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**786 INVESTMENTS LIMITED**



**786 SMART FUND**

**ANNUAL REPORT  
2021**



786 Smart Fund

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## CORPORATE INFORMATION

<b>Management Company</b>	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	
<b>Board of Directors</b>	Ms. Shafqat Sultana Miss Tara Uzra Dawood Ms. Charmaine Hidayatullah Mr. Ahmed Salman Munir Syed Shabahat Hussain Mr. Naveed Ahmed Syed Musharaf Ali	Chairperson Chief Executive Officer Director Director Director Director (Subject to SECP Approval) Director (Subject to SECP Approval)
<b>Chief Financial Officer &amp; Company Secretary</b>	Mr. Noman Shakir	
<b>Audit Committee</b>	Syed Shabahat Hussain Mr. Naveed Ahmed Syed Musharaf Ali	Chairman Member (Subject to SECP Approval) Member (Subject to SECP Approval)
<b>Human Resource Committee</b>	Ms. Shafqat Sultana Miss Tara Uzra Dawood Mr. Naveed Ahmed	Chairperson Member Member (Subject to SECP Approval)
<b>Trustee:</b>	Digital Custodian Company Limited (formerly: MCB Financial Services Limited) 4th Floor, Pardasi House, 2/1 R-Y old Queens Road, Karachi	
<b>Auditors</b>	Grant Thornton Anjum Rahman Chartered Accountants	
<b>Legal Advisor</b>	Rauf & Ghaffar Law Associates (Advocates & Consultants) Suite # 65, 5th Floor, Fareed Chamber, Abdullah Haroon Road, Saddar – Karachi, Pakistan.	
<b>Registrars</b>	F.D. Registrar Services (Pvt.) Ltd. Office# 1705, 17th Floor Saima Trade Tower. A, I.I. Chundrigar Road, Karachi-74000, Pakistan.	
<b>Banker:</b>	Dubai Islamic Bank Limited BankIslami Pakistan Limited	
<b>Rating</b>	PACRA: AA-(f)	



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### ***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.*



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## 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, 2021.

### **Economic & Money Market Review:**

Pakistan's economy has recovered from the effects of the Corona Virus epidemic, as has the rest of the world. The government's stability efforts resulted in an increase in macroeconomic statistics, with the economy growing by 3.94 percent in fiscal year 2021, compared to 0.48 percent in fiscal year 2020. In the financial year 2021, the SBP maintained its policy rate of 7.00 percent. The government created the Roshan Digital Account (RDA) for Pakistanis living abroad, which has brought in more than USD 1.50 billion in the current fiscal year.

As a result of the government's actions, Pakistan's current account had a surplus of USD 153 million as of May 31, 2021, compared to a deficit of USD 4.33 billion the previous year. However, due to increasing economic activity, the entire trade deficit grew to USD 29.99 billion in 11 months this fiscal year, up from USD 27 billion the previous year.

### **Fund Performance**

As at June 30, 2021, net assets were PKR 746.107 million as compared to PKR 626.50 million as at June 30, 2020. Total operating income for the year was PKR 44.92 million as compared to PKR 62.97 million for the same period last year. Total expenses during the year were PKR 13.565 million as compared to PKR 12.65 million last year. The net profit for the financial year 2021 was PKR 22.536 million, as compared to PKR 39.24 million last year. The Net Asset Value per unit was PKR 81.1828 as at June 30, 2021.

Corporate Governance and Financial Reporting Framework

The Directors are pleased to state as follows:

- The financial statements, prepared by the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity. Proper books of account have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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.
- The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- There are no significant doubts upon the company's ability to continue as a going concern.
- 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.
- There has been no trading during the year in the units of the Fund carried out by the Directors, Chief Executive Officer, Company Secretary and their spouses and their minor children except as disclosed in the relevant notes to the financial statement.
- There is no statutory payment on account of taxes, duties, levies and charges outstanding.
- 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: 4  
b) Female: 3

The Composition of board is as follows:

Category	Numbers
Independent Directors	04
Executive Director	01
Non-Executive Directors	02
Female Directors	03



## 786 Smart Fund

### 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. Shafqat Sultana	4	4	-
Ms. Tara Uzra Dawood	4	4	-
Ms. Charmaine Hidayatullah	4	2	2**
Mr. Tahir Mehmood	4	4	-
Syed Farhan Abbas	4	4	-
Syed Shababat Hussain	4	4	-
Ahmed Salman Munir	4	4	-

\*\*Leave of absence was granted.

### 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 Shababat Hussain	4	4	-
Mr. Tahir Mehmood	4	4	-
Syed Farhan Abbas	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 30 to the financial statements.

### Auditors

The "Auditors M/s Grant Thornton Anjum Rahman stands retired and 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 statutory auditors for the year ending June 30, 2022 and the Board have endorsed the communication, subject to appointment in Annual General Meeting and NOC from retiring auditor."

### Dividend

The Board of Directors has announced a cash dividend to unitholders of PKR 4.2599 per unit for the year ended June 30, 2021, which comes out to be 4.26% of the par value per unit of PKR 100.

### Sales and Redemption Units

4,550,285 units worth Rs. 379.48 million were issued in the current year (2020: 5,924,775 units worth Rs. 501.91 million) and 3,094,393 units worth Rs. 259.727 were redeemed in the current year (2020: 3,731,328 units worth Rs. 322.36 million). As of June 30, 2021, the total number of outstanding units was 9,190,455 valued as Rs. 746.107 million.

### Events after the Balance Sheet Date

There was no subsequent event after the Balance sheet date but only the election of directors taken place as of July 30, 2021. As a result of the election, the following Directors have been elected which is subject to commission approval.



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Category	Names	Designation
Independent Directors	Ms. Shafqat Sultana Syed Shabaha Hussain Mr. Ahmed Salman Munir	Chairperson Director Director
Executive Director	Ms. Tara Uzra Dawood	Chief Executive Officer
Non - Executive Directors	Syed Farhan Abbas Mr. Naveed Ahmed Mr. Tahir Mehmood	Director Director
Female Directors	Ms. Shafqat Sultana Ms. Tara Uzra Dawood	Chairperson Chief Executive Officer

However, the following Directors have resigned from their position as directors' Syed Farhan Abbas & Mr. Tahir Mehmood and in the occurrence of a casual vacancy, the following name has been appointed as director of the company Ms. Charmaine Hidayatullah & Syed Musharaf Ali as on dated September 21, 2021. According to section 158, the subsequent Directors are not yet approved by the SECP. So in that connection, Directors so retiring shall continue to perform their functions until their successors elected in EOGM endorsed and approved by the SECP.

**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.

\_\_\_\_\_  
Director

\_\_\_\_\_  
Shafqat Sultana  
Chairperson

September 28, 2021  
Karachi.



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### بعد از تبلیغ شیٹ واقعات

تبلیغ شیٹ کی تاریخ کے بعد، کوئی واقعہ رونما نہیں ہوا، لیکن صرف 30 جولائی 2021 کو ڈائریکٹرز کے انتخابات منعقد ہوئے ہیں۔ انتخابات کے نتیجے میں، درج ذیل ڈائریکٹرز منتخب ہوئے جو کہ کمیشن کی منظوری سے مشروط ہے:

کیٹگری	نام	عہدہ
آزاد ڈائریکٹر	محترمہ شفقت سلطانہ سید شہادت حسین جناب احمد سلمان منیر	چیئر پرسن ڈائریکٹر ڈائریکٹر
ایگزیکٹو ڈائریکٹر	محترمہ تارا عزراد اود	چیف ایگزیکٹو آفیسر
نان ایگزیکٹو ڈائریکٹر	سید فرحان عباس جناب نوید احمد جناب طاہر محمود	ڈائریکٹر ڈائریکٹر ڈائریکٹر
خاتون ڈائریکٹر	محترمہ شفقت سلطانہ محترمہ تارا عزراد اود	چیئر پرسن چیف ایگزیکٹو آفیسر

تاہم، درج ذیل ڈائریکٹرز سید فرحان عباس اور جناب طاہر محمود اپنی ڈائریکٹر کے عہدہ سے مستعفی ہو گئے ہیں اور ان کی خالی آسامی پر مورخہ 21 ستمبر 2021 کو درج ذیل نامی محترمہ چارماکن ہدایت اللہ اور سید مشرف علی کو بطور ڈائریکٹر مقرر کیا گیا ہے۔

سکشن 158 کے مطابق، آنے والے ڈائریکٹرز کو ابھی تک ایس ای سی پی نے منظور نہیں کیا ہے۔ لہذا اس سلسلے میں، ریٹائر ہونے والے ڈائریکٹرز اپنے فرائض انجام دیتے رہیں گے جب تک کہ EOGM میں منتخب ہونے والے ان کے جانشین ایس ای سی پی کی توثیق اور منظوری نہیں لے لیتے۔

### اظہار تشکر

مینیجمنٹ کمپنی 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 زعم بگن اور محنت پر کمپنی کے ملازمین اور انتظامیہ کا اور کمپنی میں اعتماد پر شہر ہولڈرز کا بھی شکریہ ادا کرتے ہیں۔

شفقت سلطانہ

چیئر پرسن

ڈائریکٹر

کراچی: 28 ستمبر 2021ء



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### 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 شفقت سلطانہ	4	4	-
محترمہ متارہ عزراد اؤد	4	4	-
محترمہ چارمائن ہدایت اللہ	4	2	2**
جناب طاہر محمود	4	4	-
سید فرحان عباس	4	4	-
سید شہباز حسین	4	4	-
احمد سلمان منیر	4	4	-

\*\* غیر حاضری کی چھٹی دی گئی۔

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
جناب سید شہباز حسین	4	4	-
جناب طاہر محمود	4	4	-
سید فرحان عباس	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 30 میں دستیاب ہیں۔

### آڈیٹرز

موجودہ آڈیٹرز، گرانٹ تھورنٹن ایم رحمان ریٹائر ہو گئے اور Reanda ہارون زکریا اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹ کی حیثیت سے کام کرنے کی رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2022 کو ختم ہونے والے سال کے لئے قانونی آڈیٹرز کی حیثیت سے ان کی تقرری کی سفارش کی ہے اور بورڈ نے سالانہ اجلاس عام میں منظوری اور ریٹائر ہونے والے آڈیٹرز سے این اوسی کے حوالہ سے توثیق کی ہے۔

### ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 4,259,920 روپے فی یونٹ نقد منافع تقسیم کرنے کا اعلان کیا ہے۔ جو 100 روپے کے فی یونٹ مساوی قیمت کا 4.26 فیصد بنتا ہے۔

### سیلز اینڈ ریڈیمپشن یونٹ

موجودہ سال میں 379,48 ملین روپے مالیت کے 4,550,285 یونٹ جاری ہوئے (2020: 5,924,775 یونٹ جسکی مالیت 501.91 ملین روپے) اور موجودہ سال میں 259,727 ملین روپے مالیت کے 3,094,393 یونٹ واگزار کرائے گئے (2020: 3,731,328 یونٹ جس کی مالیت 322.36 ملین روپے)۔ 30 جون، 2021 کو، بقایا پونڈ کی کل تعداد 9,190,455 تھی جس کی مالیت 746.107 ملین روپے ہے۔



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## میںجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

786 سمارٹ فنڈ کی مینجمنٹ کمپنی، 786 انویسٹمنٹ لمیٹڈ (786 یا دی کمپنی) کے بورڈ آف ڈائریکٹرز 30 جون 2021 کو ختم ہونے والے سال کی سالانہ رپورٹ اور نظر ثانی شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

### اقتصادی اور ممالک کا جائزہ

پاکستان کی معیشت باقی دنیا کی طرح کورونا وائرس کی وبا کے اثرات سے نکل چکی ہے۔ حکومت کی استحکام کی کوششوں کے نتیجے میں معاشی اعداد و شمار میں اضافہ ہوا، مالی سال 2020 میں 0.48 فیصد کے مقابلے مالی سال 2021 میں معیشت کی نمو 3.94 فیصد ہوئی۔ مالی سال 2021 میں، اسٹیٹ بینک پاکستان نے اپنی پالیسی شرح 7.00 فیصد برقرار رکھی۔ حکومت نے بیرون ملک منہم پاکستانیوں کے لیے روٹن ڈیپازیشن اکاؤنٹ (آر ڈی اے) قائم کیا، جس سے رواں مالی سال میں 1.50 بلین ڈالر سے زائد کی آمدنی ہوئی ہے۔

کھوئی اقدامات کے نتیجے میں، پاکستان کے کرنٹ اکاؤنٹ میں 31 مئی، 2020 تک 153 بلین امریکی ڈالر کا سرپلس تھا، جبکہ پچھلے سال 4.33 بلین ڈالر کا خسارہ تھا۔ تاہم، بڑھتی ہوئی معاشی سرگرمیوں کی وجہ سے، رواں مالی سال کے 11 ماہ میں تمام تجارتی خسارہ بڑھ کر 29.99 بلین امریکی ڈالر ہو گیا جو کہ پچھلے سال 27 بلین ڈالر تھا۔

### فنانس کی کارکردگی

30 جون 2020 کو 626.50 بلین روپے کے مقابلے 30 جون 2021 میں خالص اثاثے 746.107 بلین روپے رہے۔ گزشتہ سال کی اسی مدت میں 62.97 بلین روپے کے مقابلے کل آپریٹنگ آمدنی 44.92 بلین روپے ہوئی۔ گزشتہ سال کی اسی مدت میں 12.65 بلین روپے کے مقابلے کل اخراجات 13.565 بلین روپے ہوئے۔ گزشتہ سال کی اسی مدت میں 39.24 بلین روپے کے مقابلے مالی سال 2021 کے لئے خالص منافع 22.536 بلین روپے ہوا ہے۔ 30 جون 2021 کو فیونڈ نیٹ ایسٹ قدر 81.1828 روپے ہے۔

کارپوریٹ گورننس اور مالیاتی رپورٹنگ کا دائرہ کار

ڈائریکٹرز بخوشی بیان کرتے ہیں کہ:

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریٹنگ کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- 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۔
- 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۔
- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے گورنگ کسٹرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- کارپوریٹ گورننس کے بہترین عمل سے کوئی مادی انحراف نہیں کیا گیا ہے سوائے جن کا مالی گوشواروں کے ساتھ شلک قبلی بیان میں انکشاف کیا گیا۔
- فنڈ کے ایسٹس میں کسی ڈائریکٹر، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری اور ان کے ذریعہ ان کے بائیلگ بچوں کی طرف سے سال کے دوران کوئی تجارت نہیں کی گئی سوائے جن کا مالی گوشواروں سے متعلق نوٹس میں انکشاف کیا گیا۔

- میکسیر، ڈیویٹیز، لیویز اور بٹا یا چارجز کی مد میں کوئی قانونی ادائیگی نہیں ہے۔

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

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

- (a) - مرد 4  
(b) - خاتون 3

بورڈ کی ترتیب درج ذیل ہے:

کے بیگاری	تعداد
آزاد ڈائریکٹر	04
ایگزیکٹو ڈائریکٹر	01
نان ایگزیکٹو ڈائریکٹر	02
خاتون ڈائریکٹر	03



786 Smart Fund

## **REPORT OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2021**

Description of Collective Investment Scheme Category and Type:  
Income Scheme/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 at June 30, 2021, net assets were Rs. 746.107 million as compared to Rs. 626.50 million as at June 30, 2020. Total operating income for the year was Rs. 44.92 million as compared to Rs. 62.97 million for the same period last year. Total expenses during the year were Rs. 13.565 million as compared to Rs. 12.65 million last year. The net profit for the financial year 2021 was Rs. 22.536 million, as compared to Rs. 39.24 million last year. The Net Asset Value per unit was Rs. 81.1828 as at June 30, 2021.

### **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

	<b>YTD Return</b>	<b>YTD Bench Mark</b>
FY 2021	5.12%	3.11%
FY 2020	10.93%	6.41%

<b>Asset Allocation</b>	
TFC / Sukuk	6.62%
Bank Balances	79.45%
Term Deposit Receipt (TDR)	13.08%
Others	3.01%

<b>Asset Quality 2021</b>	
AA	79.36%
AA-	3.54%
A+	16.24%
Unrated	0.86%

### **Changes in Total NAV And NAV Per Unit Since the Last Review Period**

<b>Net Assets Value</b>			<b>NAV per unit</b>	
<b>June 30, 2020</b>	<b>June 30, 2021</b>	<b>Change in %</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>
<b>445,691,772</b>	<b>746,107,123</b>	<b>19.09%</b>	<b>81.00</b>	<b>81.18</b>



## 786 Smart Fund

### 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 Rs. 4.2599 per unit for the year ended June 30, 2021, which comes out to be 4.25% of the par value per unit of Rs. 100.

## PATTERN OF UNIT HOLDING

### Details of Pattern of Holdings (Units)

786 Smart Fund  
As at June 30, 2021

Number Of Certificateholders	Certificate Holding		Number Of Certificates
	From	To	
675	0.0001	- 9,999.9999	261,016
9	10,000	- 49,999.9999	245,303
5	50,000	- 99,999.9999	345,783
7	100,000	- 499,999.9999	1,865,760
3	5,000,00	- 999,999.9999	2,094,347
-	10,000,000	- 1,499,999,999	-
2	15,000,000	- 1,999,999,999	4,378,246
<b>701</b>			<b>9,190,455</b>

### Economic & Money Market Review:

Pakistan's economy has recovered from the effects of the Corona Virus epidemic, as has the rest of the world. The government's stability efforts resulted in an increase in macroeconomic statistics, with the economy growing by 3.94 percent in fiscal year 2021, compared to 0.48 percent in fiscal year 2020. In the financial year 2021, the SBP maintained its policy rate of 7.00 percent. The government created the Roshan Digital Account (RDA) for Pakistanis living abroad, which has brought in more than USD 1.50 billion in the current fiscal year.

As a result of the government's actions, Pakistan's current account had a surplus of USD 153 million as of May 31, 2021, compared to a deficit of USD 4.33 billion the previous year. However, due to increasing economic activity, the entire trade deficit grew to USD 29.99 billion in 11 months this fiscal year, up from USD 27 billion the previous year.

### 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

bn which is 13.3% higher than same period last year.

The industrial and services sectors has been estimated at -2.6% mainly due to a -8.8% and -7.8% plunge in the mining & quarrying and large-scale manufacturing sectors respectively. The services sector was also significantly impacted due to the lockdown situation in the country, especially the Wholesale & Retail Trade and Transport Sectors, which declined by -3.4% and -7.1% respectively. To stimulate growth, the government has announced a PKR1.2 tn fiscal stimulus package and a construction industry related package which includes tax exemptions, an amnesty scheme and PKR30 bn subsidy.

E-Commerce in FY20 the government approved the first-ever E-Commerce (EC) policy framework. SBP states that Pakistan can increase its GDP by USD36 bn and create 4mn jobs by 2025 via an increase in the use of digital financial services alone. Privatization

During FY20, the government decided to privatize 33 state owned entities including six public sector enterprises. During FY20, some CPEC projects achieved their commercial operation date. These include the Hubco & Engro Coal Projects, as well as substantial portions of road projects namely the Peshawar- Karachi motorway & KKH Phase-II road. Given the impacts of the COVID-19 pandemic, sustaining the focus and pace on CPEC, in its present state, seems difficult.

Pakistan's current account deficit shrunk to USD3.3 bn in 10m20, as in contrast to USD11.5 bn in the identical period last year, registering a decline of 71%. This contraction is attributable to a reduction in imports by means of 17% and will increase in remittances by means of 5.6%. Over the last five years, remittances have grown by way of a CAGR of approximately 7% providing robust support to current account balance in opposition to trade deficit. During the period 10m20, remittances grew by means of 5.5% to USD19 bn in contrast to USD18 bn in 10m19. The average CPI for 11m20 was 10.9%, as in contrast to the average inflation of 6.7% at some point of the identical period last year. IMF forecasts inflation to reduce to 9% in the following year. Pakistan's total revenue registered a growth of 31% during 9m20, while expenditure increased by 16% resulting in decline in the fiscal deficit from 5.1% in 9m19 to 4% in 9m20.

### **Money Market Review:**

The average inflation rate in Pakistan stood at approx.11% for 11m20. The inflation peaked to 14.6% on January 20 which was a end result of energy tariff adjustments and the adoption of the market-based exchange rate. A downward trend was determined in inflation after January, whereby, it reduced in size to 8.2% on May 20 registering a drop of 6% in the closing 4 months due to declining oil prices and falling demand due to pandemic. The rate of decline, however, decreased on May 20 in contrast to prior months as a end result of a spike in prices of some essential food items offsetting the influence of reduced petroleum product prices. The declining inflation rate has given room to SBP which has aggressively slashed the policy rate to 8%. The policy price was once kept on the greater side at 13.25% from July 19 until March 20 to contain inflation.

The depreciation of PKR for the 11m20 towards USD was 3.2% as compared to 21.7% the identical period last year. On April 20, PKR recorded its historic low of 167.9 towards USD exceptionally reflecting the ongoing COVID-19 crisis and the reduction in the policy rate.

In secondary markets, T-bill 3 months, 6 months and 12 months yields were down in the range of 60bps to 89bps, whereas a mixed trend was witnessed in PIB yields. PIB 3 years was down by 4 bps (7.53%), 5 years yield was up by 20 bps to 8.11% and 10 years PIB yield was also increased by 18 bps to close at 8.69%. In the primary market, two T-bill auctions and PIB oater auctions were conducted closing of the year 2020. In total Rs. 390 billion were accepted against a target and maturity of Rs. 520 billion & Rs.485 billion respectively. A Fixed-rate PIB auction was also conducted in which participation was witnessed at Rs. 177 billion against a target of Rs. 140



786 Smart Fund

billion; SBP accepted Rs. 112 billion across all tenors.

The country's total foreign exchange reserves fell 10% to USD16.9 bn on May 20 placing extra pressure on the currency due to outflows. Post COVID-19 crisis, remittances being a fundamental support for the CAD of Pakistan are predicted to decline due to the sluggish growth in advanced economies thereby having a negative impact on PKR.

### **Future Outlook**

The financial year 2021 is expected to continue to be underneath the shadow of the pandemic. The IMF has anticipated a tremendous increase of 2% but this seems constructive at this stage. Inflation is expected to stay low as given the suppressed demand and falling global commodity prices. SBP policy rate is predicted to be reduced similarly given the decrease inflation blended with the need to jump-start the economy. PKR is expected to depreciate in addition towards the USD. The extent of such depreciation relies upon mainly on debt restructuring initiatives.

Remittances are expected to be lower due to the negative impact on the Pakistani employees in Middle Eastern countries both due to the pandemic as well as declining oil prices. Exports are expected to be extensively impacted in the coming fiscal 12 months on the grounds that Pakistan's main export destinations, China, UK, US, France, Italy, Spain, and Germany, are among the countries most affected through the COVID-19 pandemic. Imports are expected to remain suppressed due to decrease economic undertaking and decreased oil prices. Compliance with FATF conditionalities continues to be an essential factor and whilst the government is confident, all efforts need to be made to obtain most feasible compliance ahead of the evaluation in September 2020.

### **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

**Details of Pattern of Holdings (Units)**  
**As at June 30, 2021**

<b>S. No.</b>	<b>Category</b>	<b>No of Unit Holders</b>	<b>Investment Amount</b>	<b>% of Total</b>
1	Directors	2	49,681,606	6.66%
2	Associated Companies	8	468,363,718	62.77%
3	Individuals	663	183,232,459	24.56%
4	Insurance	3	4,272,461	0.57%
5	Others	25	40,556,879	5.44%
	<b>TOTAL</b>	<b>701</b>	<b>746,107,123</b>	<b>100.00%</b>



786 Smart Fund

**DETAILS OF PATTERN OF HOLDINGS (UNITS)  
AS AT JUNE 30, 2021**

S. No.	Category	No of Unit Holders	Unit Held	Amount	% of Total
<b>1</b>	<b>Directors</b>				
	Ms. Tara Uzra Dawood, CEO	2	611,972	49,681,606	6.66
<b>2</b>	<b>Associated Companies</b>				
	786 Investment Limited	1	2,130,273	172,941,561	23.18
	BRR Guardian Modaraba	1	396,776	32,211,387	4.32
	First Dawood Investment Bank Ltd and Others				
	Employees Contributory Provident Fund	1	319,842	25,965,664	3.48
	Dawood Family Takaful Limited	3	2,892,909	234,854,435	31.48
	Dawood Family Takaful Limited -				
	Employees Contributory Provident Fund	1	61,339	4,979,660	0.67
	BRR Financial Services (Pvt.) Limited	1	29,968	2,432,870	0.33
<b>3</b>	<b>Individuals</b>	663	2,257,035	183,232,459	24.56
<b>4</b>	<b>Insurance Companies</b>	3	52,628	4,272,461	0.57
<b>5</b>	<b>Bank/DFIs</b>	-	-	-	-
<b>6</b>	<b>Modaraba / Mutual Funds</b>	-	-	-	-
<b>7</b>	<b>Others</b>	25	437,713	35,535,020	4.76
	<b>TOTAL</b>	<b>701</b>	<b>9,190,455</b>	<b>746,107,123</b>	<b>100.00</b>

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



September 10, 2021

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, 2021 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in 786 Smart Fund managed by 786 Investments are halal 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.

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

Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

**Al-Hilal Shariah Advisors (Pvt) Limited**

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Karachi, Pakistan, Tel : +92-21-35305931-37, Web: www.alhilalsa.com



## 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 (Formerly Dawood Income Fund), an open-end Scheme established under a Trust Deed dated April 08, 2003 executed between 786 Investments Limited, as the Management Company and Bank Al Habib Limited (BAHL), as the Trustee. In June 2011, BAHL retired and Digital Custodian Company Limited formerly MCB Financial Services Limited (MCBFSL) was appointed as the new trustee of the fund.

1. 786 Investments Limited, the Management Company of 786 Smart Fund (Formerly Dawood Income Fund) has, in all material respects, managed 786 Smart Fund (Formerly Dawood Income Fund) during the year ended 30<sup>th</sup> June 2021 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

Khawaja Anwar Hussain  
Chief Executive Officer

Digital Custodian Company Limited  
Formerly MCB Financial Services Limited

Karachi: September 28, 2021

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

**Report on the Audit of the Financial Statements**

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**Grant Thornton Anjum  
Rahman**

1st & 3rd Floor,  
Modern Motors House,  
Beaumont Road,  
Karachi, Pakistan.

**T** +92 21 35672951-56

**Opinion**

We have audited the financial statements of **786 Smart Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2021, and the income statement, statement of comprehensive income, statement of movements in unit holder's fund and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2021 and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards 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 Fund and the Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (the Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Net assets value (NAV)</b></p> <p>The balances with banks and investments constitute the most significant component of the net assets value (NAV). The balances with banks and investments as at June 30, 2021 amounted to Rs. 607.53 million and Rs. 150.59 million as disclosed in note 6 and 7 respectively.</p> <p>The proper valuation of balances with banks and investments for the determination of NAV of the Fund as at June 30, 2021 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"> <li>• Obtained an understanding of design effectiveness of the key controls on the investment and balances with bank.</li> <li>• Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2021 and reconciled it with the books and records of the Fund.</li> <li>• Re-performed valuation to assess that the investments are carried as per the valuation methodology specified in the accounting policies.</li> <li>• Obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> <li>• Assessed the adequacy of the respective disclosures and presentation in the financial statements as per applicable financial reporting framework.</li> </ul>

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or 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 Company and Board of Directors (the Board) for the Financial Statements**

The Management Company is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, 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, the Management is responsible for assessing the Fund'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 the Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of the Management Company is responsible for overseeing the Fund'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 auditing standards 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 Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- Conclude on the appropriateness of the 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 Fund'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 Fund 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 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 to the Board 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, 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 provisions of Non-Banking 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 **Muhammad Khalid Aziz**.

  
*Chartered Accountants*

Karachi  
Date: September 28, 2021



786 Smart Fund

**STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2021**

	Note	2021	2020
		-----Rupees-----	
<b>Assets</b>			
Balances with banks	6	607,530,032	548,128,655
Investments	7	150,592,202	86,625,682
Accrued income/profit	8	6,055,444	5,670,500
Security deposits	9	150,000	6,150,000
Advance Income tax	18	329,540	7,923,448
<b>Total Assets</b>		<b>764,657,218</b>	<b>654,498,285</b>
<b>Liabilities</b>			
Payable to 786 Investments Limited - Management Company	10	1,638,496	2,308,585
Payable to MCB Financial Services Limited - Trustee	11	102,891	85,649
Payable to Securities and Exchange Commission of Pakistan	12	117,824	124,256
Unclaimed dividend		1,476,263	5,738,576
Accrued expenses and other liabilities	13	15,214,621	19,737,481
<b>Total Liabilities</b>		<b>18,550,095</b>	<b>27,994,547</b>
<b>Contingencies and commitments</b>	14		
<b>Net Assets</b>		<b>746,107,123</b>	<b>626,503,738</b>
<b>Unit holders' funds</b>		<b>746,107,123</b>	<b>626,503,738</b>
		(Number)	
<b>Number of units in issue</b>	15	<b>9,190,455</b>	<b>7,734,563</b>
		(Rupees)	
<b>Net assets value per unit</b>		<b>81.18</b>	<b>81.00</b>

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, 2021**

	2021	2020
Note	-----Rupees-----	
<b>Income</b>		
Net realized loss on sale of investments	(583,310)	-
Income from investments and balances with banks	40,878,837	54,571,445
Reversal of impairment on investment at fair value through other comprehensive income	4,188,789	8,377,578
Other income	434,901	21,818
	<b>44,919,217</b>	<b>62,970,841</b>
<b>Expenses</b>		
Remuneration to the management company	8,836,778	7,847,917
Sindh sales tax on remuneration to the management company	1,148,780	1,020,230
Accounting and operational charges	589,107	523,194
Remuneration to the trustee	883,687	784,793
Sindh sales tax on trustee fee	114,880	102,023
Annual fee to securities & Exchange Commission of Pakistan	117,824	104,642
Auditor's remuneration	452,487	452,487
Fees and subscription	180,163	188,090
Securities transactions cost	36,903	182,695
Printing and related charges	24,861	50,138
Legal and professional charges	304,013	278,291
Provision for Sindh Workers' Welfare fund	639,881	1,026,880
Withholding taxes - written off	218,789	76,500
Charity expense	-	2,714
Bank charges	17,512	13,107
	<b>13,565,665</b>	<b>12,653,701</b>
<b>Net income for the year before taxation</b>	<b>31,353,552</b>	<b>50,317,140</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>
<b>Net income for the year after taxation</b>	<b>31,353,552</b>	<b>50,317,140</b>
<b>Allocation of net income for the year</b>		
Net income for the period	31,353,552	50,317,140
Income already paid on units redeemed	(8,816,784)	(11,073,236)
<b>Accounting income available for distribution:</b>	<b>22,536,768</b>	<b>39,243,904</b>
	<b>(583,310)</b>	<b>-</b>
Relating to capital gain	<b>23,120,078</b>	<b>39,243,904</b>
Excluding capital gain	<b>22,536,768</b>	<b>39,243,904</b>

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, 2021**

	2021	2020
Note	-----Rupees-----	
Net income for the year after taxation	31,353,552	50,317,140
<i>Items that have been or may be re-classified subsequently to the income statement</i>	-	-
Unrealized (loss)/gain on revaluation of investments classified as fair value through other comprehensive income - net	7.4 (214,322)	278,050
<b>Total comprehensive income for the year</b>	<b>31,139,230</b>	<b>50,595,190</b>

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, 2021**

	2021				2020			
	Rupees				Rupees			
	Capital value	(Accumulated loss)/ Undistributed income	Unrealized (loss) on investment	Total	Capital value	(Accumulated loss)/ Undistributed income	Unrealized gains on investment	Total
Net assets at beginning of the year	766,034,989	(140,531,735)	1,000,484	626,503,738	587,946,959	(142,977,620)	722,434	445,691,773
<b>Issue of 4,550,285 Units (2020: 5,924,775 Units)</b>								
- Capital value (at net asset value per unit at the beginning of the year)	368,575,385	-	-	368,575,385	476,550,954	-	-	476,550,954
- Element of income	10,907,472	-	-	10,907,472	25,363,347	-	-	25,363,347
<b>Total proceeds on issuance of units</b>	<b>379,482,857</b>	<b>-</b>	<b>-</b>	<b>379,482,857</b>	<b>501,914,301</b>	<b>-</b>	<b>-</b>	<b>501,914,301</b>
<b>Redemption of 3,094,393 Units (2020: 3,731,328 Units)</b>								
- Capital value (at net asset value per unit at the beginning of the year)	(250,647,350)	-	-	(250,647,350)	(300,124,124)	-	-	(300,124,124)
- Amount paid out of element of income	-	(8,816,784)	-	(8,816,784)	-	(11,073,236)	-	(11,073,236)
- Refund/adjustment on units as element of income	(263,749)	-	-	(263,749)	(11,162,524)	-	-	(11,162,524)
<b>Total payments on redemption of units</b>	<b>(250,911,099)</b>	<b>(8,816,784)</b>	<b>-</b>	<b>(259,727,883)</b>	<b>(311,286,648)</b>	<b>(11,073,236)</b>	<b>-</b>	<b>(322,359,884)</b>
Net income for the year before taxation	-	31,353,552	-	31,353,552	-	50,317,140	-	50,317,140
Other comprehensive income	-	-	(214,322)	(214,322)	-	-	278,050	278,050
Distribution for the year @ 8.22 per unit on June 26, 2020	-	-	-	-	(12,539,623)	(36,798,019)	-	(49,337,642)
Distribution for the year @ 4.2599 per unit on June 23, 2021	-	(31,290,819)	-	(31,290,819)	-	-	-	-
	-	62,733	(214,322)	(151,589)	(12,539,623)	13,519,121	278,050	1,257,548
<b>Net assets at end of the year</b>	<b>894,606,747</b>	<b>(149,285,786)</b>	<b>786,162</b>	<b>746,107,123</b>	<b>766,034,989</b>	<b>(140,531,735)</b>	<b>1,000,484</b>	<b>626,503,738</b>
Undistributed (loss)/income brought forward								
- Realized loss		(140,531,735)				(142,977,620)		
- Unrealized income		-				-		
		(140,531,735)				(142,977,620)		
Accounting income available for distribution								
- Relating to capital gain		(583,310)				-		
- Excluding capital gain		23,120,078				39,243,904		
		22,536,768				39,243,904		
Distribution during the year		(31,290,819)				(36,798,019)		
Undistributed loss carried forward		(149,285,786)				(140,531,735)		
Undistributed (loss) carried forward								
- Realized loss		(149,285,786)				(140,531,735)		
		(149,285,786)				(140,531,735)		
Net assets value per unit at beginning of the year		81.00				88.31		
Net assets value per unit at end of the year		81.18				81.00		

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, 2021**

Note	2021	2020
	-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	31,353,552	50,317,140
<b>Adjustments for:</b>		
Net realized gain on sale of investments	(583,310)	-
Markup/interest income on bank balances and investments	(40,878,837)	(54,571,445)
Reversal of impairment on investment at fair value through other comprehensive income	(4,188,789)	(8,377,578)
Provision for Sindh Workers' Welfare Fund	639,881	1,026,880
<b>Operating loss before working capital changes</b>	<b>(45,011,055)</b>	<b>(61,922,143)</b>
<b>Decrease/(Increase) in assets</b>		
Deposits and prepayments	6,000,000	(6,050,000)
Advance income tax	7,593,908	(7,849,685)
	<b>13,593,908</b>	<b>(13,899,685)</b>
<b>(Decrease)/Increase in liabilities</b>		
Payable to the management company	(670,089)	1,125,403
Payable to the trustee	17,242	15,009
Annual fee payable to securities and exchange commission of Pakistan	(6,432)	(230,656)
Dividend payable	(4,262,313)	5,368,614
Accrued expenses and other liabilities	(5,162,741)	11,821,486
	<b>(10,084,333)</b>	<b>18,099,856</b>
Proceeds from investments - net	(59,408,743)	38,752,380
Markup/Interest income received on investments and balances with banks	40,493,893	55,172,537
<b>Net cash (used in)/generated from operating activities</b>	<b>(29,062,778)</b>	<b>86,520,085</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received against issue of units	379,482,857	501,914,300
Payment made against redemption of units	(259,727,883)	(322,359,884)
Dividend paid	(31,290,819)	(49,337,642)
<b>Net cash generated from financing activities</b>	<b>88,464,155</b>	<b>130,216,774</b>
<b>Net increase in cash and cash equivalents</b>	<b>59,401,377</b>	<b>216,736,859</b>
Cash and cash equivalents at beginning of the year	548,128,655	331,391,796
<b>Cash and cash equivalents at end of the year</b>	<b>607,530,032</b>	<b>548,128,655</b>

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, 2021

### 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, BAHL retired and MCB Financial Services Limited (MCBFSL) 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, Ground floor, 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 MCBFSL as the Trustee of the Fund (except for term finance certificate of New Allied industries limited as mentioned in note 7.3.1 which is a non-performing term finance certificate hence being unable to be transferred until final settlement, which is held in the name of BAHL being the previous Trustee of the Fund).
- 1.6 The Fund is categorized as "Shariah complaint 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 24, 2020 and stability rating of "AA-(f)" to the Fund as at April 16, 2021.
- 1.8 Due to the enactment of the Sindh Trusts Act, 2020 (as amended vide Sindh Trusts (Amended) Act, 2021), the Trusts including Collective Investment, private Funds etc, being Specialized Trusts are required to be registered with the Assistant Director of Industries and Commerce (Trust Wing), Government of Sindh under Section 12A of the Sindh Trusts Act, 2020. For this purpose, management has initiated the process of execution of Re-stated Trust Deeds between the Management Company and the trustees of the trust deed and necessary documents will be submitted with Assistant Director of Industries and Commerce (Trust Wing), Government of Sindh.

### 1.9 Significant events or transactions

There are no significant events or transactions during the year.

### 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 VIIIA 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 VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations and the requirement of the Trust Deed differ from the IFRS, the provision of and the directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirement of the Trust Deed have been followed.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments which are valued at fair value as stated in notes 5.1, 5.2 and 5.3 below.



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 2.3 Functional and presentation currency

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

### 3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

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 valuation of financial assets (notes 5.1, 7 and 21)
- Classification and valuation of financial liabilities (notes 5.2, 7 and 21)
- Impairment of financial assets (note 5.1.6)
- Taxation (notes 5.7 and 18)
- Provision (notes 5.5, 13.1 and 13.2)

### 4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS

#### 4.1 Standards, amendments and interpretations to the published standards that may be relevant to the fund and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation	Effective Date "(Annual periods beginning on or after)"
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
IFRS 9, and IAS 39 - Interest Rate Benchmark Reform - Phase 1	January 1, 2020

#### 4.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the Fund

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective Date "(Annual periods beginning on or after)"
IBOR Reform and its Effects on Financial Reporting—Phase 2	January 1, 2021
Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9)	January 1, 2022
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
Subsidiary as a First-time Adopter (Amendment to IFRS 1)	January 1, 2022
Taxation in Fair Value Measurements (Amendment to IAS 41)	January 1, 2022
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

<b>Standard or Interpretation</b>	<b>Effective Date "(Annual periods beginning on or after)"</b>
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Disclosure Initiative—Accounting Policies	January 1, 2023

The Fund is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Fund.

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

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standard or Interpretation</b>	<b>IASB Effective Date "(Annual periods beginning on or after)"</b>
IFRS 17 'Insurance Contracts'	January 1, 2023
Amendments to IFRS 17 Insurance Contracts	January 1, 2023
IFRS 1 'First-time Adoption of International Financial Reporting Standards'	July 1, 2009

#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

##### 5.1 Financial assets

###### 5.1.1 Classification and measurement

The fund classifies its financial assets in the following categories: financial assets at amortized cost, financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI). The classification depends on the business model in which the financial asset is managed and its contractual cash flows. The management determines the appropriate classification of its financial assets at initial recognition and it evaluates this classification on a regular basis.

The assessments have been made on the basis of the facts and circumstances that existed at the date of initial application about the determination of business model within which a financial asset is held and the designation and revocation of previous designation of certain financial assets as measured at FVTPL.

The financial assets are categorized as follows:

###### **Financial asset at amortized cost**

Financial asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest (SPPI) are classified as financial asset at amortized cost.

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

###### *Debt investment*

Debt investment where the contractual cash flows are SPPI and the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets are classified as financial asset at fair value through other comprehensive income.

###### *Equity investment*

Equity investment which are not held for trading, and which has irrevocably elected at initial recognition to recognize as fair value through other comprehensive income (generally strategic investment) are classified as financial asset at fair value through other comprehensive income.



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

#### ***Debt investment***

Debt investments that do not qualify for measurement at either amortized cost or FVOCI are classified as financial asset at fair value through profit or loss.

#### ***Equity investment***

Equity investments that are held for trading, and equity investments for which the entity has not elected to recognize fair value gains and losses through OCI are classified as financial asset at fair value through profit or loss.

### **5.1.2 Regular way contracts**

Regular purchases and sale of financial assets are recognized on the trade dates that reflects the date on which the Fund commits to purchase or sell the asset.

### **5.1.3 Initial recognition and measurement**

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value while the related transaction cost are expensed out in income statement.

### **5.1.4 Subsequent measurement**

#### **Financial asset at amortized cost**

"Subsequent to initial recognition, financial assets classified as amortized cost are carried at amortized cost using the effective interest method."

Gains or losses are also recognized in the income statement when financial assets carried at amortized cost are derecognized or impaired.

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

"Subsequent to initial recognition, financial assets classified as fair value through other comprehensive income are carried at fair value using valuation methodology (note 5.1.5)."

Net gains and losses arising from changes in the fair value and on sale of financial assets at fair value through other comprehensive income are taken to the statement of other comprehensive income.

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

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are carried at fair value using valuation methodology (note 5.1.5).

Net gains and losses arising from changes in the fair value and on sale of financial assets at fair value through profit or loss are taken to the income statement.

### **5.1.5 Basis of valuation of debt investments**

The investment of the Fund in the debt instruments (comprising any securities issued by the government, a company or a body corporate for the purpose of raising funds in the form of market treasury bill, redeemable capital and includes term finance certificates, bonds, debentures, sukus and commercial papers etc.) is valued on the basis of rates determined and published by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. In determination of the rates the MUFAP takes in account the holding pattern of these securities and categorized them as traded, thinly traded and non-traded securities. The 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.

### **5.1.6 Impairment**

The SECP/Commission has 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. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance of 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 Fund



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

In case of impairment of financial assets at FVOCI, the cumulative loss that has been recognized directly in statement of comprehensive income is taken to the income statement.

### 5.1.7 Derecognition

Financial assets are derecognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Any gain or loss on derecognition of the financial assets is taken to income currently.

### 5.2 Financial liability

#### 5.2.1 Classification and measurement

##### Financial liability at amortized cost

All financial liabilities are subsequently measured at amortized cost, except for those measured at fair value through profit or loss.

##### Financial liability at fair value through profit or loss

Financial liabilities designated as at fair value through profit or loss requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

#### 5.2.2 Initial recognition and measurement

Financial liabilities are initially recognized at fair value less transaction cost except for financial liabilities carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value while the related transaction cost are expensed out in income statement. Financial liabilities are not recognized unless one of the parties has performed it part of the contract or the contract is a derivative product.

#### 5.2.3 Subsequent measurement

##### Financial liability at amortized cost

Financial liabilities, other than fair value through profit or loss are measured at amortized cost using the effective yield method.

Gains or losses are also recognized in the income statement when financial liabilities carried at amortized cost are derecognized.

##### Financial liability at fair value through profit or loss

"Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are carried at fair value using market rate of interest."

Net gains and losses arising from changes in the fair value due to change in credit risk are taken in to other comprehensive income and other change in fair value and on sale of financial liabilities at fair value through profit or loss are taken to the income statement.

#### 5.2.4 Derecognition

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial liabilities is taken to income currently.

### 5.3 Derivatives

These are initially recognized at cost and are subsequently remeasured at their fair value. Derivatives with positive fair values (unrealized gains) are included in other assets and derivatives with negative fair values (unrealized losses) are included in other liabilities in the statement of assets and liabilities. The resultant gain and loss is included in the income currently.

### 5.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognized amount and the Fund intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 5.5 Cash and cash equivalent

Cash and cash equivalent comprise of balances with banks and term deposits receipts having maturity up to 3 months or less.

### 5.6 Provisions

Provisions are recognized when the Fund has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of assets and liabilities date and are adjusted to reflect the current best estimates.

### 5.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of the Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital as reduced by such expenses as are chargeable thereon to the unitholders. Since the income earned by the Fund during the year has been distributed to the unitholders in the manner explained above, no provision for taxation has been made in these financial statements.

The Fund is exempt from provisions of section 113 (Minimum Tax) under the clauses IIA of Part IV of the second schedule of the Income Tax Ordinance, 2001.

### 5.8 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.

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.

### 5.9 Element of income /(loss) and capital gains / (losses) in prices of units sold less those in units redeemed - net

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.

### 5.10 Distribution to unit holders

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.

### 5.11 Net asset value per unit

The net asset value per unit 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.

### 5.12 Revenue recognition

Dividend income is recognized when right to receive dividend is established.

Gain or loss on sale of securities and settlement of derivatives is accounted for in the period in which the sales / settlement occur.

Interest on debt and government securities is recognized at the rate of return implicit in the instrument on a time proportionate basis.

Profit on bank balances and term deposits is recognized on accrual basis in accordance with the contractual terms.



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 5.13 Expenses

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

### 5.14 Earning/loss per unit (EPU/LPU)

Earning/loss per unit EPU/LPU has not been disclosed as, in the opinion of the management, the determination of weighted average units for calculating EPU/LPU is not practicable.

### 5.51 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

6 BALANCES WITH BANKS	Note	2021 -----Rupees-----	2020
-Saving accounts	6.1	<u>607,530,032</u>	<u>548,128,655</u>

6.1 These saving accounts carry profit at rates ranging from 5% to 8% (June 30, 2020: 4.5% to 11%) per annum.

7 INVESTMENTS	Note	2021 -----Rupees-----	2020
<b>At fair value through other comprehensive income</b>			
Listed - Term finance certificates	7.1	-	-
Unlisted - Sukuk certificates	7.2	<u>50,592,202</u>	<u>86,625,682</u>
		<u>50,592,202</u>	<u>86,625,682</u>
<b>At amortised cost</b>			
Term Deposit Receipts (TDRs)	7.5	<u>100,000,000</u>	-
		<u>150,592,202</u>	<u>86,625,682</u>

7.1 At fair value through other comprehensive income	Note	As at July 01, 2020	Purchases during the year	Matured/ Disposed During the year	As at June 30, 2021	Cost/ Carrying Value	Market Value	% of Total Investment
-----Number of certificates-----								
-----Rupees-----								
<b>Listed - Term finance certificates</b>								
<b>face value of Rs. 5,000/-each</b>								
<b>Construction and material</b>								
Dewan cement company limited	7.1.1	14,242	-	838	13,404	67,020,624	-	-
Provision held	7.3					(67,020,624)	-	-

7.1.1 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. 4.189 millions on receipt basis in current period. The Fund has suspended mark-up there against.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

		As at July 01, 2020	Purchases during the year	Matured/ Disposed During the year	As at June 30, 2021	Cost/ Carrying Value	Market Value	% of Total Investment	
Note		Number of certificates			Rupees				
<b>7.2</b>	<b>At fair value through other comprehensive income</b>								
	<b>Unlisted - term finance certificates</b>								
	<b>face value of Rs. 2,207/-each</b>								
	<i>Cable and electric goods</i>								
	New Allied Industries Limited	7.3.1	11,523	-	-	11,523	25,433,190	-	
	Provision held	7.3				(25,433,190)		-	
	New Allied Industries Limited	7.3.2	3,417	-	-	3,417	7,222,749	-	
	Provision held	7.3				(7,222,749)		-	
	<i>Balance Carried Forward</i>								
	<b>At fair value through other comprehensive income</b>								
	<b>Unlisted - Sukuk certificates</b>								
	<b>Face Value of Rs. 1,000,000/-each</b>								
	<i>Cable and Electric Goods</i>								
	TPL Corporation Limited	7.3.3	15	-	-	15	8,750,000	8,750,000	6%
	<b>Face Value of Rs. 1,000,000/-each</b>								
	<i>Commercial Bank</i>								
	Dubai Islamic Bank Limited	7.3.4	26	-	-	26	26,682,088	26,727,142	18%
	<i>Engineering</i>								
	Agha Steel Industries Limited	7.3.5	15	-	-	15	15,000,000	14,745,885	10%
	<b>Face value of Rs. 2,000/-each</b>								
	<i>Fertilizers</i>								
	Fatima Fertilizer Company Limited	7.3.6	736	-	-	736	374,436	369,175	0%
	<b>Face value of Rs. 2,933/-each</b>								
	Eden Housing Limited	7.3.7	2,933	-	-	2,933	2,887,171	-	-
	Provision held	7.3				(2,887,171)			
	<b>Face value of Rs. 5,000/-each</b>								
	Amtex limited	7.3.8	6,000	-	-	6,000	22,500,000	-	-
	Provision held	7.3				(22,500,000)			
	<i>balance carried forward</i>					50,806,524	50,592,202		
	<b>Face value of Rs. 5,000/-each</b>								
	New Allied Electronics Industries (Private) Limited	8.3.9	-	1,000	-	1,000	5,027,500	-	-
	Provision held	7.3				(5,027,500)			
						50,806,524	50,592,202		



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 7.3 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.

Name of non compliant investment	Note	Type of Investment	Value of Investment before provision	Provision held if any	Value of Investment after provision	% of net assets	% of Gross Assets
-----Rupees-----							
Dewan Cement Limited - Restructured	7.1.1	Pre-IPO investment	67,020,624	(67,020,624)	-	-	-
New Allied Industries Limited	7.3.1	Term finance certificates	25,433,190	(25,433,190)	-	-	-
New Allied Industries Limited	7.3.2	Term finance certificates	7,222,749	(7,222,749)	-	-	-
New Allied Industries Limited	7.3.9	Sukuk certificates	5,027,500	(5,027,500)	-	-	-
Eden Housing Limited	7.3.7	Sukuk certificates	2,887,171	(2,887,171)	-	-	-
Amtex Limited	7.3.8	Sukuk certificates	22,500,000	(22,500,000)	-	-	-

7.3.1 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.

7.3.2 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.

7.3.3 These sukuk certificates carry profit equal to 1 year KIBOR plus 3% receivable quarterly in arrears and will mature in April 2021. The principal amount is redeemable in four six monthly installments of Rs. 0.25 million per certificate Each commencing from October 2019. These sukuk certificates are secured by hypothecation charge over the hypothecated assets of Rs. 625 million and pledge of shares of TPL Properties Limited in favour of the Trustee of the issuer for the benefit of the certificate holders.

7.3.4 These sukuk certificates are unsecured and carry profit equal to 6 month KIBOR plus 0.50% receivable half-yearly in arrears and will mature in July 2027.

7.3.5 This is the Pakistan's 1st over the counter listed sukuk issue, priced through competitive bidding process by Agha Steel Industries Limited backed by diminishing musharaka and carry profit equal to 3 month KIBOR plus 0.8% and will completely mature in October 2024. Pak Brunei Limited is appointed as trustee and the issue agent of the sukuk. These sukuk certificates are secured by hypothecation charge over the present and future fixed assets of the issuer in favour of the Trustee of the issuer for the benefit of the certificate holders.

7.3.6 These sukuk certificates carry profit equal to 6 month KIBOR plus 1.1% receivable semi-annually in arrears and will mature in 5 years from 28 November 2016. The principal amount is redeemable in ten equal semi-annual instalments from the Ijarah commencement date. These certificates are secured by 1st ranking hypothecation charge of all present and future fixed assets excluding land and building of the issuer with a minimum 25% margin, 1st ranking mortgage over land and building of the issuer with a minimum 25% margin, establishment of and assignment of a Debt Payment Account, assignment over all rights and benefits of the issuer under any and all project insurances and cut-through agreements for reinsurance.

7.3.7 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 sukuk are held in CDC investor account of the Fund.

7.3.8 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 on 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.

7.3.9 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.



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

<b>7.4 Unrealized gain on revaluation of investments classified as fair value through other comprehensive income - net</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
		----- <b>Rupees</b> -----	
Fair value of investments	7.2	<b>50,592,202</b>	86,625,682
Less: Cost/Carrying Value of Investment		<b>(51,084,574)</b>	(86,401,882)
		<b>(492,372)</b>	223,800
Less: Net unrealized gain in fair value of investments - Opening		<b>278,050</b>	54,250
		<b>(214,322)</b>	278,050

7.5 This represents term deposit receipts placed with Bankislami Pakistan Limited carrying mark-up at the rate of 7.25%(2020: Nil) per annum and will be matured on November 3, 2021.

<b>8 ACCRUED INCOME/PROFIT</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
		----- <b>Rupees</b> -----	
- Income from profit and loss sharing (PLS) accounts		<b>3,445,372</b>	2,936,634
- Income from sukuk certificates		<b>1,438,154</b>	2,733,866
- Income from term deposit receipt (TDR)		<b>1,171,918</b>	-
		<b>6,055,444</b>	5,670,500

### 9 SECURITY DEPOSITS

#### Deposits - Central Depository Company

- Deposits - Central depository company 786SF
- Deposits - Central depository company FDMF

<b>100,000</b>	100,000
<b>50,000</b>	50,000
<b>150,000</b>	150,000

#### Deposits - National Clearing Company of Pakistan

- Deposits - National clearing company 786RSF
- Deposits - National clearing company FDMF

-	2,500,000
-	3,500,000
-	6,000,000
<b>150,000</b>	<b>6,150,000</b>

### 10 PAYABLE TO 786 INVESTMENTS LIMITED - MANAGEMENT COMPANY

Management remuneration	10.1	<b>910,526</b>	757,933
Sindh sales tax payable	10.2	<b>138,853</b>	119,016
Accounting and operational charges			
-786 Smart Fund	10.3	<b>589,117</b>	523,195
-First Dawood Mutual Fund	10.3	-	731,382
-786 Rising Star Fund	10.3	-	177,059
		<b>589,117</b>	1,431,636
		<b>1,638,496</b>	<b>2,308,585</b>

10.1 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 2020: 1.5%) per annum on the average annual net assets of the Fund calculated on a daily basis.

10.2 The Sindh Provincial Government has levied Sindh Sales tax at the rate of 13% (June 2020: 13%) on Management Company's remuneration.

10.3 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, 2021.



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

		2021	2020
	Note	-----Rupees-----	
<b>11 PAYABLE TO MCB FINANCIAL SERVICES LIMITED- TRUSTEE</b>			
Trustee Remuneration	11.1	91,053	75,795
Sindh sales tax payable on Trustee remuneration	11.2	11,838	9,854
		<u>102,891</u>	<u>85,649</u>

11.1 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.

11.2 The Sindh Provincial Government has levied sindh sales tax at the rate of 13% (June 2020: 13%) on trustee's remuneration.

### 12 ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with SRO 714(I)/2019 dated July 1, 2019 as amended in clause "c" of Schedule II of NBFC Regulation 2008, read with regulation 62 of NBFC Regulation 2008, applicable from July 1, 2019 whereby the Fund is required to pay SECP an amount equal to 0.02% of the average daily net assets. Earlier this fee was 0.085% of the average daily net assets.

		2021	2020
	Note	-----Rupees-----	
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Federal Excise Duty on Remuneration	13.1	6,513,679	6,513,679
Provision for Sindh Workers' Welfare Fund	13.2	8,098,489	7,458,609
Accrued expenses	13.3	541,237	561,380
Other liabilities		49,596	557,809
Capital gain tax payable		-	261,552
Zakat payable and withholding tax		11,620	4,384,452
		<u>15,214,621</u>	<u>19,737,481</u>

13.1 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 levied by 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 04, 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.

The SHC while disposing the Constitutional Petition relating to levy of FED on mutual funds has declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011 ( i.e. the date on which Sindh Sales Tax on Services Act, 2011 came into force). In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Honorable Supreme Court of Pakistan (SCP). Thereafter, during the pendency of the present civil petition, SCP has suspended the operation of the impugned judgement of the SHC. The matter is still pending adjudication. With effect from July 01 2016, FED on services provided or rendered on 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 Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision made for FED for the period from June 13, 2013 till June 30, 2016 aggregating to Rupees.1.797 million (June 30, 2020: Rupees. 1.797 million) is being retained in the financial statements of the Fund as the matter is pending before the SCP. Had the said provision of FED not been recorded in the financial statements of the Fund, the net asset value per unit of the Fund as at June 30, 2020 would have been higher by Rs. 0.71 (June 30, 2020: Rs. 0.84) per unit.



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

13.2 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015). The Funds have accordingly made provision in respect of SWWF as recommended by MUFAP in the financial statements as at June 30, 2021.

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies, in consultation with SECP, have reversed the cumulative provision for SWWF recognised in the financial statements of the Funds, for the period from May 21, 2015 to August 12, 2021, on August 13, 2021. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognised in the financial statements of the Fund.

Had the provision for SWWF not been recorded in these financial statements of the Fund, the net assets value of the Fund as at June 30, 2021 would have been higher by Rs 0.88 per unit (June 30, 2020: Rs 0.96 per unit).

### 13.3 Accrued expenses

	2021	2020
	-----Rupees-----	
Auditors' remuneration payable	309,287	317,888
Rating fee payable - PACRA	-	-
Printing and related expenditure payable	25,000	32,140
Shariah and tax advisors fee payable	206,950	211,352
	541,237	561,380

### 14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2021 and June 30, 2020.

### 15 NUMBER OF UNITS IN ISSUE

	2021	2020
	-----Number of Units-----	
Total outstanding as of July 01	7,734,563	5,541,116
Issued during the year	4,550,285	5,924,775
Redemption during the year	(3,094,393)	(3,731,328)
Closing units	9,190,455	7,734,563

### 16 INCOME FROM INVESTMENTS AND BALANCES WITH BANKS

	2021	2020
	-----Rupees-----	
Income from:		
- Sukuk certificates	6,256,425	13,669,698
- Profit and loss sharing (PLS) account	33,450,494	40,901,747
- Term deposits receipts (TDR)	1,171,918	-
	40,878,837	54,571,445

### 17 AUDITOR'S REMUNERATION

Annual audit fee	245,000	245,000
Half yearly review	90,000	90,000
Other services	23,969	25,000
Out of pocket expenses	60,000	58,969
	418,969	418,969
Sindh Sales Tax	33,518	33,518
	452,487	452,487



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 18 ADVANCE INCOME TAX

Advance income tax pertains to one of the fund which has merged during previous period (786 Rising Star Fund). The Management Company has filed return of income of the Fund for the years ended 30 June 2013, 2014 and 2015 claiming exemption from income under clause 99 of Pan I to the Second Schedule of the Income Tax Ordinance, 2001 (the Ordinance). The Additional Commissioner Inland (CIR) initially raised notices and then ordered to pay tax for the above referred years by making certain addition to income of the Fund and exemption under clause 99 is available to only those collective investment schemes, which distribute not less than 90% of its accounting income year amongst unit holders on year to year basis and an amount of Rs 7.9 million was withheld by tax department from the bank of the Fund which was included in advance income tax in the statement of asset and liabilities.

The Management Company of the Fund filed an appeal to Commissioner Inland Revenue (Appeals) (CIR Appeals) claiming that the additions made to the income by the Commissioner were erroneous and the fund has distributed more than 90% of its income for each of the three years after finalization of financial statements of the Fund after removal of suspension of the operations of the Fund. The CIR Appeals decided the appeal in favor of Management Company and remanded back the case to CIR on the grounds that income tax officer has passed impugned orders in haste without objective appreciation of relevant provisions of law and drew adverse inference on irrelevant assertions.

During the year ended 30 June 2018 amended tax orders under section 124(1) of the Income Tax Ordinance, 2001, for the tax years 2013, 2014 and 2015 respectively were issued by the Commissioner Inland Revenue raising Nil tax demand in respect of said years and, the management after continuous efforts has recovered the aforementioned seized amount of Rs 7.9 million from the relevant authorities.

### 19 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the year ended June 30, 2021 is 2.30% which includes 0.38% representing government levies on the Fund such as federal excise duties and sales taxes, Workers' Welfare Fund, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorized as an "Islamic Income Scheme".

### 20 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, 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:

20.1 Transactions during the Period Ended	Note	2021 -----Rupees-----	2020
<b>786 Investments Limited - Management Company</b>			
Remuneration of the management company	10.1	<u>8,836,778</u>	<u>7,847,917</u>
Sales tax on remuneration to the management company	10.2	<u>1,148,780</u>	<u>1,020,230</u>
Accounting and operational charges	10.3	<u>589,107</u>	<u>523,194</u>
Issue of units: 212,457 (2020: 1,002,084)		<u>18,000,000</u>	<u>85,143,724</u>
Re-Invest of of units: 92,410		<u>7,494,869</u>	<u>-</u>
Redemption of units: Nil (2020: 548,779)		<u>-</u>	<u>45,000,000</u>
<b>MCB Financial Services Limited - Trustee</b>			
Remuneration of the Trustee	11.1	<u>883,687</u>	<u>784,793</u>
Sales tax on Trustee fee	11.2	<u>114,880</u>	<u>102,023</u>



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Note	2021	2020
	-----Rupees-----	
<b>BRR Guardian Modaraba (Connected Person due to Group Company)</b>		
Issue of units: Nil (2020: 408,162)	-	34,864,260
Redemption of units: Nil (2020: 11,386)	-	1,000,000
<b>BRR Investment Limited (Connected person due to group company)</b>		
Issue of units: 84,023 (2020: 392)	7,000,000	31,581
Redemption of units: 83,680 (2020: 385,132)	7,118,930	32,445,621
<b>Dawood Family Takaful Limited (Connected person due to group company)</b>		
Issue of units: 2,350,607 (2020: 428,963)	200,000,000	36,590,937
Redemption of units: 2,265 (2020: Nil)	188,352	-
<b>Dawood Family Takaful Limited -Employees contributory provident fund- Associate of Management Company</b>		
Issue of units: Nil (2020: 58,278)	-	4,971,152
<b>First Dawood Investment Bank Limited (Connected Person due to Group Company)</b>		
Issue of units: Nil (2020: 1,991)	-	160,223
Redemption of units: Nil (2020: 1,991)	-	161,617
<b>First Dawood Investment Bank Limited -Employees Contributory Provident Fund - Employee Benefit Fund of Group Company</b>		
Issue of units: 21,732 (2020: 181,195)	1,800,000	15,323,012
Redemption of units: 198,562 (2020: 173,604)	13,500,000	15,000,000
<b>BRR Financial Services (Private) Limited (Connected Person due to Group Company)</b>		
Issue of units: Nil (2020: 306,878)	-	26,708,027
Redemption of units: Nil (2020: 278,191)	-	24,500,000
<b>Equity International (Private) Ltd. (Connected Person due to Group Company)</b>		
Issue of units: 13,856 (2020: Nil)	1,150,000	-
Redemption of units: 13,856 (2020: Nil)	1,177,024	-
<b>Dawood International (Private) Limited (Connected Person due to Group Company)</b>		
Issue of units: 22,318 (2020: 137,777)	1,850,000	11,942,371
Redemption of units: 131,868 (2020: 28,068)	10,969,181	2,500,000
<b>Directors and Key Management Personnel of the Management Company</b>		
Issue of units: 611,298 (2020: 58,770)	49,587,410	4,787,789
Redemption of units: 656,443 (2020: 34,255)	55,704,969	2,856,000



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020
Note	-----Rupees-----	
<b>Unit Holders having 10% or more units</b>		
Issue of units: 944,787 (2020: 2,926,708)	<u>76,639,440</u>	<u>246,614,009</u>
Redemption of units: 1,235,157 (2020: 2,205,775)	<u>104,431,898</u>	<u>193,374,854</u>
<b>20.2 Balance as at period ended</b>		
<b>786 Investments Limited - Management Company</b>		
Remuneration payable to the management company	10 <u>910,526</u>	<u>757,933</u>
Sales tax payable on management company's remuneration	10 <u>138,853</u>	<u>119,016</u>
Accounting and operational charges		
-786 Smart Fund	10 <u>589,117</u>	<u>523,195</u>
-First Dawood Mutual Fund	10 <u>-</u>	<u>731,382</u>
-786 Rising Star Fund	10 <u>-</u>	<u>177,059</u>
FED payable on management company's remuneration	<u>6,513,679</u>	<u>6,513,679</u>
Units held: 2,130,273 (June 2020: 1,825,406)	<u>172,941,561</u>	<u>147,858,793</u>
<b>MCB financial services limited - Trustee</b>		
Remuneration payable to the Trustee	11 <u>91,053</u>	<u>75,795</u>
Sales tax payable on Trustee fee	11 <u>11,838</u>	<u>9,854</u>
<b>BRR Guardian Modaraba (Connected person due to group Company)</b>		
Units held: 396,779 (June 2020: 396,776)	<u>32,211,387</u>	<u>32,139,018</u>
<b>BRR Investment Limited (Connected person due to group Company)</b>		
Units held: Nil (June 2020: Nil)	<u>-</u>	<u>-</u>
<b>First Dawood Investment Bank Limited -Employees Contributory Provident Fund- Employee Benefit Fund of Group Company</b>		
Units held: 319,842 (June 2020: 480,710)	<u>25,965,664</u>	<u>38,937,756</u>
<b>Dawood Family Takaful Limited (Connected Person due to Group Company)</b>		
Units held: 2,892,909 (June 2020: 428,963)	<u>234,854,435</u>	<u>34,746,251</u>
<b>Dawood Family Takaful Limited - Employees contributory provident fund - Associate of Management Company</b>		
Units held: 61,339 (June 2020: 58,278)	<u>4,979,660</u>	<u>4,720,537</u>
<b>BRR Financial Services (Private) Limited (Connected Person due to Group Company)</b>		
Units held: 29,968 (June 2020: 28,687)	<u>2,432,870</u>	<u>2,323,666</u>



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020
Note	-----Rupees-----	
<b>Dawood International (Private) Limited (Connected Person due to Group Company)</b>		
Units held: Nil (June 2020: 109,708)	-	8,886,417
<b>Directors and key management personnel of the Management Company</b>		
Units held: 611,972 (June 2020: 656,460)	<b>49,681,606</b>	53,173,552
<b>Unit Holders having 10% or more units</b>		
Units held: 944,787 (June 2020: 1,451,711)	<b>76,700,473</b>	117,589,284

20.3 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.

**21 FINANCIAL INSTRUMENTS BY CATEGORY**

	As at June 30, 2021		
At amortized cost	Financial asset at fair value through other comprehensive income	Total	
	-----Rupees-----		
<b>Financial assets</b>			
Balances with banks	607,530,032	-	607,530,032
Investments	100,000,000	50,592,202	150,592,202
Accrued income/profit	6,055,444	-	6,055,444
Security deposits	150,000	-	150,000
	<b>713,735,476</b>	<b>50,592,202</b>	<b>764,327,678</b>
<b>Financial liabilities</b>			
Payable to 786 Investments Limited - Management Company	1,499,643	-	1,499,643
Payable to MCB Financial Services Limited - Trustee	91,053	-	91,053
Payable to Securities and Exchange Commission of Pakistan	117,824	-	117,824
Unclaimed dividend	1,476,263	-	1,476,263
Accrued expenses and other liabilities	590,833	-	590,833
	<b>3,775,616</b>	<b>-</b>	<b>3,775,616</b>
	As at June 30, 2020		
At amortized cost	Financial asset at fair value through other comprehensive income	Total	
	-----Rupees-----		
<b>Financial assets</b>			
Balances with banks	548,128,655	-	548,128,655
Investments	-	86,625,682	86,625,682
Accrued income/profit	5,670,500	-	5,670,500
Security deposits	6,150,000	-	6,150,000
	<b>559,949,155</b>	<b>86,625,682</b>	<b>646,574,837</b>
<b>Financial liabilities</b>			
Payable to 786 Investments Limited - Management Company	2,189,569	-	2,189,569
Payable to MCB Financial Services Limited - Trustee	75,795	-	75,795
Payable to Securities and Exchange Commission of Pakistan	124,256	-	124,256
Unclaimed dividend	5,738,576	-	5,738,576
Accrued expenses and other liabilities	1,119,189	-	1,119,189
	<b>9,247,385</b>	<b>-</b>	<b>9,247,385</b>



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 22 RISK MANAGEMENT FRAMEWORK

#### 22.1 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.

#### 22.2 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.

##### 22.2.1 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.

##### 22.2.2 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, 2021, 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.

	Effect on Income	
	2021	2020
	-----Rupees-----	
Change in Basis Point		
+ 100	75,812,223	63,475,434
- 100	(75,812,223)	(63,475,434)



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

June 30, 2021					
Yield/Effective Interest Rate (%)	Exposed to Yield/Interest Rate Risk			Not Exposed to Yield/Interest Rate Risk	Total
	Up to Three Months	More than Three Months and Up to One Year	More than One Year		
(Rupees)					
<b>On-Balance Sheet</b>					
<b>Financial Assets</b>					
Balances with Banks	5 - 8	607,530,032	-	-	607,530,032
Investments	7 - 14	-	368,000	150,224,202	150,592,202
Accrued Income/Profit		-	-	6,055,444	6,055,444
Security Deposits		-	-	150,000	150,000
		<u>607,530,032</u>	<u>368,000</u>	<u>150,224,202</u>	<u>6,205,444</u>
<b>Financial Liabilities</b>					
Payable to 786 Investment Limited - Management Company		-	-	-	1,499,643
Payable to MCB Financial - Services Limited - Trustee		-	-	-	91,053
Payable to Securities and Exchange Commission of Pakistan		-	-	-	117,824
Unclaimed Dividend		-	-	-	1,476,263
Accrued Expenses and Other Liabilities		-	-	-	590,833
		-	-	-	<u>3,775,616</u>
<b>On-Balance Sheet Gap</b>		<u>607,530,032</u>	<u>368,000</u>	<u>150,224,202</u>	<u>2,429,828</u>
					<u>760,552,062</u>

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2021

June 30, 2020					
Yield/Effective Interest Rate (%)	Exposed to Yield/Interest Rate Risk			Not Exposed to Yield/Interest Rate Risk	Total
	Up to Three Months	More than Three Months and Up to One Year	More than One Year		
(Rupees)					
<b>On-Balance Sheet</b>					
<b>Financial Assets</b>					
Balances with banks	3 - 11	548,128,655	-	-	548,128,655
Investments	6 - 10	-	11,250,000	75,375,682	86,625,682
Accrued income/profit		-	-	5,670,500	5,670,500
Security deposits		-	-	6,150,000	6,150,000
		<u>548,128,655</u>	<u>11,250,000</u>	<u>75,375,682</u>	<u>11,820,500</u>
<b>Financial Liabilities</b>					
Payable to 786 Investment Limited - Management Company		-	-	-	2,189,569
Payable to MCB Financial - Services Limited - Trustee		-	-	-	75,795
Payable to Securities and Exchange Commission of Pakistan		-	-	-	124,256
Unclaimed dividend		-	-	-	5,738,576
Accrued expenses and other liabilities		-	-	-	1,119,189
		-	-	-	<u>9,247,385</u>
<b>On-Balance Sheet Gap</b>		<u>548,128,655</u>	<u>11,250,000</u>	<u>75,375,682</u>	<u>2,573,115</u>
					<u>637,327,452</u>

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2020.



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 22.2.3 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.

### 22.3 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.

22.3.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2021.

Name of Bank	Rating agency	Latest published rating		Percentage of bank balance
		Short term	Long term	
Bank Islami Pakistan Limited	PACRA	A1	A+	0.11%
Dubai Islamic Bank Limited	JCR-VIS	A1+	AA	99.89%
JS Bank Limited	PACRA	A1+	AA-	0.00%
Habib Metropolitan Bank Ltd	PACRA	A1+	AA+	0.00%
Albaraka Bank Limited	JCR-VIS	A1	A+	0.00%

#### Sukuks other than GOP ijarah sukuks

Name of issuer/issue date	Rating agency	Latest published rating of the instrument	Percentage of Sukuks
TPL Corporation Limited	PACRA	A	17.30%
Agha Steel Industries Limited	PACRA	AA	29.15%
Fatima Fertilizer Company Limited	JCR-VIS	AA-	0.73%

### 22.3.2 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.

### 22.4 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.



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

2021	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
----- (Rupees) -----						
<b>Financial Liabilities</b>						
Payable to 786 Investment Limited - Management Company	1,499,643	-	-	-	-	1,499,643
Payable to MCB Financial - Services Limited - Trustee	91,053	-	-	-	-	91,053
Payable to Securities and Exchange Commission of Pakistan	-	117,824	-	-	-	117,824
Unclaimed Dividend	1,476,263	-	-	-	-	1,476,263
Accrued Expenses and Other Liabilities	590,833	-	-	-	-	590,833
	<b>3,657,792</b>	<b>117,824</b>	-	-	-	<b>3,775,616</b>
----- (Rupees) -----						
2020	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
----- (Rupees) -----						
<b>Financial Liabilities</b>						
Payable to 786 Investment Limited - Management Company	2,189,569	-	-	-	-	2,189,569
Payable to MCB Financial - Services Limited - Trustee	75,795	-	-	-	-	75,795
Payable to Securities and Exchange Commission of Pakistan	-	124,256	-	-	-	124,256
Unclaimed Dividend	5,738,576	-	-	-	-	5,738,576
Accrued Expenses and Other Liabilities	1,119,189	-	-	-	-	1,119,189
	<b>9,123,129</b>	<b>124,256</b>	-	-	-	<b>9,247,385</b>

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.

**23 FAIR VALUE OF FINANCIAL INSTRUMENTS**

"Fair Value Measurement" defines fair value as the price that would be received to sale 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.



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 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.

### 23.1 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.

		June 30, 2021					
		Carrying amount			Fair value		
		At amortised cost	FVTOCI	Total	Level 1	Level 2	Level 3
Note		-----Rupees-----					
<b>Financial assets measured at fair value</b>							
Investments							
Unlisted - Sukuk certificates	23.1.1	-	50,592,202	50,592,202	50,592,202	-	-
		-	50,592,202	50,592,202	50,592,202	-	-
<b>Financial assets not measured at fair value</b>							
	23.1.2						
Balances with banks		607,530,032	-	607,530,032			
Term Deposit Receipts		100,000,000	-	100,000,000			
Accrued income/profit		6,055,444	-	6,055,444			
Security deposits		150,000	-	150,000			
		<u>713,735,476</u>	<u>-</u>	<u>713,735,476</u>			

		Carrying amount		
		At amortised cost	FVTOCI	Total
Note		-----Rupees-----		
<b>Financial liabilities not measured at fair value</b>				
	23.1.2			
Payable to 786 Investments Limited - Management Company				
Payable to MCB Financial Services Limited - Trustee		1,499,643	-	1,499,643
Payable to Securities and Exchange Commission of Pakistan		91,053	-	91,053
Unclaimed dividend		117,824	-	117,824
Accrued expenses and other liabilities		1,476,263	-	1,476,263
		<u>590,833</u>	<u>-</u>	<u>590,833</u>
		<u>3,775,616</u>	<u>-</u>	<u>3,775,616</u>





786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**24.2 Details of Brokers**

	2021	2020
	----- (Rupees) -----	
<b>Brokers</b>		
Adam Securities Limited	-	16,209
Alfalsh Securities Limited	-	23,810
Axis Global limited	-	31,748
Foundation securities	-	17,490
Habib metropolitan Financial Securities limited	-	1,031
IGI Financial Securities	-	24,145
Pearl securities	-	3,377
BIPL Securities Limited	-	20,988
	<b>138,798</b>	

The last year brokerage expense are paid to the brokers of FDMF and 786RSF due to Merger of the fund.

**24.3 Details of Investment Committee**

<b>Name of Member</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience</b>
Ms. Tara Uzra Dawood	Chief Executive Officer	Doctorate of Juridical Science	17 years
Mr. Noman Shakir	Chief Financial Officer and Company Secretary	ACMA	11 years
Mr. Muhammad Abbas	AVP Finance	MBA Finance	21 years

**24.4 Details of Fund Manager**

Mr. M. Abbas is working as AVP Finance and in addition, has been designated as acting Fund Manager. He is managing the 786 Smart Fund which is the surviving fund after the merger of 786 Rising Star Fund (786RSF), First Dawood Mutual Fund (FDMF) with and into 786 Smart Fund (786SF).

<b>Name of Director</b>	<b>September 28, 2020</b>	<b>October 29, 2020</b>	<b>February 25, 2021</b>	<b>April 27, 2021</b>
Ms. Shafqat Sultana	Present	Present	Present	Present
Ms. Tara Uzra Dawood	Present	Present	Present	Present
Ms. Charmaine Hidayatullah *	Present	Present	Present	Present
Mr. Tahir Mehmood	Present	Present	Present	Present
Syed Farhan Abbas	Present	Present	Present	Present
Syed Shabhat Hussain	Present	Present	Present	Present
Ahmed Salman Munir	Present	Present	Present	Present

\* Leave of absence has been granted to absentees of meetings held during the year.

**25 GENERAL**

25.1 Figures have been rounded off to the nearest rupee.

**26 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue by the board of directors of the Management Company on 28th Septmber, 2021.

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

\_\_\_\_\_  
Chief Finicial Officer

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

\_\_\_\_\_  
Director



786 Smart Fund

**PERFORMANCE TABLE / KEY FINANCIAL DATA**

	Year					
	2021	2020	2019	2018	2017	2016
Net assets (Rs in million)	746.11	626.50	445.69	334.72	247.74	155.98
Net Asset Value per units (Rs.)	81.18	81.00	80.43	88.31	78.93	75.98
Offer price per unit	81.99	81.81	81.23	89.19	79.72	76.74
Redemption price per unit	81.18	81.00	80.43	88.31	78.93	75.98
Number of units	9,190,455	7,734,563	5,541,116	3,790,392	3,138,834	2,052,882
Net Profit / (loss) for the year (Rs in million)	31.35	50.32	50.43	35.11	35.00	38.20
<i>Income Distribution (Rs in million)</i>						
Final	31.29	49.34	80.54	-	26.87	31.97
Interim	-	-	-	-	-	-
<i>Average annual return (%)</i>						
	5.12%	10.93%	11.12%	11.89%	16.32%	32.68%



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



**BOOK POST**



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**

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](mailto:info@786investments.com)  
Website: [www.786investments.com](http://www.786investments.com)