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786 INVESTMENTS LIMITED



786 SMART FUND

**ANNUAL REPORT
2024**



786 Smart Fund

Corporate Information	02
Mission Statement	03
Report of the Directors of the Management Company	04
مینیجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ	12
Report of the Fund Manager	13
Additional Information	16
Details of Pattern of Holdings (Units)	17
Report of the Shariah Advisor	20
Trustee Report to the Certificate Holders	21
Independent Auditors' Report to the Unit Holders	23
Financial Statements:	
Statement of Assets and Liabilities	27
Income Statement	28
Statement of Comprehensive Income	29
Statement of Movement in Unit Holder's Fund	30
Cash Flow Statement	31
Notes to the Financial Statements	32
Six Year Financial Summary	53
Proxy Issued By The Fund	54



786 Smart Fund

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
Trustee:	Digital Custodian Company Limited (formerly: MCB Financial Services Limited) 4th Floor, Pardasi House, 2/1 R-Y old Queens Road, Karachi	
Auditors	Reanda Haroon Zakaria & Company 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 (Pvt.) Ltd. Office# 1705, 17th Floor Saima Trade Tower. A, I.I. Chundrigar Road, Karachi-74000, Pakistan.	
Banker:	Dubai Islamic Bank Limited BankIslami Pakistan Limited	
Rating	PACRA: AA-(f)	



786 Smart Fund

Mission Statement

To offer our unit holders the best possible return by expertly diversifying the Fund's investment portfolio into minimal risk and high yielding instruments and at all time to be a good corporate citizen.



786 Smart Fund

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of 786 Investments Limited. ("786" or the "Company") the Management Company of 786 Smart Fund is pleased to present the annual report and the audited financial statements of the Company for the year ended June 30, 2024.

Economic Review:

Global growth in 2024 is projected at 3.2%, per the IMF's World Economic Outlook, with a slight rise to 3.3% in 2025. However, persistent services inflation is complicating monetary policy, leading to risks of prolonged higher interest rates amid escalating trade tensions and policy uncertainty. Policymakers must carefully sequence actions to stabilize prices and rebuild financial buffers.

Fitch Ratings has revised global growth upwards due to recovery in Europe, a revival in China's export sector, and strong demand in emerging markets (EM ex-China). The US economy is expected to grow 2.1% in 2024, with central banks, including the ECB, Fed, and BOE, expected to ease monetary policy in Q3 2024. However, inflation is expected to decline slowly over the next 12-18 months.

The World Bank predicts global growth to stabilize at 2.6% in 2024, rising modestly to 2.7% in 2025 and 2026. Global inflation will moderate more slowly than expected, averaging 3.5% in 2024 and 2.9% in 2025, keeping central banks cautious about easing. Global recovery remains modest, constrained by high inflation and geopolitical tensions.

The outgoing fiscal year saw a moderate economic recovery driven by prudent government policies that restored market confidence. GDP growth accelerated to 2.4% in FY2024, with agriculture growing by 6.3%, while industry and services each expanded by 1.2%.

The improved economic environment led to a 79.5% surge in the Pakistan Stock Exchange (PSX) since July 2023, with the KSE 100 index reaching 78,810 points by June 21, 2024. Discussions have also begun with the IMF for a new three-year program aimed at supporting the external sector and boosting investment flows.

Foreign exchange reserves increased to \$13.1 billion by June 26, 2024, with SBP reserves at \$7.9 billion and commercial bank reserves at \$5.2 billion. Additionally, the Monetary Policy Committee (MPC) reduced the policy rate by 150 basis points to 20.5% on June 10, 2024, responding to moderate GDP growth and declining inflation.

From July-May 2023-2024, remittances grew by 7.7% to \$27.1 billion, exports increased by 11.3% to \$28.7 billion, and imports contracted by 2.3% to \$48.4 billion. The current account deficit narrowed to \$0.5 billion, significantly down from \$3.9 billion last year, driven by an improved trade balance and remittances.

Money Market Review:

In its June 10, 2024 meeting, the Monetary Policy Committee (MPC) decided to reduce the policy rate by 150 basis points, bringing it down to 20.5%. This decision was driven by moderate GDP growth in FY2024 and declining inflationary pressures, aimed at bolstering positive business sentiment and fostering economic activity.

Despite this adjustment, headline inflation in Pakistan increased to 12.6% year-on-year in June 2024, according to the Pakistan Bureau of Statistics (PBS). This marks a slight rise from the 11.8% inflation rate recorded in May 2024. On a month-on-month basis, inflation also saw a modest increase of 0.5%.



786 Smart Fund

Stock Market Performance:

During FY2024, the money supply (M2) saw a significant increase of 15.5%, compared to 14.2% in the previous year. This growth was primarily driven by a rise in the banking sector's net foreign assets, which increased by Rs 540.6 billion- a stark contrast to the decline experienced in the previous year. Additionally, Net Domestic Assets expanded by Rs 4,337.2 billion, although this was a smaller increase than in the prior year.

Private sector borrowing also surged, rising to Rs 368.4 billion in FY2024 from Rs 208.3 billion in the previous year, reflecting stronger demand for credit. The upward momentum of the Pakistan Stock Exchange (PSX), which began in September 2023, continued through June 2024. The KSE-100 index gained 2,566 points in June, closing at 78,445 by the end of the fiscal year. Moreover, the market capitalization of the PSX increased by Rs 205 billion, settling at Rs 10,375 billion.

Fund Performance

As of June 30, 2024, net assets were PKR. 879.22 million as compared to PKR. 721.07 million as of June 30, 2023. Total operating income for the year was PKR 253.57 million as compared to PKR. 142.85 million for the same period last year. Total expenses during the year were PKR. 26.72 million as compared to PKR. 19.41 million Last year. The income available for distribution for the financial year 2024 was PKR. 52.28 million, as compared to PKR. 25.64 million Last year. The Net Asset Value per unit was PKR. 83.53 as of June 30, 2024.

Corporate Governance and Financial Reporting Framework

The Directors are pleased to state as follows:

1. The financial statements, prepared by the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
2. Proper books of account have been maintained by the company.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
6. There are no significant doubts upon the company's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance except as disclosed in the statement of compliance annexed with these financial statements.
8. There is no statutory payment on account of taxes, duties, levies and charges outstanding.
9. During the year 2023-24, the following transactions were recorded:



786 Smart Fund

S.No.	Name of Person	Transaction Date	Nature	No. of Shares	Rate	Form of Share Certificate	Market
1	Tara Uzra Dawood	06/09/2023	Buy	88,500	5.258	CDC	Ready
2	Tara Uzra Dawood	07/09/2023	Buy	287,500	5.23	CDC	Ready

The Company has complied with the requirement of the Regulation and LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 in the following manner.

The total number of directors are seven (7) as per the following:

- a) Male: 6
- b) Female: 1

The Composition of board is as follows:

Category	Names	Designation
Independent Directors	Mr. Ahmed Salman Munir Syed Shabaha Hussain Mr. Ahmer Zia Sarwar	Chairperson Director Director
Executive Director	Ms. Tara Uzra Dawood	Chief Executive Officer
Non-Executive Directors	Syed Musharaf Ali Mr. Naveed Ahmed Mr. Iqbal Shafiq	Director Director Director
Female Directors	Ms. Tara Uzra Dawood	Chief Executive Officer

Board of Directors Meetings

During the year, four meetings were held. The attendance of each Director is as follows:

Names	No of Meetings held	No of Meetings attended	Leave granted
Ms. Tara Uzra Dawood	4	4	-
Mr. Iqbal Shafiq	4	4	-
Syed Musharaf Ali	4	4	-
Syed Shabaha Hussain	4	4	-
Mr. Ahmed Salman Munir	4	4	-
Mr. Naveed Ahmed	4	4	-
Mr. Ahmer Zia Sarwar	4	3	1

**Leave of absence was granted.



786 Smart Fund

Audit Committee Meeting

During the year, four meetings were held. The attendance of each member is as follows:

Names	No of Meetings held	No of Meetings attended	Leave granted
Syed Shabahat Hussain	4	4	-
Syed Musharaf Ali	4	4	-
Mr. Naveed Ahmed	4	4	-

**Leave of absence was granted.

Directors Remuneration

The remuneration of the Non-Executive Directors, Independent Directors and Chief Executive Officer for attending Board and its Committees meetings is determined by the Company in the General Meeting. The remuneration of the Directors is determined on the basis of prevailing industry trends and business practices. The details of remuneration paid to the Chief Executive Officer and Directors are available in note 32 to the financial statements.

Auditors

The "Auditors M/s Reanda Haroon Zakaria & Co. Chartered Accountants have consented to act as auditor of the fund. The Board Audit Committee have recommended their re-appointment as for the year ending June 30, 2025 for 786 Smart Fund and the Board have endorsed the communication".

Dividend

The Board of Directors has announced a cash dividend to unitholders of PKR 17.6056 per unit for the year ended June 30, 2024, which comes out to be 23.01% of the par value per unit of PKR 100.

Sales and Redemption Units

36,170,150 units worth Rs. 2,980.68 million were issued in the current year (2023: 22,840,520 units worth Rs. 1,866.42 million) and 34,393,388 units worth Rs. 2,834.304 million were redeemed in the current year (2023: 21,302.432 units worth Rs. 1,740.741 million). As of June 30, 2024, the total number of outstanding units was 10,526,352 valued as Rs. 879.229 million.

Events after the Balance Sheet Date

There was no subsequent event after the Balance sheet date.



786 Smart Fund

Acknowledgement

The Board of Directors of the Management Company is thankful to the Securities and Exchange Commission of Pakistan and the management of the Pakistan Stock Exchange Limited for their continued support and cooperation. The Directors also appreciate the efforts put in by the employees of the Company for their commitment and dedication and shareholders for their confidence in the Company.

Ahmed Salman Munir
Chairperson
September 18, 2024
Karachi.

Director



786 Smart Fund

آڈٹ کمیٹی کا اجلاس

سال کے دوران، چار اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے:

نام	منعقدہ اجلاسوں کی تعداد	تعداد حاضری اجلاس	تعطیل
سید شاہت حسین	4	4	-
سید مشرف علی	4	4	-
جناب نوید احمد	4	4	-

* غیر حاضری کی چھٹی دی گئی۔

ڈائریکٹرز کا مشاہرہ

بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے لئے نان ایگزیکٹو ڈائریکٹرز، آزاد ڈائریکٹرز اور چیف ایگزیکٹو آفیسر کے مشاہرہ کا تعین کمپنی اجلاس عام میں کرتی ہے۔ ڈائریکٹرز کا مشاہرہ موجودہ انڈسٹری رجحانات اور کاروباری پریکٹسز کی بنیاد پر معین کیا جاتا ہے۔ چیف ایگزیکٹو آفیسر اور ڈائریکٹرز کو ادا کئے جانے والے مشاہرہ کی تفصیلات مالی حسابات کے نوٹ 32 میں دستیاب ہیں۔

آڈیٹرز

موجودہ آڈیٹر، میسرز Reanda ہارون زکریا اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹر کی حیثیت سے کام کرنے کی رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2025 کو ختم ہونے والے سال کے لئے 786 سمارٹ فنڈ کے قانونی آڈیٹر کی حیثیت سے ان کی دوبارہ تقرری کی سفارش کی ہے اور بورڈ نے اس حوالہ سے توثیق کی ہے۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 30 جون 2024 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 17.6056 روپے فی یونٹ نقد منافع تقسیم کرنے کا اعلان کیا ہے۔ جو 100 روپے کی فی یونٹ مساوی قیمت کا 23.01 فیصد بنتا ہے۔

سیلز اینڈ ریٹینیشن یونٹ

موجودہ سال میں 2,980.68 ملین روپے مالیت کے 36,170,150 یونٹ جاری ہوئے (2023: 22,840,520 یونٹ جسکی مالیت 1,866.42 ملین روپے) اور موجودہ سال میں 2,834.304 ملین روپے مالیت کے 34,393,388 یونٹ واگزار کرائے گئے (2023: 21,302,432 یونٹس جس کی مالیت 1,740.741 ملین روپے)۔ 30 جون، 2024 کو، بقایا یونٹس کی کل تعداد 10,526,352 تھی جس کی مالیت 879.229 ملین روپے ہے۔

بعد از بیلنس شیٹ واقعات

بیلنس شیٹ کی تاریخ کے بعد کوئی واقعہ نہیں ہوا۔

اظہار تشکر

میتھجنٹ کمیٹی کے بورڈ آف ڈائریکٹرز قابل قدر معاونت، مدد اور رہنمائی پر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج لمیٹڈ کی انتظامیہ کے شکر گزار ہیں۔ ڈائریکٹرز عزم، لگن اور محنت پر کمپنی کے ملازمین اور انتظامیہ کا اور کمپنی میں اعتماد پر شیئرز ہولڈرز کا بھی شکریہ ادا کرتے ہیں۔

ڈائریکٹر

احمد سلمان میز

چیئر پرسن

18 ستمبر 2024ء

کراچی



786 Smart Fund

شخص کا نام	بلن دین کی تاریخ	نوعیت	شیرز کی تعداد	ریٹ	شیرسرٹیفکیٹ کی شکل	مارکیٹ
محترمہ تاراعزاد اود	06/09/2024	خریدے	88,500	5.258	CDC	ریڈی
محترمہ تاراعزاد اود	07/09/2023	خریدے	287,500	5.23	CDC	ریڈی

کمپنی نے درج ذیل انداز میں لسٹنگ (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور ریگولیشن کے تقاضوں کی تعمیل کی ہے۔

ڈائریکٹرز کی کل تعداد سات (7) درج ذیل کے مطابق ہے:

(a) - مرد 6

(b) - خاتون 1

بورڈ کی ترتیب درج ذیل ہے:

کیٹگری	نام	عہدہ
آزاد ڈائریکٹر	جناب احمد سلمان منیر سید شہباز حسین جناب احمد ضیاء سرور	چیئر مین ڈائریکٹر ڈائریکٹر
ایگزیکٹو ڈائریکٹر	محترمہ تاراعزاد اود	چیف ایگزیکٹو آفیسر
نان ایگزیکٹو ڈائریکٹر	سید شرف علی جناب نوید احمد جناب اقبال شفیق	ڈائریکٹر ڈائریکٹر ڈائریکٹر
خاتون ڈائریکٹر	محترمہ تاراعزاد اود	چیف ایگزیکٹو آفیسر

بورڈ آف ڈائریکٹرز کے اجلاس

سال کے دوران، چار اجلاس منعقد ہوئے۔ ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے:

نام	منعقدہ اجلاسوں کی تعداد	تعداد حاضری اجلاس	تعطیل
محترمہ تاراعزاد اود	4	4	-
جناب اقبال شفیق	4	4	-
سید شہباز حسین	4	4	-
جناب احمد سلمان منیر	4	4	-
جناب نوید احمد	4	4	-
جناب احمد ضیاء سرور	4	3	1

** غیر حاضری کی چھٹی دی گئی۔



786 Smart Fund

ادارہ برائے شماریات پاکستان (پی بی ایس) کے اعداد و شمار کے مطابق اس ایڈجسٹمنٹ کے باوجود جون 2024 میں پاکستان میں مہنگائی کی شرح سال بہ سال بڑھ کر 12.6 فیصد ہو گئی۔ یہ مئی 2024 میں ریکارڈ 11.8 فیصد افراط زر کی شرح سے معمولی زیادہ ہے۔ ماہانہ بنیادوں پر افراط زر میں بھی 0.5 فیصد کا معمولی اضافہ دیکھا گیا۔

اسٹاک مارکیٹ کا جائزہ:

مالی سال 2024ء کے دوران مئی سپلائی (ایم 2) میں 15.5 فیصد کا نمایاں اضافہ دیکھا گیا جو گزشتہ سال 14.2 فیصد تھا۔ یہ نمونہ بنیادی طور پر بینکنگ سیکٹر کے خالص غیر ملکی اثاثوں میں اضافے کی وجہ سے ہوئی، جس میں 540.6 بلین روپے کا اضافہ ہوا، جو گزشتہ سال کے مقابلے میں کمی کے بالکل برعکس ہے۔ مزید برآں خالص ملکی اثاثوں میں 4,337.2 بلین روپے کا اضافہ ہوا، حالانکہ یہ گزشتہ سال کے مقابلے میں کم اضافہ تھا۔

مالی سال 2024 میں نجی شعبے کے قرضوں میں بھی اضافہ ہوا جو گزشتہ سال کے 208.3 بلین روپے سے بڑھ کر 368.4 بلین روپے ہو گیا، جو کریڈٹ کے لئے مستحکم طلب کی عکاسی کر رہا ہے۔ پاکستان اسٹاک ایکسچینج (پی ایس ایکس) میں تیزی کا رجحان جو ستمبر 2023 میں شروع ہوا تھا جون 2024 تک جاری رہا۔ جون میں KSE-100 انڈیکس 2,566 پوائنٹس کے اضافے سے مالی سال کے اختتام پر 78,445 پوائنٹس پر بند ہوا۔ مزید برآں پی ایس ایکس کی مارکیٹ کپچلٹائزیشن 205 بلین روپے اضافے سے 10,375 بلین روپے پر بند ہوئی۔

نقد کی کارکردگی

30 جون 2023 کو 721.07 بلین روپے کے مقابلے 30 جون 2024 میں خالص اثاثے 879.22 بلین روپے رہے۔ گزشتہ سال کی اسی مدت میں 142.85 بلین روپے کے مقابلے کل آپریٹنگ آمدنی 253.57 بلین روپے ہوئی۔ گزشتہ سال کی اسی مدت میں 19.41 بلین روپے کے مقابلے کل اخراجات 26.72 بلین روپے ہوئے۔ گزشتہ سال کی اسی مدت میں 25.64 بلین روپے کے مقابلے مالی سال 2024 کے دوران تقسیم کے لئے دستیاب آمدنی 52.28 بلین روپے رہی۔ 30 جون 2024 کو نوئی پونٹ خالص اثاثہ کی قیمت 83.53 روپے ہے۔

کارپوریٹ گورننس اور مالیاتی رپورٹنگ کا دائرہ کار

ڈائریکٹرز، بجٹھی بیان کرتے ہیں کہ:

- 10 کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- 20 کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- 30 مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- 40 مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے اور کسی انحراف کا واضح انکشاف اور وضاحت کی گئی ہے۔
- 50 اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- 60 کمپنی کے گونگ کنٹرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- 70 کارپوریٹ گورننس کے بہترین عمل سے کوئی مادی انحراف نہیں کیا گیا ہے سوائے جن کا مالی گوشواروں کے ساتھ منسلک تعمیلی بیان میں انکشاف کیا گیا۔
- 80 ٹیکسز، ڈیوٹیز، لیویز اور بقایا چارجز کی مد میں کوئی قانونی ادائیگی نہیں ہے۔
- 90 سال 2023-24 کے دوران، درج ذیل تجارت کی گئی:-



786 Smart Fund

میجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

786 سمارٹ فنڈ کی میجمنٹ کمپنی، 786 انویسٹمنٹ لمیٹڈ (786 یا دی کمپنی) کے بورڈ آف ڈائریکٹرز 30 جون 2024 کو ختم ہونے والے سال کی سالانہ رپورٹ اور نظر ثانی شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

اقتصادی جائزہ:

آئی ایم ایف کے عالمی اقتصادی نقطہ نظر کے مطابق 2024 میں عالمی نمو کا تخمینہ 3.2 فیصد لگایا گیا ہے، جو 2025 میں معمولی اضافے کے ساتھ 3.3 فیصد ہونے کا امکان ہے۔ تاہم، مسلسل سروسز افراط زر مانیٹری پالیسی کو پیچیدہ بنا رہی ہے، جس کی وجہ سے بڑھتے ہوئے تجارتی تناؤ اور غیر یقینی پالیسی صورتحال کے درمیان طویل عرصے تک بلند شرح سود کے خطرات پیدا ہو رہے ہیں۔ پالیسی سازوں کو قیمتوں کو مستحکم کرنے اور مالیاتی بفرز کی از سر نو تعمیر کے اقدامات کو احتیاط سے ترتیب دینا چاہئے۔

چٹ ریٹنگز نے یورپ میں بحالی، چین کے برآمدی شعبے میں بحالی اور ابھرتی ہوئی مارکیٹوں (ای ایم ایکس چائنا) میں مضبوط طلب کی وجہ سے عالمی نمو پر نظر ثانی کی ہے۔ توقع ہے کہ 2024 میں امریکی معیشت میں 2.1 فیصد کی نمو ہوگی، مرکزی بینکوں بشمول ای سی بی، فیڈ اور بی او ای سے توقع ہے کہ وہ 2024 کی تیسری سہ ماہی میں مانیٹری پالیسی میں نرمی کریں گے۔ تاہم اگلے 12 سے 18 ماہ میں افراط زر میں بتدریج کمی متوقع ہے۔

عالمی بینک نے پیش گوئی کی ہے کہ 2024 میں عالمی شرح نمو 2.6 فیصد پر مستحکم رہے گی جو 2025 اور 2026 میں معمولی طور پر بڑھ کر 2.7 فیصد ہو جائے گی۔ عالمی افراط زر توقع سے کہیں زیادہ آہستہ آہستہ معتدل ہو جائے گی، 2024 میں اوسطاً 3.5 فیصد اور 2025 میں 2.9 فیصد، جس سے مرکزی بینکوں کو نرمی کے بارے میں محتاط رکھا جائے گا۔ عالمی بحالی معمولی رہی ہے، زیادہ افراط زر اور جغرافیائی سیاسی تناؤ کی وجہ سے محدود ہے۔

رواں مالی سال کے دوران حکومت کی دانشمندانہ پالیسیوں کی وجہ سے معتدل معاشی بحالی دیکھنے میں آئی جس سے مارکیٹ کا اعتماد بحال ہوا۔ مالی سال 2024 میں جی ڈی پی کی شرح نمو 2.4 فیصد تک بڑھ گئی، زراعت میں 6.3 فیصد جبکہ صنعت اور خدمات میں 1.2 فیصد اضافہ ہوا۔

بہتر معاشی ماحول کے باعث جولائی 2023 سے اب تک پاکستان اسٹاک ایکسچینج (پی ایس ایکس) میں 79.5 فیصد اضافہ ہوا، KSE-100 انڈیکس 21 جون 2024 تک 78,810 پوائنٹس تک پہنچ گیا۔ آئی ایم ایف کے ساتھ ایک نئے تین سالہ پروگرام کے لئے بھی مذاکرات شروع ہو گئے ہیں جس کا مقصد بیرونی شعبے کی مدد اور سرمایہ کاری کے بہاؤ کو بڑھانا ہے۔

26 جون 2024 تک زرمبادلہ کے ذخائر بڑھ کر 13.1 بلین ڈالر ہو گئے، اسٹیٹ بینک پاکستان کے ذخائر 7.9 بلین ڈالر اور کرنل بینکوں کے ذخائر 5.2 بلین ڈالر رہے۔ مزید برآں مانیٹری پالیسی کمیٹی (ایم پی سی) نے 10 جون 2024 کو پالیسی ریٹ کو 150 بیسس پوائنٹس کم کر کے 20.5 فیصد کر دیا۔

جولائی تا مئی 2023-2024 کے دوران تریسیلات زر 7.7 فیصد اضافے کے ساتھ 27.1 بلین ڈالر، برآمدات 11.3 فیصد اضافے سے 28.7 بلین ڈالر اور درآمدات 2.3 فیصد کم ہو کر 48.4 بلین ڈالر رہیں۔ تجارتی توازن اور تریسیلات زر میں بہتری کی وجہ سے کرنٹ اکاؤنٹ خسارہ کم ہو کر 0.5 بلین ڈالر رہ گیا جو گزشتہ سال کے 3.9 بلین ڈالر کے مقابلے میں نمایاں طور پر کم ہے۔

منی مارکیٹ کا جائزہ:

مانیٹری پالیسی کمیٹی (ایم پی سی) نے 10 جون 2024 کو اپنے اجلاس میں پالیسی ریٹ میں 150 بیسس پوائنٹس کی کمی کا فیصلہ کیا جس کے بعد یہ 20.5 فیصد پر آگئی۔ یہ فیصلہ مالی سال 2024 میں معتدل جی ڈی پی نمو اور افراط زر کے دباؤ میں کمی کی وجہ سے کیا گیا، جس کا مقصد مثبت کاروباری جذبات کو فروغ دینا اور معاشی سرگرمیوں کو فروغ دینا تھا۔



786 Smart Fund

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2024

Description of Collective Investment Scheme Category and Type

Shariah Compliant Income/Open end

Fund Objective

To preserve the investor's capital while providing a return greater than that offered by other investments of similar risk profile through investments in the portfolio of money market instruments.

Explanation as to whether the Collective Investment Scheme Achieved Its Stated Objective

The Collective Investment Scheme achieved its stated objective.

Fund Performance

As of June 30, 2024, net assets were PKR. 879.23 million as compared to PKR. 721.07 million as of June 30, 2023. Total operating income for the year was PKR 253.57 million as compared to PKR. 142.855 million for the same period last year. Total expenses during the year were PKR. 26.728 million as compared to PKR. 19.413 million Last year. The income available for distribution for the financial year 2023 was PKR. 52.283 million, as compared to PKR. 25.648 million Last year. The Net Asset Value per unit was PKR. 83.53 as of June 30, 2024.

Fund Return

Fund Bench Mark Six Month average deposit rates of three (3) A rated schedules Islamic Banks or Islamic windows of conventional banks as selected by MUFAP

	YTD Return	YTD Bench Mark
FY 2024	23.17%	10.10%
FY 2023	18.84%	6.06%

Asset Allocation 2024	
TFC / Sukuk	93.10%
GOP Ijara Sukuk	0.00%
Bank Balances	1.59%
Others	5.31%

Asset Quality 2024	
AAA	23.71%
AA	15.41%
AA-	18.84%
A+	35.48%
A	0.35%
BB-	0.90%
Unrated	5.31%



786 Smart Fund

Changes in Total NAV and NAV per Unit since the Last Review Period

Net Assets Value			NAV per unit	
June 30, 2024	June 30, 2023	Change in %	June 30, 2024	June 30, 2023
879,229,924	721,070,176	21.93%	83.53	82.41

Investment Strategy

The Fund's priority is to keep healthy liquidity, making prudent decisions on residual debt, and making risk-averse decisions on future investments. Fund management is actively pursuing the settlement of the residual debt while ensuring the high unit holder protection. Ensuring steady profit while meeting any and all redemption need is the Fund's prime priority.

Dividend

The Board of Directors has announced a cash dividend to unitholders of PKR 17.6056 per unit for the year ended June 30, 2024, which comes out to be 23.01% of the par value per unit of PKR 100.

Pattern of Unit Holding

	As at 30 June 2024			As at 30 June 2023		
	Number of Unit Holders	Investment Amount	Percentage Investment	Number of Unit Holders	Investment Amount	Percentage Investment
	----- Rupees -----					
Individuals	711	144,428,653	16.43%	714	95,288,021	13.21%
Associated Companies & Directors	3	437,287,608	49.74%	8	355,860,299	49.35%
Insurance Companies	1	100,169,574	11.39%	2	100,213,299	13.90%
Retirement Funds	6	10,789,704	1.23%	5	7,985,660	1.11%
Others	29	186,554,385	21.22%	25	161,722,897	22.43%
	750	879,229,924	100.00%	754	721,070,176	100.00%

Economic Review:

Global growth in 2024 is projected at 3.2%, per the IMF's World Economic Outlook, with a slight rise to 3.3% in 2025. However, persistent services inflation is complicating monetary policy, leading to risks of prolonged higher interest rates amid escalating trade tensions and policy uncertainty. Policymakers must carefully sequence actions to stabilize prices and rebuild financial buffers.

Fitch Ratings has revised global growth upwards due to recovery in Europe, a revival in China's export sector, and strong demand in emerging markets (EM ex-China). The US economy is expected to grow 2.1% in 2024, with



786 Smart Fund

central banks, including the ECB, Fed, and BOE, expected to ease monetary policy in Q3 2024. However, inflation is expected to decline slowly over the next 12-18 months.

The World Bank predicts global growth to stabilize at 2.6% in 2024, rising modestly to 2.7% in 2025 and 2026. Global inflation will moderate more slowly than expected, averaging 3.5% in 2024 and 2.9% in 2025, keeping central banks cautious about easing. Global recovery remains modest, constrained by high inflation and geopolitical tensions.

The outgoing fiscal year saw a moderate economic recovery driven by prudent government policies that restored market confidence. GDP growth accelerated to 2.4% in FY2024, with agriculture growing by 6.3%, while industry and services each expanded by 1.2%.

The improved economic environment led to a 79.5% surge in the Pakistan Stock Exchange (PSX) since July 2023, with the KSE 100 index reaching 78,810 points by June 21, 2024. Discussions have also begun with the IMF for a new three-year program aimed at supporting the external sector and boosting investment flows.

Foreign exchange reserves increased to \$13.1 billion by June 26, 2024, with SBP reserves at \$7.9 billion and commercial bank reserves at \$5.2 billion. Additionally, the Monetary Policy Committee (MPC) reduced the policy rate by 150 basis points to 20.5% on June 10, 2024, responding to moderate GDP growth and declining inflation.

From July-May 2023-2024, remittances grew by 7.7% to \$27.1 billion, exports increased by 11.3% to \$28.7 billion, and imports contracted by 2.3% to \$48.4 billion. The current account deficit narrowed to \$0.5 billion, significantly down from \$3.9 billion last year, driven by an improved trade balance and remittances.

Money Market Review:

In its June 10, 2024 meeting, the Monetary Policy Committee (MPC) decided to reduce the policy rate by 150 basis points, bringing it down to 20.5%. This decision was driven by moderate GDP growth in FY2024 and declining inflationary pressures, aimed at bolstering positive business sentiment and fostering economic activity.

Despite this adjustment, headline inflation in Pakistan increased to 12.6% year-on-year in June 2024, according to the Pakistan Bureau of Statistics (PBS). This marks a slight rise from the 11.8% inflation rate recorded in May 2024. On a month-on-month basis, inflation also saw a modest increase of 0.5%.

Other Disclosure under NBFC Regulations 2008:

The Fund Manager hereby makes the following disclosures as required under NBFC Regulations 2008;

- The Management Company or any of its delegates did not receive any soft commission (goods & services) from any of its brokers/dealers by virtue of transactions conducted by the Fund.
- There was no unit split undertaken during the year.
- Investments are subject to market risk that may materially affect any interests of unit holders.



786 Smart Fund

Additional Information as at June 30, 2024

S. No.	Categories of Share holders	Numbers	Shares Held	% Age
1	Associated Companies	3	6,427,630	42.93
	B.R.R. Guardian Modaraba		1,935,505	
	First Dawood Investment Bank Limited		2,246,070	
	The Bank of Khyber		2,246,055	
2	NIT & ICP	2	1,000	0.01
	Investment Corporation of Pakistan		500	
	IDBP (ICP UNIT)		500	
3	Directors, CEO their Spouses and Minor Children	7	2,784,801	18.60
	Miss Tara Uzra Dawood		2,769,485	
	Mrs. Shafqat Sultana		2,816	
	Mr. Ahmer Zia Sarwar		2,500	
	Mr. Ahmed Salman Munir		2,500	
	Syed Shabahat Hussain		2,500	
	Syed Musharaf Ali		2,500	
	Mr. Naveed Ahmed		2,500	
4	Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas, Pension Funds and Others	17	908,861	6.07
5	General Public	853	4,851,458	32.40
	Total	882	14,973,750	100.00

Shareholders holding ten percent or more shares in the Company

14,973,750

Miss Tara Uzra Dawood	2,769,485	18.50
First Dawood Investment Bank Limited	2,246,070	15.00
The Bank of Khyber	2,246,055	15.00
B.R.R. Guardian Modaraba	1,935,505	12.93



786 Smart Fund

**DETAILS OF PATTERN OF HOLDINGS (UNITS)
AS AT JUNE 30, 2024**

Number of Certificate holders	From	Certificate Holding		To	Number of Certificates
719	0.0001	-		9,999.9999	281,658
10	10,000	-		49,999.9999	189,620
6	50,000	-		99,999.9999	475,074
9	100,000	-		499,999.9999	1,612,391
3	500,000	-		999,999.9999	2,254,423
1	1,000,000	-		14,999,999.9999	1,199,254
2	15,000,000	-		99,999,999.9999	4,513,932
750					10,526,352



786 Smart Fund

**DETAILS OF PATTERN OF HOLDINGS (UNITS)
AS AT JUNE 30, 2024**

S. No.	Category	No of Unit Holders	Unit Held	Amount	% of Total
1	Directors				
	Ms. Tara Uzra Dawood, CEO	1	1,774,742	148,238,165	16.86
2	Associated Companies				
	786 Investments Limited	1	2,739,190	228,795,251	26.02
	BRR Guardian Limited	3	436,920	36,494,441	4.15
	First Dawood Investment Bank Ltd and Others Employees Contributory Provident Fund	1	721,377	60,254,191	6.85
	LADIESFUND Energy (Pvt.) Limited	1	988,333	82,552,136	9.39
3	Individuals	711	1,729,139	144,428,653	16.43
4	Insurance Companies	1	1,199,254	100,169,574	11.39
5	Bank/DFIs	-	-	-	-
6	Modaraba / Mutual Funds	-	-	-	-
7	Others	31	937,396	78,297,513	8.91
	TOTAL	750	10,526,352	879,229,924	100.00



786 Smart Fund

**DETAILS OF PATTERN OF HOLDINGS (UNITS)
AS AT JUNE 30, 2024**

S. No.	Category	No of Unit Holders	Unit Held	Amount	% of Total
1	Directors	1	1,774,742	148,238,165	16.86
2	Associated Companies	6	4,885,821	408,096,019	46.42
3	Individuals	711	1,729,139	144,428,653	16.43
4	Insurance Companies	1	1,199,254	100,169,574	11.39
5	Others	31	937,396	78,297,513	8.91
	TOTAL	750	10,526,352	879,229,924	100.00

September 16, 2024

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2024 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in 786 Smart Fund managed by 786 Investments Limited are permissible and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

والله أعلم بالصواب، وصلى الله على نبينا محمد وعلى آله وصحبه وبارك وسلم

For and on behalf of Al-Hilal Shariah Advisors (Pvt.) Limited.



Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive



REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

786 SMART FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

786 Smart Fund, an open-end scheme established under a trust deed executed between 786 Investments Limited as the Management Company and Digital Custodian Company Limited as the Trustee. The Trust Deed was executed on April 8, 2003 between 786 Investments Limited and Bank Al Habib as Trustee. In June 2011, Bank Al Habib retired and Digital Custodian Company Limited was appointed as the new trustee of the fund and the name of the Fund was also changed from Dawood Money Market Fund to Dawood Income Fund. Later on the fund was further amended as 786 Smart Fund through its second supplemental trust deed.

1. 786 Investments Limited, the Management Company of 786 Smart Fund has, in all material respects, managed 786 Smart Fund during the year ended June 30, 2024 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement.
2. Statement on the shortcoming(s) that may have impact on the decision of the existing or the potential unit holders remaining or investing in the Collective Investment Scheme; and

Statement

No short coming has been addressed during the year ended June 30, 2024.

3. Disclosure of the steps taken to address the shortcoming(s) or to prevent the recurrence of the short coming(s).

Disclosure of the steps

We have critically examine the fund in accordance with circular, directives, NBFC Regulations 2008 and its constitutive documents. However, no shortcoming has been addressed.

4. Trustee's opinion regarding the calculation of the management fee, CIS Monthly Fee Payable to the Commission and other expenses in accordance with the applicable regulatory framework.

DN

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Trustee Opinion

"The Management fee, CIS monthly fee payable to the Commission and other expenses has been accurately calculated in accordance with the NBFC Regulations, 2008 and its constitutive documents".

Dabeer Khan
Manager Compliance
Digital Custodian Company Limited

Karachi: September 16, 2024

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF 786 SMART FUND

Opinion

We have audited the annexed financial statements of **786 Smart Fund (the fund)** which comprise the statement of assets and liabilities as at June 30, 2024, and the income statement, the statement of comprehensive income, the statement of movement in unit holder's fund and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statement gives a true and fair view of the financial position of the Fund as at June 30, 2024 and of its financial performance and its cash flows for the year then ended in accordance with the approved accounting and reporting standard as applicable in Pakistan.

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 Matter(s)

Key audit matters are those matters that, in our professional judgment, 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.

Reanda Haroon Zakaria Aamir Salman Rizwan & Company
Chartered Accountants

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Lahore and Islamabad



Following are the Key audit matter(s):

<i>S. No.</i>	<i>Key audit matter(s)</i>	<i>How the matter was addressed in our audit</i>
<i>1)</i>	<i>Net Asset value (NAV)</i> <p>The balances with banks and investments constitute the most significant component of the net asset value (NAV). The balances with banks and investments as at June 30, 2024 amounted to Rs 14,314 million and Rs 840.335 million as disclosed in Note 4 and 5 respectively. The proper valuation of balances with banks and investment for the determination of NAV of the fund as at June 30, 2024 was considered as a high risk area and therefore, we consider this as a Key Audit Matter (KAM).</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none">• Obtained and understanding of design effectiveness of the key controls on the investments and balance with banks.• Obtained Independence confirmation for verifying the existence of the investment portfolio and balances with banks as at June 30, 2024 and reconciled it with the books and record of the Fund.• Reperformed valuation to assess that the investment or carried as per the valuation methodology specified in the accounting policies.• Obtained bank reconciliation statement and tested reconciling item on the sample basis.• Assessed the adequacy of the respective disclosures and presentation in the financial statements as per applicable financial reporting framework.

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

Management is responsible for the other information. The Other Information comprises the information included in the Company's Annual Report 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 a 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 with 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

Further, we report that the Fund's financial statements have been prepared in accordance with the relevant provision of Non-Bank finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Farhan Ahmed Memon**.

Reanda Haroon Zakaria Asmir Salman Rizwan MC
Reanda Haroon Zakaria Asmir Salman Rizwan & Company
Chartered Accountants

Place: Karachi

Dated: **18 SEP 2024**

UDIN: AR2024101473sjKp4H0W



786 Smart Fund

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2024**

	Note	2024	2023
		----- Rupees -----	
Assets			
Balances with banks	4	14,314,976	72,439,135
Investments	5	840,335,000	635,574,526
Accrued income/profit	6	47,774,624	24,705,927
Security deposits	7	150,000	150,000
Total Assets		902,574,600	732,869,588
Liabilities			
Payable to 786 Investments Limited - Management Company	8	2,900,986	2,273,915
Payable to Digital Custodian Company Limited - Trustee	9	152,248	136,988
Payable to Securities and Exchange Commission of Pakistan	10	72,682	176,710
Unclaimed dividend		3,288,598	2,023,960
Accrued expenses and other liabilities	11	16,930,162	7,187,839
Total Liabilities		23,344,676	11,799,412
Contingencies and Commitments	12		
Net Assets		879,229,924	721,070,176
Unit Holders' Funds		879,229,924	721,070,176
		(Number)	
Number of units in issue	13	10,526,352	8,750,090
		(Rupees)	
Net assets value per unit		83.53	82.41

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

<i>Income</i>	<i>Note</i>	<i>2024</i>	<i>2023</i>
		<i>----- Rupees -----</i>	
Net realized Gain/(loss) on sale of investments		858,824	(855,711)
Income from investments and balances with banks	14	264,314,614	146,369,976
Reversal of impairment on investment at fair value through other comprehensive income	5.1.1	16,755,256	16,755,156
Impairment on investment		(2,040,000)	
Other Income		415,364	-
		280,304,058	162,269,421
Expenses			
Remuneration to the management company	8.1	18,808,201	13,253,285
Sindh sales tax on remuneration to the management company	8.2	2,445,061	1,722,925
Accounting and operational charges	8.3	1,253,889	883,552
Remuneration to the trustee	9.1	1,715,410	1,325,329
Sindh sales tax on trustee fee	9.2	223,005	172,293
Annual fee to Securities and Exchange Commission of Pakistan	10	937,841	176,710
Auditor's remuneration		504,873	472,800
Fees and subscription		229,946	211,747
Securities transactions cost		99,910	52,859
Printing and related charges		48,152	48,000
Legal and professional charges		441,600	440,700
Withholding taxes - written off		-	649,288
Bank charges		20,418	4,030
		26,728,306	19,413,518
Net income for the year before taxation		253,575,752	142,855,903
Taxation		-	-
Net income for the year after taxation		253,575,752	142,855,903
Allocation of net income for the year			
Net income for the year		253,575,752	142,855,903
Income already paid on units redeemed		(201,292,667)	(117,207,739)
Accounting income available for distribution:		52,283,085	25,648,164
Relating to capital gain		858,824	(855,711)
Excluding capital gain		51,424,261	26,503,875
		52,283,085	25,648,164

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024**

	<i>Note</i>	2024 ----- Rupees -----	2023
<i>Net income for the year after taxation</i>		253,575,752	142,855,903
<i>Unrealized loss on revaluation of investments classified as fair value through other comprehensive income - net</i>	5.4	-	(470,761)
		-	(470,761)
Total comprehensive income for the year		<u>253,575,752</u>	<u>142,385,142</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	2024			2023				
	Capital Value	(Accumulated Loss) / Undistributed Income	Unrealized (Loss) on Investment	Total	Capital Value	(Accumulated Loss) / Undistributed Income	Unrealized Gains on Investment	Total
	----- Rupees -----			----- Rupees -----				
<i>Net assets at beginning of the year</i>	934,791,485	(215,207,470)	1,486,161	721,070,176	736,657,526	(149,281,381)	1,956,922	589,333,067
<i>Issue of 36,170,150 units</i> <i>(2023: 22,840,520 units)</i>								
- Capital value (at net asset value per unit at the beginning of the period)	2,980,680,788	-	-	2,980,680,788	1,866,426,786	-	-	1,866,426,786
- Element of income	303,236,535	-	-	303,236,535	155,935,907	-	-	155,935,907
<i>Total proceeds on issuance of units</i>	3,283,917,323	-	-	3,283,917,323	2,022,362,693	-	-	2,022,362,693
<i>Redemption of 34,393,388 units</i> <i>(2023: 21,302,432 units)</i>								
- Capital value (at net asset value per unit at the beginning of the period)	(2,834,304,006)	-	-	(2,834,304,006)	(1,740,741,050)	-	-	(1,740,741,050)
- Amount paid out of element of income	-	(201,292,667)	-	(201,292,667)	-	(117,207,739)	-	(117,207,739)
- Refund/adjustment on units as element of income	(206,478,727)	-	-	(206,478,727)	(83,487,685)	-	-	(83,487,685)
<i>Total payments on redemption of units</i>	(3,040,782,733)	(201,292,667)	-	(3,242,075,400)	(1,824,228,734)	(117,207,739)	-	(1,941,436,474)
Net income for the period before taxation	-	253,575,752	-	253,575,752	-	142,855,903	-	142,855,903
Other comprehensive loss	-	-	-	-	-	-	(470,761)	(470,761)
Distribution for the period @ 13.3136 per unit on June 23, 2023	-	-	-	-	-	(91,574,253)	-	(91,574,253)
Distribution for the period @ 17.6056 per unit on June 26, 2024	-	(137,257,927)	-	(137,257,927)	-	-	-	-
	-	116,317,825	-	116,317,825	-	51,281,650	(470,761)	50,810,889
<i>Net assets at end of the period</i>	1,177,926,075	(300,182,312)	1,486,161	879,229,924	934,791,485	(215,207,470)	1,486,161	721,070,176

Undistributed (loss)/income brought forward

- Realized loss	(215,207,470)	(149,281,381)
- Unrealized income	-	-
	(215,207,470)	(149,281,381)

Accounting income available for distribution

- Relating to capital gain	858,824	(855,711)
- Excluding capital gain	51,424,261	26,503,875
	52,283,085	25,648,164
Distribution during the period	(137,257,927)	(91,574,253)
Undistributed loss carried forward	(300,182,312)	(215,207,470)

Undistributed (loss) carried forward

- Realized loss	(300,182,312)	(215,207,470)
	(300,182,312)	(215,207,470)

Net assets value per unit at beginning of the year	82.41	81.72
Net assets value per unit at end of the year	83.53	82.41

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

	2024	2023
	----- Rupees -----	
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Net Income for the Year Before Taxation	253,575,752	142,855,903
Adjustments For:		
Net realized loss on sale of investments	858,824	(855,711)
Profit on bank balances and investments	(264,314,614)	(146,369,976)
Reversal of impairment on investment at fair value through other Comprehensive income	(16,755,256)	(16,755,156)
Operating Loss Before Working Capital Changes	(280,211,046)	(163,980,843)
Increase in Assets		
Advance income tax	-	-
Increase/(Decrease) in Liabilities		
Payable to 786 Investments Limited - Management Company	627,071	359,318
Payable to Digital Custodian Company Limited - Trustee	15,260	35,463
Payable to Securities and Exchange Commission of Pakistan	(104,028)	937
Unclaimed dividend	1,264,638	(101,810)
Accrued expenses and other liabilities	9,742,323	122,440
	11,545,264	416,348
Proceeds from investments - net	(188,864,042)	(323,870,392)
Profit received on investments and balances with banks	241,245,917	129,651,234
Net cash Used in from operating activities	37,291,845	(214,927,750)
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>		
Amounts received against issue of units	3,283,917,323	2,022,362,693
Payment made against redemption of units	(3,242,075,400)	(1,941,436,474)
Dividend paid	(137,257,927)	(91,574,253)
Net cash (used in) / generated from financing Activities	(95,416,004)	(10,648,034)
Net decrease in cash and cash equivalents	(58,124,159)	(225,575,784)
Cash and cash equivalents at beginning of the year	72,439,135	298,014,919
Cash and cash equivalents at end of the year	14,314,976	72,439,135

Note

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Dawood Income Fund (the Fund) was established under a Restated Trust Deed executed on April 08, 2003 between 786 Investments Limited as Management Company and Bank AL-Habib Limited (BAHL) as Trustee. In June 2011, BAML retired and Digital Custodian Company Limited was appointed as the new trustee of the Fund and the name of the Fund was also changed from "Dawood Money Market Fund" to "Dawood Income Fund". These changes, after necessary regulatory approvals, were duly incorporated in the Trust Deed of the Fund by way of First Supplemental Trust Deed. On January 20, 2017, the Management Company has changed its name to 786 Investments Limited after completing regulatory formalities.

1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at G3, B.R.R Tower, Hassan Ali Street, I.I Chundrigar Road, Karachi, Pakistan.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at G3, B.R.R Tower, Hassan Ali Street, I.I Chundrigar Road, Karachi, Pakistan.

1.3 The Fund is an open end mutual Fund and is listed on Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund.

1.4 The objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations.

1.5 Title to the assets of the Fund are held in the name of Digital Custodian Company Limited as the Trustee of the Fund (except for term finance certificate of New Allied industries limited as mentioned in note 5.3.1 which is a non-performing term finance certificate hence being unable to be transferred until final settlement, which is held in the name of BAML being the previous Trustee of the Fund).

1.6 The Fund is categorized as "Shariah compliant Islamic scheme" as per the criteria laid down by the SECP for categorization of open-end Collective Investment Schemes (CIS).

1.7 The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of "AM3" to the Management Company as at December 22, 2023 and stability rating of "AA-(f)" to the Fund as at October 18, 2023.

1.8 The funds are required to be registered under the "Sindh Trusts Act, 2020" (the Sindh Trust Act). Due to the enactment of the Sindh Trusts Act, 2020 (as amended by the Sindh Trusts (Amendment) Act, 2021), trusts, including collective investment and private funds, which are considered specialized trusts, must be registered with the Assistant Director of Industries and Commerce (Trust Wing), Government of Sindh, under Section 12A of the Sindh Trusts Act, 2020. Accordingly, on September 21, 2023, the Trust Deed of the fund was registered under the Sindh Trust Act.

1.9 Significant events or transactions

There are no significant events or transactions during the period.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of the directives issued under the Companies Act, 2017 along with part VIII of the repealed Companies Ordinance, 1984; and
- Non Banking Finance Companies (Establishment and Regulation) Rules 2003 (the NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

2.2 Accounting Estimates and Judgements

The preparation of the financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis.

The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- Classification and measurement of financial assets (notes 3.1 and 5)
- Impairment of financial assets (note 3.1.1.3)
- Taxation (notes 3.4 and 16)
- Classification and measurement of financial liabilities (note 3.1.2.1)
- Contingencies and commitments (note 12)

Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies set out below have been applied consistently to all periods in these financial statements.

3.1 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

3.1.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.1.1.1 Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing them.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. For purposes of subsequent measurement, financial assets are classified in following categories:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income (OCI), profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is reclassified to the income statement.

Financial assets at fair value through profit or loss (debt instruments)

Debt instruments that do not meet the amortised cost criteria or the fair value through other comprehensive income criteria are classified as at fair value through profit or loss. In addition, debt instruments that meet either the amortised cost criteria or the fair value through other comprehensive income criteria may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

3.1.1.2 Fair value measurement principles

The fair value of financial instruments is determined as follows:

Basis of valuation of government debt securities:

The government debt securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKRV / PKISRV rates) which are based on the remaining tenor of the securities.

Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

The Fund applies discretion on the effective yield as per the allowable limits in the above mentioned Circulars after the taking into account aspects such as Liquidity Risk, Sector Specific Risk and Issuer Class Risk.

The allowable limits for rated securities for duration upto 2 years is +200/-100 bps and over 2 years is +150/-50 bps. For unrated securities the allowable limits +50 bps.

3.1.1.3 Impairment of financial assets

Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

SECP / Commission through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore, the Fund will not be subject to the impairment provisions of IFRS 9.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Management 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 Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

3.1.1.4 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of assets and liabilities) when: - the rights to receive cash flows from the asset have expired; or the Fund has transferred its rights to receive cash flows from the asset and substantially all the risks and rewards of the asset;



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

- the rights to receive cash flows from the asset have expired; or
- the Fund has transferred its rights to receive cash flows from the asset and substantially all the risks and rewards of the asset;

3.1.2 Financial liabilities

3.1.2.1 Classification and measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or the Fund has opted to measure them at fair value through profit or loss.

3.1.2.2 Derecognition

A financial liability is derecognised 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

3.1.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value.

3.3 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions, if any, are regularly reviewed and adjusted to reflect the current best estimate.

3.4 Taxation

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by accumulated losses and capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

3.5 Dividend distribution and appropriations

Dividend distributions and appropriations are recorded in the period in which these are approved by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

Distributions declared subsequent to the year end / reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.6 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load and any provision for duties and charges, if applicable. The sales load is payable to investment facilitators, distributors and the Management Company.



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, and charges on redemption, if applicable.

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

3.7 Net asset value per unit

The Net Asset Value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

3.8 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Income / profit from investments in sukuks, government securities, certificate of musharka, bai mujjal and commercial paper is recognised on a time proportionate basis using effective interest rate method.
- Profit on bank balances is recognised on a time proportionate basis using bank's approved rates.
- Dividend income is recognised when the right to receive the dividend is established.

3.9 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee fee and annual fee of the SECP are recognised in the income statement on an accrual basis.

3.10 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

	<i>Note</i>	<i>2024</i>	<i>2023</i>
		----- <i>Rupees</i> -----	
4 BALANCES WITH BANKS			
- Saving accounts	4.1	<u>14,314,976</u>	<u>72,439,135</u>
4.1 These saving accounts carry profit at rates ranging from 18.50% to 20.25% (June 30, 2023: 15% to 19%) per annum.			
5 INVESTMENTS			
<i>At fair value through other comprehensive income</i>			
Listed - Term finance certificates	5.1	-	-
Unlisted - Sukuk certificates	5.2	840,335,000	477,574,526
GOP Ijara Sukuk		-	158,000,000
		<u>840,335,000</u>	<u>635,574,526</u>



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

5.1 At fair value through other comprehensive income

		<i>As at July 01, 2023</i>	<i>Purchases during the period</i>	<i>Matured/ Disposed During the period</i>	<i>As at June 30, 2024</i>	<i>Cost/ Carrying Value</i>	<i>Market Value</i>	<i>% of Total Investment</i>
<i>Note</i>		<i>----- Number of Certificates -----</i>			<i>----- Rupees -----</i>			
Listed - Term finance certificates								
<i>face value of Rs. 5,000/-each</i>								
Construction and material								
	5.1.1	6,702	-	3,351	3,351	16,755,156	-	-
	5.3					(16,755,156)	-	-

5.1.1 Dewan Cement Limited (DCL) is classified as non-performing by MUFAP. Accordingly, the security has been fully provided in accordance with the requirements of SECP's circular No. 1 of 2009 and the board's approved provisioning policy. The Fund has entered into a compromise agreement with DCL on May, 09 2016 whereby the remaining debt will be paid in thirty one equal quarterly installments in arrears. The Fund has recognized reversal of impairment amounting to Rs. 16.755 millions on receipt basis in current period. The Fund has suspended profit there against.

	2024	2023
	<i>----- Rupees -----</i>	
Cost / Carrying Value of Investment	840,335,000	478,045,287
Less: Net unrealized gain in fair value of investments-closing	-	(470,761)
Fair value of investments	<u>840,335,000</u>	<u>477,574,526</u>

5.2 At fair value through other comprehensive income

		<i>As at July 01, 2023</i>	<i>Purchases during the period</i>	<i>Sold / Matured During the Year</i>	<i>As at June 30, 2024</i>	<i>Cost/ Carrying Value</i>	<i>Market Value</i>	<i>% of Total Investment</i>
<i>Note</i>		<i>----- Number of certificates -----</i>			<i>----- Rupees -----</i>			
Unlisted - term finance certificates								
<i>face value of Rs. 5,000/- each</i>								
Cable and electric goods								
	5.3.1	11,523	-	-	11,523	25,433,190	-	-
	5.3					(25,433,190)	-	-
	5.3.2	3,417	-	-	3,41	77,222,749	-	-
	5.3					(7,222,749)	-	-
At fair value through other comprehensive income								
Unlisted - Sukuk certificates								
<i>Face Value of Rs. 1,000,000/- each</i>								
Information Technology								
		90	-	90	-	-	-	0%
Engineering								
	5.3.3	15	15	15	15	8,160,000	8,160,000	1%
Commercial Bank								
	5.3.4	44	-	44	-	-	-	0%
		-	635	-	635	3,175,000	3,175,000	



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

		<i>As at July 01, 2023</i>	<i>Purchases during the period</i>	<i>Sold/ Matured During the Year</i>	<i>As at June 30, 2024</i>	<i>Cost/ Carrying Value</i>	<i>Market Value</i>	<i>% of Total Investment</i>
<i>Note</i>		<i>----- Number of certificates -----</i>			<i>----- Rupees -----</i>			
Services Allied (other)								
	Hub Power Company Limited	131	-	131	-	-	-	0%
Power Generation & Distribution								
	Lucky Electric Power Company Ltd. ST - Sukuk 7	35	-	35	-	-	-	0%
Textile Composite								
	Nishat Mills Ltd - Sukuk (09-5-23)	65	-	65	-	-	-	0%
Power Generation & Distribution								
Face value of Rs. 100,000/- each								
	K-Electric Company Limited - Sukuk (23-11-22)	1,000	-	1,000	-	-	-	0%
Face value of Rs. 1,000,000/- each								
5.3.5	K-Electric Limited - STS 19		74	74	-			
	K-Electric Limited - STS 24	-	125	-	125	125,000,000	125,000,000	15%
Steel and Allied								
5.3.6	Mughal Iron & Steel Industries Limited Sukuk (27-12-23)	-	170	-	170	170,000,000	170,000,000	20%
Pharmaceutical Allied (others)								
5.3.7	OBS Pharma (Private) Limited	-	115	-	115	115,000,000	115,000,000	14%
Technology and communication								
5.3.8	Pakistan Telecommunication Limited - STS II	-	110	-	110	110,000,000	110,000,000	13%
	Pakistan Telecommunication Limited - STS III	-	104	-	104	104,000,000	104,000,000	12%
Technology and communication								
5.3.9	Pakistan Elekron Limited	-	205	-	205	205,000,000	205,000,000	24%
Face value of Rs. 5,000/- each								
5.3.10	Eden Housing Limited	2,933	-	-	2,933	2,887,171	-	-
5.3	Provision held					(2,887,171)		
Face value of Rs. 5,000/- each								
5.3.11	Amtex limited	6,000	-	-	6,000	22,500,000	-	-
5.3	Provision held					(22,500,000)		
Face value of Rs. 5,000/- each								
5.3.12	New Allied Electronics Industries (Private) Limited	1,000	-	-	1,000	5,027,500	-	-
5.3	Provision held					(5,027,500)		
						-	-	
						840,335,000	840,335,000	



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

5.3 Details of non-compliant investments

The Securities & Exchange Commission of Pakistan (SECP), vide its circular No. 16 dated July 07, 2010, has prescribed certain disclosures for non-compliances, either with the minimum investment criteria specified for the category assigned to the Collective Investment Schemes or with the investment requirements of their constitutive documents.

<i>Name of non compliant investment</i>	<i>Type of Investment</i>	<i>Value of Investment before provision</i>	<i>Provision held if any</i>	<i>Value of Investment after provision</i>	<i>% of net assets</i>	<i>% of Gross Assets</i>
<i>Note</i>	<i>----- Rupees -----</i>					
Dewan Cement Limited - Restructured	5.1.1	Pre-IPO investment	16,755,156	(16,755,156)	-	-
New Allied Industries Limited	5.3.1	Term finance certificates	25,433,190	(25,433,190)	-	-
New Allied Industries Limited	5.3.2	Term finance certificates	7,222,749	(7,222,749)	-	-
New Allied Industries Limited	5.3.12	Sukuk certificates	5,027,500	(5,027,500)	-	-
Eden Housing Limited	5.3.10	Sukuk certificates	2,887,171	(2,887,171)	-	-
Amtex Limited	5.3.11	Sukuk certificates	22,500,000	(22,500,000)	-	-
Agha Steel Industries Limited	5.3.3	Sukuk certificates	10,200,000	(2,040,000)	8,160,000	0.93% 0.90%

5.3.1 New Allied Electronics Industries Limited defaulted on its payment of principal and mark-up due on December 25, 2008. Consequently, the security was classified as non-performing by MUFAP on January 09, 2009 and accrual on the same was suspended. This security has been fully provided in accordance with the provisioning circulars of SECP and the Board's approved provisioning policy. These TFCs are held in CDC investor account of the previous trustee and will only be transferred upon final settlement.

5.3.2 New Allied Electronics Industries (Private) Limited defaulted on its payment of principal and mark-up due on 25 December 2008. Consequently, the security was classified as non-performing by MUFAP on 9 January 2009 and accrual of income on the same was suspended. This security has been fully provided in accordance with the provisioning circulars issued by the SECP and the Board's approved provisioning policy.

5.3.3 Sukuk certificates of Agha Steel Industries Limited are carried at their cost as they are not valued by MUFAP.

5.3.4 The Dubai Islamic Bank Limited's sukuk certificates are unsecured and carry a profit equal to 6-month KIBOR plus 0.70%, which is receivable half-yearly in arrears. These certificates will mature in 2 December 2032.

5.3.5 The K-Electric Company Limited - Sukuk (23-11-22) are unsecured and offer a profit equivalent to 3-month KIBOR plus 1.70%. This profit is payable quarterly in arrears. Additionally, the principal amount will be repaid in 20 equally distributed quarterly installments, starting from 23 February 2025, and continuing until the maturity date of 23 November 2029. These certificates will mature in 23 November 2029.

The K-Electric Limited Short-Term Sukuk 24 are unsecured and offer a profit equal to 6-month KIBOR plus 0.20%, which is payable semi-annually in arrears. These certificates will mature in 28 September 2024.

5.3.6 The sukuk certificates issued by The Mughal Iron & Steel Industries Limited are unsecured and bear a profit rate equivalent to 3-month KIBOR plus 0.145%, payable quarterly in arrears. The maturity date for these certificates is 27 March 2025.

5.3.7 The OBS Pharma (Private) are unsecured and offer a profit equal to 6-month KIBOR plus 1.40%, which is payable semi-annually in arrears. These certificates will mature in 29 August 2024.

5.3.8 The Pakistan Telecommunication Limited - Short Term Sukuk II are unsecured and offer a profit equal to 6-month KIBOR plus 0.15%, which is payable semi-annually in arrears. These certificates will mature in 17 July 2024.

The Pakistan Telecommunication Limited - Short Term Sukuk III are unsecured and offer a profit equal to 6-month KIBOR plus 0.15%, which is payable semi-annually in arrears. These certificates will mature in 19 September 2024.

5.3.9 The Pakistan Elecron Limited are unsecured and offer a profit equal to 6-month KIBOR plus 1%, which is payable semi-annually in arrears. These certificates will mature in 27 September 2024.

5.3.10 Eden Housing Limited defaulted on its payment of principal and mark-up due on April 21, 2011. Consequently, the security was classified as non-performing by MUFAP on May 06, 2011 and accrual on the same was suspended. This security has been fully provided in accordance with the provisioning circulars of SECP and the Board's approved provisioning policy. These sukuks are held in CDC investor account of the Fund.



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

5.3.11 Amtex Limited (Sukuk) defaulted on its payment of principal and mark-up due on December 22, 2010. Consequently, the security was classified as non-performing by MUFAP non January 6, 2011 and accrual of income on the same was suspended. Accordingly, the security has been fully provided in accordance with the provisioning circulars issued by SECP and the board's approved provisioning policy.

5.3.12 New Allied Electronics Industries (Private) Limited defaulted on its payment of principal and mark-up due on 27 October 2008. Consequently, the security was classified as non-performing by MUFAP on 9 January 2009 and accrual on the same was suspended. Management has recognised full provision there against and the accrual of income has been suspended in line with provisioning policy of the Fund duly approved by the Board as per applicable SECP provisioning circulars.

		2024	2023
	<i>Note</i>	----- Rupees -----	
5.4 Unrealized gain on revaluation of investments classified as fair value through other comprehensive income - net			
Fair value of investments	5.2	840,335,000	477,574,526
Less: Cost/Carrying Value of Investment		(839,864,239)	(479,216,047)
		470,761	(1,641,521)
Less: Net unrealized gain in fair value of investments - Opening		(470,761)	1,170,760
		-	(470,761)
6 ACCRUED INCOME/PROFIT			
- Income from profit and loss sharing (PLS) accounts		2,366,650	4,819,685
- Income from sukuk certificates		45,407,974	15,415,581
- Income from GOP Ijara Sukuk		-	4,470,661
		47,774,624	24,705,927
7 SECURITY DEPOSITS			
<i>Deposits - Central Depository Company of Pakistan Limited</i>		150,000	150,000
8 PAYABLE TO 786 INVESTMENTS LIMITED - MANAGEMENT COMPANY			
Management remuneration	8.1	1,457,616	1,212,282
Sindh sales tax payable	8.2	189,490	178,081
Accounting and operational charges	8.3	1,253,880	883,552
		2,900,986	2,273,915
8.1 According to the provisions of the Trust Deed of the Fund, the Management Company has charged its remuneration at the rate of 1.5% (June 2023: 1.5%) per annum on the average annual net assets of the Fund calculated on a daily basis.			
8.2 The Sindh Provincial Government has levied Sindh Sales tax at the rate of 13% (June 2023: 13%) on Management Company's remuneration.			
8.3 In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I)/2015 dated November 25, 2015, the Management Company of the Fund is entitled for reimbursement of fee and expenses incurred by the Management Company in relation to registrar service, accounting, operation and valuation services related to the Fund maximum up to 0.1% of average annual net assets of the scheme or actual which ever is less. Accordingly, the Management Company has charged accounting and operating expenses to the Fund at a rate of 0.1% per annum of the average annual net assets of the Fund for the year ended June 30, 2024.			
9 PAYABLE TO DIGITAL CUSTODIAN COMPANY LIMITED - TRUSTEE			
Trustee Remuneration		134,733	121,228
Sindh sales tax payable on Trustee remuneration		17,515	15,760
		152,248	136,988



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

9.1 According to the provisions of the Trust Deed of the 786 Smart Fund, the Trustee is entitled to monthly remuneration for services rendered to the Fund as follows:

On net assets:

- Up to Rs.1 billion	Rs.0.6 million or 0.15% per annum of the net assets of the Fund computed on a daily basis whichever is higher.
- Exceeding Rs.1 Billion	Rs.0.6 million plus 0.09% per annum of the net assets of the Fund computed on a daily basis exceeding Rs.1 billion.

9.2 The Sindh Provincial Government has levied sindh sales tax at the rate of 13% (June 2023: 13%) on trustee's remuneration.

10 ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents the annual fee payable to SECP as amended in clause 'c' of Schedule II of the Non-Banking Financial Companies (NBFC) Regulation 2008, read in conjunction with regulation 62 of the NBFC Regulation 2008. This fee became applicable from July 1, 2023, and it mandates that the Fund must remit to SECP an amount equal to 0.075% of the average daily net assets. This payment is due within fifteen days following the conclusion of each calendar month of the Collective Investment Scheme.

Previously, the applicable fee was 0.02% of the average daily net assets, and it was payable within three months after the close of the accounting year /financial year.

11 ACCRUED EXPENSES AND OTHER LIABILITIES	<i>Note</i>	2024	2023
		----- Rupees -----	
Federal Excise Duty on Remuneration	11.1	6,513,679	6,513,679
Accrued expenses	11.2	659,850	657,425
Other liabilities		-	5,115
Capital gain tax payable		4,016,372	-
Zakat payable and withholding tax		5,740,261	11,620
		16,930,162	7,187,839

11.1 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a Constitutional Petition was filed in the Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

On July 16, 2016, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2024 aggregates to Rs. 6.51 million (2023: Rs. 6.51 million). Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2024 would have been higher by Re. 0.62 per unit (June 30, 2023: Re. 0.74 per unit).

11.2 Accrued expenses

Auditors' remuneration payable	354,600	357,327
PSX fee payable	55,000	55,000
Printing and related expenditure payable	23,000	17,848
Shariah and tax advisors fee payable	227,250	227,250
	659,850	657,425



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2024.

13 NUMBER OF UNITS IN ISSUE

	2024	2023
	----- Number of Units -----	
Total outstanding as of July 01	8,750,090	7,212,002
Issued during the period	36,170,150	22,840,520
Redemption during the period	<u>(34,393,888)</u>	<u>(21,302,432)</u>
Closing units	<u>10,526,352</u>	<u>8,750,090</u>

14 INCOME FROM INVESTMENTS AND BALANCES WITH BANKS

	2024	2023
	----- Rupees -----	
<i>Income from:</i>		
- Sukuk certificates	183,220,717	58,395,391
- Profit and loss sharing (PLS) account	81,093,897	75,198,128
- Commercial Paper	-	12,776,457
	<u>264,314,614</u>	<u>146,369,976</u>

15 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the year ending on June 30, 2024, is 2.13%, which includes 0.29% representing government levies on the Fund, such as federal excise duties and sales taxes, as well as the annual fee payable to the SECP, among other expenses. This ratio is within the maximum limit of 2.5% (2023: 2.5%) prescribed under the NBFC Regulations for a collective investment scheme categorised as a Shariah Compliant income scheme.

16 TAXATION

The Fund's income is exempt from income tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income available for distribution for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income available for distribution other than capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management has distributed the income available for distribution by the Fund to the unit holders in cash in the manner as explained above accordingly, no provision for taxation has been made in these financial statements.

17 TRANSACTIONS WITH RELATED PARTIES/CONNECTED PERSONS

Related party/connected person include 786 Investments Limited being the Management Company, other collective investment schemes managed by the Management company, Digital Custodian Company Limited formerly (MCB Financial Services Limited) being the Trustee of the Fund, Directors and Officers of the Management Company, other associated undertakings and unit holder's holding more than 10% units in the Fund or any other connected person.

Remuneration payable to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations 2008 and the Trust Deed respectively.

The transactions with related parties are in the normal course of business and at contracted rates and terms determined in accordance with market rates.

Aggregate transactions and balances with related parties, associated undertakings and connected person which are not disclosed elsewhere in the notes are as follows:



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

	<i>For the year ended June 30, 2024</i>									
	<i>As at July 01, 2023</i>	<i>Issued for cash</i>	<i>Refund of capital units</i>	<i>Re-Invest</i>	<i>Redeemed</i>	<i>As at June 30, 2024</i>	<i>As at July 01, 2023</i>	<i>Issued for cash</i>	<i>Redeemed</i>	<i>As at June 30, 2024</i>
	<i>----- Units -----</i>					<i>----- Rupees -----</i>				
<i>Associated Companies / Undertakings:</i>										
786 Investments Limited - Management Company	2,495,416	2,309,610	477,998	2,533	2,546,367	2,739,190	205,640,238	232,551,669	236,886,618	228,043,512
BRR Guardian Limited (Associate of Management Company)	436,920	-			-	436,920	36,005,353	-		36,494,441
First Dawood Properties Limited (Associate of Management Company)	-	59,616			59,616	-	-	5,000,000	5,674,787	-
First Dawood Investment Bank Limited - Employees Contributory Provident Fund- Employee Benefit Fund of Group Company	310,495	300,771	4,469	121,352	15,710	721,377	25,587,055	25,177,681	1,500,000	60,254,191
LADIESFUND Energy (Private) Limited (Connected Person due to Management Company)	772,632	79,532	15,344	137,069	16,244	988,333	63,670,447	7,900,000	1,500,000	82,552,136
Dawood Family Takaful Limited (Associate of Management Company)	-	22,335,724			22,335,724	-	-	1,990,000,000	2,082,977,409	-
Directors and key management personnel of the Management Company	1,219,318	1,737,225	307,678	1,630	1,491,109	1,774,742	100,480,554	172,151,567	150,340,309	148,238,165
<i>For the year ended June 30, 2023</i>										
	<i>As at July 01, 2022</i>	<i>Issued for Units</i>	<i>Refund of capital units</i>	<i>Re-Invest</i>	<i>Redeemed</i>	<i>As at June 30, 2023</i>	<i>As at July 01, 2022</i>	<i>Issued for cash</i>	<i>Redeemed</i>	<i>As at June 30, 2023</i>
	<i>----- Units -----</i>					<i>----- Rupees -----</i>				
<i>Associated Companies / Undertakings:</i>										
786 Investments Limited - Management Company	2,312,993	2,150,212	343,089	4,574	2,315,452	2,495,416	190,607,283	204,609,179	219,876,756	205,640,238
BRR Guardian Limited (Associate of Management Company)	396,776	3,700	562	35,882	-	436,920	32,697,162	-		36,005,353
First Dawood Investment Bank Limited - Employees Contributory Provident Fund- Employee Benefit Fund of Group Company	287,151	-	-	43,345		310,495	23,663,321	-	1,700,000	25,587,055
LADIESFUND Energy (Private) Limited (Connected Person due to Management Company)	-	664,836	107,388	408	-	772,632	-	63,365,940	-	63,670,447
Dawood Family Takaful Limited (Associate of Management Company)	597,284	14,749,384	33,894	-	15,380,562	-	49,220,480	1,290,000,000	1,391,499,821	-
Directors and key management personnel of the Management Company	1,739,139	1,049,200	169,473	645	1,739,139	1,219,318	143,317,572	100,000,000	165,579,246	100,480,554



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024	2023
----- Rupees -----			
17.2 Transactions during the Period Ended			
786 Investments Limited - Management Company			
Remuneration of the management company	8.1	18,808,201	13,253,285
Sales tax on remuneration to the management company	8.2	2,445,061	1,722,925
Accounting and operational charges	8.3	1,253,889	883,552
Digital Custodian Company Limited (formerly MCB Financial Services Limited) - Trustee			
Remuneration of the Trustee	9.1	1,715,410	1,325,329
Sales tax on Trustee fee	9.2	223,005	172,293
17.3 Balance as at period ended			
786 Investments Limited - Management Company			
Remuneration payable to the management company	8	1,457,616	1,212,282
Sales tax payable on management company's remuneration	8	189,490	178,081
Accounting and operational charges	8	1,253,880	883,552
FED payable on management company's remuneration		6,513,679	6,513,679
Digital Custodian Company Limited (formerly MCB Financial Services Limited) - Trustee			
Remuneration payable to the Trustee	9	134,733	121,228
Sales tax payable on Trustee fee	9	17,515	15,760

17.4 The transactions with related parties/connected persons are in the normal course of business at contracted rates and terms, determined in accordance with market rates.

As at June 30, 2024			
	At amortized cost	Financial asset at fair value through other comprehensive income	Total
-----Rupees-----			
18 FINANCIAL INSTRUMENTS BY CATEGORY			
Financial assets			
Balances with banks	14,314,976	-	14,314,976
Investments	-	840,335,000	840,335,000
Accrued income/profit	47,774,624	-	47,774,624
Security deposits	150,000	-	150,000
	62,239,600	840,335,000	902,574,600
Financial liabilities			
Payable to 786 Investments Limited - Management Company	2,711,496	-	2,711,496
Payable to Digital Custodian Company Limited - Trustee	134,733	-	134,733
Payable to Securities and Exchange Commission of Pakistan	72,682	-	72,682
Unclaimed dividend	3,288,598	-	3,288,598
Accrued expenses and other liabilities	659,850	-	659,850
	6,867,359	-	6,867,359



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

	<i>As at June 30, 2023</i>		
	<i>At amortized cost</i>	<i>Financial asset at fair value through other comprehensive income</i>	<i>Total</i>
	<i>----- Rupees -----</i>		
<i>Financial assets</i>			
Balances with banks	72,439,135	-	72,439,135
Investments	-	635,574,526	635,574,526
Accrued income/profit	24,705,927	-	24,705,927
Security deposits	150,000	-	150,000
	<u>97,295,062</u>	<u>635,574,526</u>	<u>732,869,588</u>
<i>Financial liabilities</i>			
Payable to 786 Investments Limited - Management Company	2,095,834	-	2,095,834
Payable to Digital Custodian Company Limited - Trustee	121,228	-	121,228
Payable to Securities and Exchange Commission of Pakistan	176,710	-	176,710
Unclaimed dividend	2,023,960	-	2,023,960
Accrued expenses and other liabilities	662,540	-	662,540
	<u>5,080,272</u>	<u>-</u>	<u>5,080,272</u>

19 RISK MANAGEMENT FRAMEWORK

19.1 Risk management framework

The Fund's activities expose it to a variety of financial risks, market risk, credit risk and liquidity risk.

The Fund's Board of Directors has an overall responsibility for the establishment and oversight of the Fund's risk management framework.

Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the Fund's constitutive documents and the regulations and directives of the SECP. The policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The audit committee oversees how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The audit committee is assisted in its oversight role by the internal audit. The internal audit undertakes regular reviews of risk management controls and procedures and the results of which are reported to the audit committee.

Asset purchases and sales are determined by the Fund's Investment Manager, who has been authorised to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Committee. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets within prescribed time limits.

19.2 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by SECP.

19.2.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

19.2.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

As of June 30, 2024, the Fund is exposed to such risk in respect of bank balances and investment in debt securities. The bank balances are subject to interest rates as declared by the respective banks on periodic basis. Debt securities are subject to floating interest rates other than Government securities which are subject to fixed interest rates. The sensitivity of the income or loss for the year is the effect of the assumed changes in interest rates on:

- the net interest income for one year, based on the floating rate financial assets held at the year end; and
- changes in fair value of investments for the year, based on revaluing fixed rate financial assets at the year end.

The following table demonstrates the sensitivity of Fund's income/(loss) for the year to a reasonably possible change in interest rates, with all other variables held constant. In practice, the actual results may differ from the sensitivity analysis.

<i>Change in Basis Point</i>	<i>Effect on Income</i>	
	<i>2024</i>	<i>2023</i>
	<i>-----Rupees-----</i>	
+ 100	85,464,998	70,801,366
- 100	(85,464,998)	(70,801,366)

Yield/interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

	<i>-----June 30, 2024-----</i>				
	<i>Exposed to Yield / interest rate risk</i>				<i>Total</i>
	<i>Up to Three months</i>	<i>More than three months and up to one year</i>	<i>More than one year</i>	<i>Not exposed to Yield / interest rate risk</i>	
	<i>----- Rupees -----</i>				
<i>On-Balance Sheet</i>					
<i>Financial Assets</i>					
Balance with banks	14,314,976	-	-	-	14,314,976
Investments	-	-	840,335,000	-	840,335,000
Accrued income / profit	-	-	-	47,774,624	47,774,624
Security Deposit	-	-	-	150,000	150,000
	14,314,976	-	840,335,000	47,924,624	902,574,600
<i>Financial Liabilities</i>					
Payable to 786 Investments Limited - Management Company	-	-	-	2,900,986	2,900,986
Payable to Digital Custodian Company Limited - Trustee	-	-	-	152,248	152,248
Payable to Securities and Exchange Commission of Pakistan	-	-	-	72,682	72,682
Unclaimed dividend	-	-	-	3,288,598	3,288,598
Accrued expenses and other liabilities	-	-	-	16,930,162	16,930,162
<i>On-Balane Sheet Gap</i>	-	-	-	23,344,676	23,344,676

There is no off-balance sheet financial instrument that exist as at year end June 30, 2024.



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

	-----June 30, 2023-----				
	<i>Exposed to Yield / interest rate risk</i>				
	<i>Up to Three months</i>	<i>More than three months and up to one year</i>	<i>More than one year</i>	<i>Not exposed to Yield / interest rate risk</i>	<i>Total</i>
	----- Rupees -----				
<i>On-Balance Sheet</i>					
<i>Financial Assets</i>					
Balance with banks	72,439,135	-	-	-	72,439,135
Investments	-	-	635,574,526	-	635,574,526
Accrued income / profit	-	-	-	24,705,927	24,705,927
Security Deposit	-	-	-	150,000	150,000
	72,439,135	-	635,574,526	24,855,927	732,869,588
<i>Financial Liabilities</i>					
Payable to 786 Investments Limited - Management Company	-	-	-	2,273,915	2,273,915
Payable to Digital Custodian Company Limited - Trustee	-	-	-	136,988	136,988
Payable to Securities and Exchange Commission of Pakistan	-	-	-	176,710	176,710
Unclaimed dividend	-	-	-	2,023,960	2,023,960
Accrued expenses and other liabilities	-	-	-	7,187,839	7,187,839
On-Balane Sheet Gap	-	-	-	11,799,412	11,799,412

There is no off-balance sheet financial instrument that exist as at year end June 30, 2023.

19.2.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At present, the Fund is not exposed to price risk.

19.3 Credit Risk

Credit risk represent the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investments and balances with banks. The Fund does not foresee any credit risk with respect to GOP Ijarah Sukuks since these are securities issued by State Bank of Pakistan on behalf of the Government of Pakistan. The credit risk on other financial assets is limited because the counter parties are mainly companies/ financial institution with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by investment committee) require the Fund to invest in debt securities that have been rate as investment grade by a well known rating agency.

19.3.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2024.

<i>Name of Bank</i>	<i>Rating agency</i>	<i>Latest published rating</i>		<i>Percentage of bank balance</i>
		<i>Short term</i>	<i>Long term</i>	
Dubai Islamic Bank Limited	JCR-VIS	A1+	AA	98.18%
U-Bank Pakistan Limited	PACRA	A1	A+	1.77%
Bank Islami Pakistan Limited	PACRA	A1	AA-	0.04%

Sukuks other than GOP Ijara Sukuks



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

<i>Name of issuer/issue date</i>	<i>Rating agency</i>	<i>Latest published rating of the instrument</i>	<i>Percentage of Sukuks</i>
Pakistan Elecron Ltd. (27-3-2024)	PACRA	A+	24.40%
Mughal Iron & Steel Industries Ltd. Sukuk II (27-12-23)	PACRA	AA-	20.23%
K-Electric Ltd. - STS 24 (28-3-2024)	PACRA	AA	14.88%
OBS Pharma (Private) Ltd. (29-02-2024)	JCR-VIS	A+	13.69%
PTCL STS II (18-01-2024)	JCR-VIS	AAA	13.09%
PTCL STS III (19-03-2024)	JCR-VIS	AAA	12.38%
Agha Steel Industries Limited (17-08-2023)	JCR-VIS	D	0.97%
Bankislami Pakistan Limited Sukuk 11 (21-02-2024)	PACRA	A	0.38%

Concentration of credit risk

Concentration of risk exists arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly effect by changes in economic, political or other conditions. The Fund's portfolio of the financial instruments is mainly held with various banks, securities issued by State Bank of Pakistan on behalf of the Government of Pakistan and certain privately placed sukuks.

19.3.2 Liquidity Risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, for equity securities at fair value through income statement, the period in which those assets are assumed to mature is taken as the expected date on which these assets will be realized.

<i>2024</i>	<i>Within 1 Month</i>	<i>1 to 3 Months</i>	<i>3 to 12 Months</i>	<i>1 to 5 Years</i>	<i>More than 5 years</i>	<i>Total</i>
<i>----- Rupees -----</i>						
Financial Liabilities						
Payable to 786 Investments Limited - Management Company	2,711,496	-	-	-	-	2,711,496
Payable to Digital Custodian Company Limited - Trustee	134,733	-	-	-	-	134,733
Payable to Securities and Exchange Commission of Pakistan	72,682	-	-	-	-	72,682
Unclaimed dividend	3,288,598	-	-	-	-	3,288,598
Accrued expenses and other liabilities	659,850	-	-	-	-	659,850
	6,867,356	-	-	-	-	6,867,359



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

2023	<i>Within 1 Month</i>	<i>1 to 3 Months</i>	<i>3 to 12 Months</i>	<i>1 to 5 Years</i>	<i>More than 5 years</i>	<i>Total</i>
----- Rupees -----						
<i>Financial Liabilities</i>						
Payable to 786 Investments Limited - Management Company	2,095,834	-	-	-	-	2,095,834
Payable to Digital Custodian Company Limited - Trustee	121,228	-	-	-	-	121,228
Payable to Securities and Exchange Commission of Pakistan	-	176,710	-	-	-	176,710
Unclaimed dividend	2,023,960	-	-	-	-	2,023,960
Accrued expenses and other liabilities	662,540	-	-	-	-	662,540
	<u>4,903,562</u>	<u>176,710</u>				<u>5,080,272</u>

20 UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit Holders' Fund is represented by redeemable units. The unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit as of the close of the business day less any back end load, provision for transaction cost and any provision for duty and charge, if applicable. The relevant movements are shown on the 'Statement of Movement in Unit holder's Fund.

The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.

The Fund's objective when managing unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to seek maximum preservation of unit holders' fund and an optimum rate of return by investing in avenues having good credit rating and liquidity and to maintain a strong capital base to support the development of the investment activities of the Fund.

In accordance with the risk management policies, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

The Fund meets the requirements of sub-regulation 54(3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all times during the life of the scheme.

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

"Fair Value Measurement" defines fair value as 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.

Underlying the definition of fair value is the presumption that the Fund 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.

The fair value of financial assets and liabilities traded in active market are based on the quoted market price at the close of trading on the period end date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the carrying values as the items are either short-term in nature or periodically repriced.

Debt Securities

These are valued at the rates notified by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular 1 of 2009. The said circular prescribes a valuation methodology which in case of currently traded securities, is based on weighted average prices during the 15 days preceding the valuation date and in case of thinly or non-traded securities, on the basis of discount coupon method which takes into consideration credit risk and maturities of the instruments.

Government Securities

These are valued by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

The fair value of other assets and liabilities of the Fund approximate their carrying amount largely due to short term maturities of these instruments.



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

21.1 Fair Value Hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	30-Jun-23					
	Carrying amount			Fair value		
	At amortised cost	FVTOCI	Total	Level 1	Level 2	Level 3
-----Rupees-----						
<i>Financial assets measured at fair value</i>						
<i>Investments</i>						
Unlisted - Sukuk certificates -		635,574,526	635,574,526	635,574,526	-	-
	-	635,574,526	635,574,526	635,574,526	-	-
<i>Financial assets not measured at fair value</i>						
Balances with banks	72,439,135	-	72,439,135			
Accrued income/profit 24,705,927		-	24,705,927			
Security deposits	150,000	-	150,000			
	97,295,062	-	97,295,062			

	Carrying amount		
	At amortised cost	FVTOCI	Total
	-----Rupees-----		
<i>Financial liabilities not measured at fair value</i>			
Payable to 786 Investments Limited - Management Company	2,095,834	-	2,095,834
Payable to Digital Custodian Company Limited - Trustee	121,228	121,228	
Payable to Securities and Exchange Commission of Pakistan	176,710	176,710	
Unclaimed dividend	2,023,960	-	2,023,960
Accrued expenses and other liabilities	662,540	662,540	
	5,080,272	-	5,080,272

21.1.1 Investment in sukuk 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).

21.1.2 The Fund 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.



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

22 SUPPLEMENTARY NON FINANCIAL INFORMATION

22.1 Pattern of Unit Holding

	<i>As at 30 June 2024</i>			<i>As at 30 June 2023</i>		
	<i>Number of Unit Holders</i>	<i>Investment Amount</i>	<i>Percentage Investment</i>	<i>Number of Unit Holders</i>	<i>Investment Amount</i>	<i>Percentage Investment</i>
----- Rupees -----						
Individuals	711	144,428,653	16.43%	714	95,288,021	13.21%
Associated Companies & Directors	3	437,287,608	49.74%	8	355,860,299	49.35%
Insurance Companies	1	100,169,574	11.39%	2	100,213,299	13.90%
Retirement Funds	6	10,789,704	1.23%	5	7,985,660	1.11%
Others	29	186,554,385	21.22%	25	161,722,897	22.43%
	750	879,229,924	100.00%	754	721,070,176	100.00%

22.2 Details of Investment Committee

<i>Name of Member</i>	<i>Designation</i>	<i>Qualification</i>	<i>Experience</i>
Ms. Tara Uzra Dawood	Chief Executive Officer	Doctorate of Juridical Science	20 years
Mr. Noman Shakir	Chief Financial Officer and Company Secretary	ACMA	14 years
Mr. Muhammad Abbas	Fund Manager	MBA Finance	24 years
Mr. Muhammad Ali	Head of Compliance	MA Economic	3 years

22.3 Details of Fund Manager

Mr. Muhammad Abbas is fund manager of 786 smart fund.

23 Details of Board of Director's meetings

<i>Name of Director</i>	<i>September 27, 2023</i>	<i>October 24, 2023</i>	<i>February 28, 2024</i>	<i>April 29, 2024</i>
Mr. Ahmed Salman Munir	Present	Present	Present	Present
Miss Tara Uzra Dawood	Present	Present	Present	Present
Syed Shabhat Hussain	Present	Present	Present	Present
Mr. Naveed Ahmed	Present	Present	Present	Present
Syed Musharaf Ali	Present	Present	Present	Present
Mr. Iqbal Shafiq	Present	Present	Present	Present
Mr. Ahmer Zia Sarwar	Absent	Present	Present	Present

24 NUMBER OF EMPLOYEES

The total number of employees at year-end was 10 (2023: 9), and the average number of employees during the year was 9 (2023: 7)

25 GENERAL

Figures have been rounded off to the nearest rupee.



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the board of directors of the Management Company on September 18, 2024.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

PERFORMANCE TABLE / KEY FINANCIAL DATA

	Year					
	2024	2023	2022	2021	2020	2019
Net Assets (Rs in million)	879.23	721.07	589.33	746.11	626.50	445.69
Net Asset Value per Units (Rs.)	83.53	82.41	81.72	81.18	81.00	80.43
Offer Price per Unit	84.37	83.23	82.54	81.99	81.81	81.23
Redemption Price per Unit	83.53	82.41	81.72	81.18	81.00	80.43
Number of Units	10,526,352	8,750,090	7,212,002	9,190,455	7,734,563	5,541,116
Net Profit for the year (Rs in million)	253.58	142.86	87.59	31.35	50.32	50.43
<i>Income Distribution (Rs in million)</i>						
Final	137.26	91.57	41.95	31.29	49.34	80.54
Interim	-	-	-	-	-	-
<i>Average Annual Return (%)</i>						
	23.01%	16.80%	10.42%	5.12%	10.93%	11.12%



786 Smart Fund

PROXY ISSUED BY THE FUND

The proxy voting policy of Fund, duly approved by Board of Directors of the Management Company, is available on the website of 786 Investments Limited i.e. <http://www.786investments.com> A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

Resolutions	For	Against	Abstain
Number (%ages)	NIL	NIL	NIL



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If undelivered, please return to:
786 SMART FUND
G-3, B.R.R. Tower,
Hassan Ali Street,
Off I.I. Chundrigar Road,
Karachi - 74000 Pakistan



Managed By:
786 Investments Limited

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