2 The license to carry out "Asset Management Service" has been successfully renewed vide its letter No.SCD/AMCW/38/786IL/AMS/04/2022 dated 12 May 2022 with effect from 26 May 2022 to 25 May 2025 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. License shall be renewable by the Commission for next three years, subject to the compliance with NBFC Rules and NBFC Regulations.
- 1.3 The license to carry out "Investment Advisory Services" has been successfully renewed vide its letter No.SCD/AMCW/37/786IL/IAS/07/2022 dated 12 May 2022 with effect from 26 May 2022 and valid till 25 May 2025. License shall further be renewable by the Commission for next three years, subject to the compliance of the NBFC Rules and the NBFC Regulations.
- 1.4 **The Company is an asset management company of the 786 Smart Fund.**
- 1.5 **The Pakistan Credit Agency (PACRA) has assigned Asset Manager rating of "AM3" to the Management Company dated 22 December 2023.**

2. BASIS OF PREPARATION

2.1 Statement of compliance

- 2.1.1 These 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 Accounting Standard (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- 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.

- 2.1.2 These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June 2023.
- 2.1.3 These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Section 237 of the Companies Act, 2017.

2.1.4 The comparatives in the condensed interim statement of financial position presented in the condensed interim financial statements as at 31 December 2023 have been extracted from the annual audited financial statements for the year ended 30 June 2023, whereas the comparative in condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from unaudited condensed interim financial statements for the six-months period ended 31 December 2022.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under historical cost convention except for certain investments which are stated at fair value.

2.3 Functional and presentation currency

These condensed interim financial statements have been presented in Pakistani Rupee, which is the functional and presentation currency of the Company and rounded off to nearest rupee.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the method of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended 30 June 2023 except for the following:

3.1 Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

3.2 Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of use asset, or to statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5. RESTATEMENT OF FINANCIAL STATEMENTS (RECTIFICATION OF ERROR)

In prior years, the Company erroneously classified the lease of office premises as an operating lease instead of a finance lease, as required under International Financial Reporting Standard 16.

In these condensed interim financial statements, the effects of the above mentioned error have been rectified and accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and the all corresponding figures affected have been restated as follows:

		Audited 30 June 2023 Rupees	Audited 30 June 2022 Rupees
Statement of profit or loss:			
		<u>1,454,700</u>	<u>1,454,700</u>
		<u>1,154,421</u>	<u>1,154,421</u>
		<u>319,536</u>	<u>422,026</u>
		<u>19,257</u>	<u>121,747</u>
		<u>0.00</u>	<u>0.01</u>
Statement of financial position:			
		<u>334,724</u>	<u>315,467</u>
		<u>2,405,045</u>	<u>3,559,466</u>
		<u>2,739,769</u>	<u>3,874,933</u>
		Un-Audited 31 December 2023 Rupees	Audited 30 June 2023 Rupees
6.	PROPERTY AND EQUIPMENT		
		Notes	
	Operating fixed assets	6.1	<u>982,460</u>
6.1	Operating fixed assets		
	Opening book value	<u>982,460</u>	877,914
	Add: Purchases during the period / year	-	662,063
	Less: Depreciation charged during the period / year	<u>(219,903)</u>	<u>(557,517)</u>
		<u>762,557</u>	<u>982,460</u>
	Depreciation rates	<u>10-33%</u>	<u>10-33%</u>
7.	INTANGIBLE ASSETS		
	Computer software	7.1	<u>692,550</u>
7.1	Computer software		
	Opening Net Book Value	<u>692,550</u>	831,060
	Addition	-	-
	Amortization Charge	<u>(69,255)</u>	<u>(138,510)</u>
	Closing Net Book Value	<u>623,295</u>	<u>692,550</u>
	Amortization rate	<u>10%</u>	<u>10%</u>

8. INVESTMENTS		Notes	Un-Audited	Audited
			31 December 2023	30 June 2023
			Rupees	Rupees
At fair value through profit or loss				
	Pakistan investment bonds	8.1	16,973,369	15,638,850
	Units of mutual fund- related party	8.2	209,726,088	205,640,237
	Term finance certificate - unlisted	8.3	11,228,547	20,211,385
			<u>237,928,004</u>	<u>241,490,472</u>
8.1	This Government security - Pakistan investment bond will mature latest by 19 September 2029 and carry interest at the rate of 12.15% (30 June 2023: 12.15%).			
8.2	Units of mutual funds- related party			
	31 December 2023	30 June 2023	Un-Audited	Audited
	Units	Units	31 December 2023	30 June 2023
			Carrying value	Fair value
			Rupees	Rupees
	<u>2,291,141</u>	<u>2,495,416</u>		
	786 Smart Fund - Fund Under Management		<u>186,376,757</u>	<u>205,640,237</u>
8.3	Term Finance Certificate - Unlisted			
	31 December 2023	30 June 2023	Un-Audited	Audited
	Certificates	Certificates	31 December 2023	30 June 2023
	5,000	5,000		
	Silk Bank Limited		22,457,095	22,457,095
	Provision against investment		<u>(11,228,548)</u>	<u>(2,245,710)</u>
			<u>11,228,548</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% (30 June 2023: 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 30 June 2022, Silk Bank Limited (the issuer) has not made its payment of principal and mark-up due on 10 February 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 50% on the amount of investments. In prior years, the accrual of markup on the same was also suspended.				
8.3.2	Movement in provision against investment		Un-Audited	Audited
		Note	31 December 2023	30 June 2023
			Rupees	Rupees
	Balance at beginning of the period		2,245,710	2,245,710
	Add: charged during the period		8,982,838	-
	Balance at end of the period		<u>11,228,548</u>	<u>2,245,710</u>
9.	CASH AND BANK BALANCES			
	Cash in hand		25,000	-
	Cash at bank- savings accounts	9.1	436,953	1,488,537
			<u>461,953</u>	<u>1,488,537</u>

9.1 The balance in savings accounts carry profit at rates of 20.5% per annum (30 June 2023: 19% per annum).

10. SUBORDINATED LOAN FROM DIRECTOR

The subordinated loan bears markup at 3 Months KIBOR + 2% (as of 30 June 2023: 3 Months KIBOR + 2%) and is repayable at the discretion of the Company. During the period, Rupees 10 Million has been repaid after approval from SECP, leaving a remaining balance of Rupees 12 Million.

This loan has been categorized as part of equity in accordance with NBFC rules and ATR 32 issued by the ICAP.

	Note	Un-Audited	Audited
		31 December 2023	30 June 2023
		Rupees	Rupees
11. ACCRUED AND OTHER LIABILITIES			
Accrued expenses	11.1	1,934,648	2,911,867
Accrued mark-up on director loan	10	10,739,112	8,491,078
FED payable	11.2	6,513,677	6,513,677
Workers' Welfare Fund payable		272,242	272,242
Sales tax payable		300,066	192,231
Withholding tax payable		-	151,223
		<u>19,759,745</u>	<u>18,532,318</u>

11.1 This includes an amount of Rupees 0.20 million (30 June 2023: Rupees 0.19 million) received from NCCPL being refund of tax amount with respect to funds under management. This amount will be disbursed to unit holders.

11.2 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 04 September 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 16 July 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. On 23 September 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 01 July 2016 onwards.

12. UNCLAIMED DIVIDEND

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

13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at reporting date (30 June 2023: Nil).

14. REMUNERATION FROM FUND UNDER MANAGEMENT - NET

This represents the management fee received from the "786-Smart Fund" at a rate of 1.5% of the average annual net assets under management on daily basis according to provisions of the Trust Deed of the fund.

15. ADVISORY FEE - NET

This represents the advisory fee received from the Dawood Family Takaful Fund as agreed under an agreement dated 30 November 2018.

	Un-Audited 31 December 2023 Rupees	Audited 30 June 2023 Rupees
16. EARNINGS PER SHARE- Basic and diluted		
Net profit for the period - Rupees	<u>6,802,969</u>	<u>5,128,192</u>
Weighted average number of ordinary shares- Number	<u>14,973,750</u>	<u>14,973,750</u>
Earnings per share- Rupees	<u>0.45</u>	<u>0.34</u>

There are no dilutive potential shares as at the period end.

17. 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 than those disclosed elsewhere in these condensed interim financial statements during the period are as follows:

	SIX-MONTHS PERIOD ENDED		THREE-MONTHS PERIOD ENDED	
	31 December 2023 Rupees	31 December 2022 Rupees	31 December 2023 Rupees	31 December 2022 Rupees
i) Transactions during the period				
Subordinated loan form director				
Repayment of loan	10,000,000	-	10,000,000	-
Interest expense charged for subordinated loan	2,248,034	1,949,068	894,763	1,002,019
786 Smart Fund - Fund under Management				
Management fee charged - net	8,825,086	6,204,813	4,558,510	3,265,530
Accounting and operational charges	588,097	413,652	303,671	217,701
Investment of 32,848 (2022: Nil) Units	3,000,000	-	3,000,000	-
Redemption of 237,122 (2022: 28,779) Units	21,000,000	2,500,000	-	2,500,000
	SIX-MONTHS PERIOD ENDED	THREE-MONTHS PERIOD ENDED		
	31 December 2023 Rupees	31 December 2022 Rupees	31 December 2023 Rupees	31 December 2022 Rupees
Other Related Parties				
First Dawood Investment Bank Limited & Others Employees' Provident Fund				
Provident fund contribution	413,202	399,460	206,601	199,864
B.R.R. Guardian Limited				
Rent charged during the period	730,894	749,172	356,308	374,586
Key Management Personnel				
Remuneration and directors fee	4,672,802	5,899,770	1,051,403	3,010,007
Dawood Family Takaful Limited				
Insurance expense charge during the period	35,822	29,030	26,793	14,515
Advisory fee - net	555,556	555,556	277,778	277,778

SIX-MONTHS PERIOD ENDED

31 December 2023 31 December 2022

	Rupees	Rupees
Receivable balances		
Receivable against management fees	2,353,266	2,273,915
Dawood Family Takaful Limited		
Advisory fee receivable	1,500,000	900,000
B.R.R. Guardian Limited		
Prepaid rent	848,575	124,859
Key Management Personnel		
Chief Executive Officer		
Subordinated loan:		
Principal	12,000,000	22,000,000
Accrued Mark-up	10,739,112	8,491,078

17.1 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place:

Name of related party	Basis of relationship	Percentage of shareholding (%)
786 Smart Fund	Fund under Management	N/A
B.R.R. Guardian Limited	Shareholding	12.93%
Dawood Family Takaful Limited	Common directorship	N/A

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

18. FINANCIAL RISK MANAGEMENT

There have been no significant changes in the risk management policies since the year end.

These condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended 30 June 2023.

19. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors on 28 February, 2024 of the Company.

20. GENERAL

20.1 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.

20.2 No significant re-arrangement / re-classification has been made in these condensed interim financial statements.

20.3 Figures have been rounded off to the nearest rupee unless otherwise stated.

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

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

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

----SD----
Director



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