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**786 INVESTMENTS LIMITED**



**DAWOOD INCOME FUND**

**FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED**

**31 DECEMBER 2017  
(Un-Audited)**

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## CORPORATE INFORMATION

<b>Management Company</b>	786 Investments Limited G-3 Ground Floor, 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. Mohammad Izqar khan Mr. Tahir Mehmood Syed Farhan Abbas Mr. Tahir Raza Sheikh* *Subject to approval of SECP	Chairperson Chief Executive Officer Director Director Director Director Director
<b>Chief Financial Officer &amp; Company Secretary</b>	Mr. Talal Ismail Pasha	
<b>Audit Committee</b>	Mr. Tahir Mehmood Ms. Charmaine Hidayatullah Syed Farhan Abbas	Chairman Member Member
<b>Trustee:</b>	MCB Financial Services Limited 4th Floor, Pardasi House, 2/1 R-Y old Queens Road, Karachi	
<b>Auditors</b>	Riaz Ahmad & Company Chartered Accountants	
<b>Human Resource Committee</b>	Ms. Tara Uzra Dawood Ms. Shafqat Sultana Mr. Tahir Mehmood	Chairperson Member Member
<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 (SMC-Pvt.) Ltd. Office# 1705, 17th Floor Saima Trade Tower. A, I.I. Chundrigar Road, Karachi-74000, Pakistan.	
<b>Banker:</b>	Al Baraka Bank (Pakistan) Limited JS Bank Limited BankIslami Pakistan Limited	
<b>Rating</b>	PACRA: AA-(f)	



## **DIRECTORS' REPORT**

### **FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

It gives me immense pleasure to present on behalf of the Board of Directors of **786 Investments Limited** "786i or the Company" the Management Company of **Dawood Income Fund**, I am pleased to present reviewed financial statements with auditors reviewed report for the half year ended December 31, 2017.

#### **FUTURE OUTLOOK**

During the period, large scale manufacturing (LSM) posted a healthy growth of 7.2% as compared to 3.2% during the same period last year and is expected to remain strong going forward due to CPEC related investments and development of infrastructures resulting in high level of imports thereby exerting pressure on the current account deficit. In order to contain overheating of the economy and inflation breaching its target rate the SBP has already taken preemptive measures by the increasing the policy rate by 25 bps to 6% in MPS announced in January '18 and also depreciated the PKR by approximately 5%. Going forward, towards the end of FY18 we expect further monetary tightening by SBP in order to balance the growth and stability.

#### **Money Market Review**

During 1HFY18, headline inflation remained in single digit, averaging 3.75% Y/Y versus 3.88% Y/Y recorded in 1HFY17. Meanwhile, core inflation (non-food non-energy) continued to maintain its higher trajectory, and clocked in at 5.5 percent during the first half of the year as compared to 4.9 percent last year. PKR depreciation and rising international oil prices are likely to increase inflation in the coming months. Taking into account of these developments, average inflation for FY18 is still projected to fall in the range of 4.5% to 5.5% against the annual target of 6%.

During the period under review, current account deficit widened to US\$ 7.4 billion which was 1.6 times of the deficit during the same period last year. This was partially finance through issuance of Sukuk and Eurobond, higher tax collections and marginal increase in worker remittances.

The SBP held thirteen Treasury Bill auctions during 1HFY18. The cumulative participation witnessed were PKR 9,093bn against the pre-announced auction target of PKR 7,500bn while the SBP accepted an amount of PKR 7,822bn during this review period. That being said, acceptance in 3 months tenor represented 85% of the total accepted amount while the 6 months and 12 months were 15% and 1%.

The SBP conducted six Pakistan Investment Bond (PIB) auctions during the period under review. The total accepted amount were PKR 73bn against a cumulative target of PKR 500bn in 3yr, 5yr, 10yr and 20yr tenor papers. Majority of the participation in this time frame was witnessed in the 3 years tenor and the same accounted for 69% of the total PIBs take-up.

The SBP did not conducted any GOP Ijarah Sukuk auction during the period under review.

#### **Fund Strategy**

The Fund's priority is to keep healthy liquidity, making prudent decisions on residual debt and making risk-averse decisions on future investments. The Fund management is actively pursuing towards 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.

#### **Fund Performance**

As at December 31, 2017, net assets were PKR. 304.04 million as compared to PKR. 247.737 million as at June 30, 2017. The Fund's total income during the period stands PKR. 27.088 million as opposed to profit of PKR. 13.813 million. Total income increased by PKR. 13.275 million as compared to same period last year. Total expenses were PKR. 7.20 million as compared to PKR. 2.036 million in the same period last year. The Net Asset Value (NAV) of DIF per unit increased from PKR. 78.93 to PKR. 84.59 during the period.



**Acknowledgement**

The Directors wish to express their gratitude to the Securities & Exchange Commission of Pakistan and other regulatory bodies for their valuable support, assistance and guidance.

The Board also thanks the employees of the Asset Management Company, the Trustee for their dedication and hard work and the unit holders for their confidence in the Management.

These condensed interim financial statements are unaudited. Accordingly, the Directors of the Management Company declare that these condensed interim financial statements give a true and fair view of the Fund.

**For and on behalf of the  
Board of Directors**

---SD---

**Chairperson**

February 22, 2018  
Karachi

## داؤد انکم فنڈ کے ڈائریکٹرز کی رپورٹ

786 انوسٹمنٹس لمیٹڈ "786i" یا کمپنی "مینجمنٹ کمپنی داؤد انکم فنڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر، 2017 کو ختم ہونے والے نصف سال پر جائزہ شدہ فنانشل اسٹیٹمنٹس کے ساتھ آڈیٹرز کی جائزہ شدہ رپورٹ آپ کی خدمت میں پیش کرتے ہوئے مجھے خوشی محسوس ہو رہی ہے۔

### جائزہ برائے مستقبل

دوران مدت بڑے پیمانے پر مینوفیکچرنگ (LSM) کی ترقی کی شرح 7.2 فیصد ریکارڈ ہوئی جو کہ گزشتہ سال اسی مدت کے دوران 3.2 فیصد تھی نیز امید کی جاتی ہے کہ سی پیک سے متعلقہ سرمایہ کاری اور انفراسٹرکچرز کی ترقی کے ساتھ مضبوطی سے آگے بڑھتی رہے گی جس کے نتیجے میں اعلیٰ درجے کی درآمدات حاصل ہونگی اور کرنٹ اکاؤنٹ ڈیفیسٹ پر دباؤ ڈالا جائے گا۔ اسٹیٹ بینک آف پاکستان (ایس بی پی) نے جنوری 18 کے اعلان میں معیشت کو بڑھانے اور افراط زر کو اپنی کی شرح ہدف میں کمی قائم رکھنے کے لیے MPS میں پالیسی کی شرح کو 25bps سے بڑھا کر 6 فیصد کرنے کے لیے پہلے ہی سے اقدامات کر لیے ہیں اور پاکستانی روپے کی قدر میں تقریباً 5 فیصد کمی بھی کردی ہے۔ FY18 کے آخر تک ہم ترقی اور استحکام کو برقرار رکھنے کے لئے SBP کے جانب سے مزید مالیاتی سختی کی توقع رکھتے ہیں۔

### جائزہ برائے مالیاتی مارکیٹ

1HFY18 کے دوران افراط زر کی شرح سرخی ایک ہندسہ پر برقرار رہی، اوسط 3.75 فیصد Y/Y رہا جو کہ اس مقابلے میں 1HFY17 کے دوران 3.88 فیصد Y/Y تھا۔ دریں اثناء بنیادی افراط زر (غیر خوراک غیر توانائی) نے اپنی اعلیٰ رفتار کو برقرار رکھنا جاری رکھا اور اس مالی سال کے پہلے نصف حصے کے دوران 5.5 فیصد پر آگیا جو کہ گزشتہ سال اس مقابلے میں 4.9 فیصد تھا۔ روپے کی تخفیف اور بین الاقوامی تیل کی قیمتوں میں اضافے کے سبب آئندہ آنے والے مہینوں میں افراط زر بڑھنے کا امکان ہے۔ ان کی پیشرفتوں کو مدد نظر رکھتے ہوئے FY18 کے لیے اوسط افراط زر اب بھی 6 فیصد کے سالانہ ہدف کے مقابلے میں 4.5 فیصد سے 5.5 فیصد کی حد تک گرنے کا امکان ہے۔ زیرجائزہ مدت کے دوران کرنٹ اکاؤنٹ ڈیفیسٹ میں 7.4 بلین امریکی ڈالر تک اضافہ ہوا جو گزشتہ سال اسی مدت کے دوران 1.6 گنا خسارہ تھا۔ یہ جزوی طور پر سکوک اور یوروبونڈ، زیادہ ٹیکس کے حصول اور کارکنوں کی ترسیل میں اضافے کی حد کے ذریعے حاصل ہونے والا فنانس تھا۔

اسٹیٹ بینک آف پاکستان (ایس بی پی) نے 1HFY18 کے دوران تیرہویں ٹریژری بل کی نیلامی منعقد کی۔ مجموعی شرکاء نے 7,500 بلین پاکستانی روپے کی پہلی اعلان کردہ نیلامی کے خلاف 9,093 بلین پاکستانی روپے کا مشاہدہ کیا جبکہ SBP نے اس جائزے کے دوران 7,822 بلین پاکستانی روپے کی رقم قبول کی۔ یہ کہا جا رہا ہے کہ 3 ماہ میں ٹینور کی مجموعی طور پر منظور شدہ 85 فیصد رقم کی نمائندگی کی منظوری دی گئی جبکہ 6 ماہ اور 12 ماہ میں 15 فیصد اور 1 فیصد تھی۔

ایس بی پی نے زیر جائزہ مدت کے دوران چہ پاکستان انویسٹمنٹ بانڈ (PIB) کی نیلامیوں کا انعقاد کیا۔ کل منظور شدہ رقم 73 بلین پاکستانی روپے رہی جو کہ 20yr، 5yr، 10yr کے ٹینور کے



کاغذات میں مجموعی ہدف کے خلاف 500 بلین پاکستانی روپے تھی۔ اس عرصے کے دوران اکثریت کی شرکت 3 سال کے ٹینور میں دیکھی گئی تھی اور اسی حساب سے PIBs نے کل 69 فیصد لیے۔

ایس بی پی نے زیر جائزہ مدت کے دوران جی او پی اجارہ سکوک (GOP Ijarah Sukuk) کی کوئی نیلامی منعقد نہیں کی۔

#### حکمت عملی برائے فنڈ

فنڈ کی ترجیح صحت مند لیکویڈیٹی کو برقرار رکھنا ہے، بقایا قرضوں کے لیے دانشمندانہ فیصلہ سازی اور مستقبل کی سرمایہ کاری پر رسک سے بچتے ہوئے فیصلے کرنا ہے۔ فنڈ مینجمنٹ اعلیٰ یونٹ ہولڈرز کے تحفظ کو یقینی بناتے ہوئے بقایا قرضوں کی سیٹلمینٹ کے لئے فعال طور پر آگے بڑھ رہی ہے۔ فنڈ کی اولین ترجیح مستحکم منافع کو یقینی بناتے ہوئے اور کسی بھی یا تمام ریڈیمپشن (redemption) کی ضرورت کو پورا کرنا ہے۔

#### فنڈ کی کارکردگی

31 دسمبر، 2017 تک نیٹ اثاثہ جات 304.04 ملین روپے رہے جو اس کے مقابلے میں 30 جون 2017 کو 247.737 ملین روپے تھے۔ اس مدت کے دوران فنڈ کی کل آمدنی 27.088 ملین روپے رہی جو گزشتہ سال اسی مدت کے دوران 13.813 ملین روپے تھی۔ کل آمدنی میں گزشتہ سال کے مقابلے میں اسی مدت کے دوران 13.275 ملین روپے کا اضافہ ہوا۔ اس سال کے دوران کل اخراجات 7.20 ملین روپے ہوئے جو گزشتہ سال اسی عرصے کے دوران 2.036 ملین روپے تھے۔ اس مدت کے دوران DIF کی نیٹ ایسیٹ ویلیو (NAV) میں 78.93 روپے سے بڑھ کر 84.59 روپے فی یونٹ کا اضافہ ہوا۔

#### اعتراف نامہ

ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری اداروں کو ریکوری کے دوران قابل قدر حمایت، تعاون اور رہنمائی کرنے پر ان کے شکر گزار ہیں۔

بورڈ ایسیٹ مینجمنٹ کمپنی کے ٹرسٹی اور ملازمین کی سخت محنت اور لگن کے ساتھ کام کرنے اور یونٹ ہولڈرز کا مینجمنٹ پر مکمل اعتماد کرنے کے لئے بھی شکریہ ادا کرتا ہے۔

یہ کنڈیسنڈ انٹرم فنانشل اسٹیٹمنٹس غیر آڈٹ شدہ ہیں۔ لہذا ڈائریکٹرز مینجمنٹ کمپنی یہ اعلان کرتے ہیں کہ یہ کنڈیسنڈ انٹرم فنانشل اسٹیٹمنٹس فنڈ کی ایک حقیقی اور منصفانہ عکاسی کرتی ہیں۔

بورڈ آف ڈائریکٹرز  
کے لئے اور کی جانب

---SD---

چیئر پرسن

22 فروری، 2018  
کراچی



## MCB FINANCIAL SERVICES LIMITED

### REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

#### DAWOOD INCOME FUND

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

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

1. 786 Investments Limited (formerly: Dawood Capital Management Limited), the Management Company of Dawood Income Fund has, in all material respects, managed Dawood Income Fund during the period ended 31<sup>st</sup> December 2017 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

For the purpose of information, the attention of unit holders is drawn towards Note 13 to the condensed interim financial information which states that the Total Expense Ratio (TER) for six months period ended is 5.35% which includes 3.27% representing government levy, Sindh Workers Welfare Fund and SECP Fee. Currently TER of the Fund exceeds the prescribed limit by 0.08% as per regulation 60 (5) of the NBFC Regulations, 2008. Further, Direction 23 of 2016 states that the Asset Management Company (AMC) shall adjust the NAV of the CIS on the basis of TER at the end of each quarter during the financial year for the amount of expenses in excess of TER limit prescribed in regulation 60 (5) of the Regulations for that CIS by booking liability against AMC. However, no such adjustment was made by the AMC at 31<sup>st</sup> December 2017. Management has stated that the resulting adjustment to net asset value and reimbursement from Management Company will be made on the basis of annual TER calculated at the end of current financial year.

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: February 26, 2018

**AUDITORS' REPORT TO THE UNIT HOLDERS  
ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

*Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of DAWOOD INCOME FUND ("the Fund") as at 31 December 2017 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (hereinafter referred to as "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income and condensed interim cash flow statement for the three months period ended 31 December 2017 and 31 December 2016 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six-months period ended 31 December 2017.

*Scope of Review*

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

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six months period

**Riaz Ahmad & Company**  
Chartered Accountants

ended 31 December 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

*Other Matter*

The condensed interim financial information of the Fund for the six-months period ended 31 December 2016 and financial statements of the Fund for the year ended 30 June 2017 were reviewed and audited by another firm of Chartered Accountants who expressed unmodified conclusion and opinion with emphasis of matter paragraphs concerning the (i) suspension of the operations of the Fund from 22 March 2013 to 22 January 2015 and resultant non-compliance with various regulatory requirements by the Management Company; and (ii) pending approval of the license of the Management Company from SECP to undertake asset management services and investment advisory services vide their reports dated 22 February 2017 and 18 September 2017 respectively.



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**Name of engagement partner:**  
**Muhammad Waqas**

**Date: 22 February 2018**

**KARACHI**



**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)**  
**AS AT 31 DECEMBER 2017**

	Note	Un-Audited 31 December 2017 Rupees	Audited 30 June 2017 Rupees
<b>Assets</b>			
Balances with Banks	6	276,222,239	228,144,962
Investments	7	31,627,213	21,757,250
Income and Profit Receivable		2,280,493	1,420,888
Deposit and Prepayments		113,637	100,000
Advance Income Tax		-	6,899,826
<b>Total Assets</b>		<b>310,243,582</b>	<b>258,322,926</b>
<b>Liabilities</b>			
Payable to 786 Investments Limited - Management Company	8	3,010,734	2,978,217
Payable to MCB Financial Service Limited - Trustee		66,893	66,738
Payable to Securities and Exchange Commission of Pakistan - Annual Fee		106,572	167,162
Accrued Expenses and Other Liabilities	9	2,706,020	6,420,164
Dividend Payable		312,719	953,318
<b>total Liabilities</b>		<b>6,202,938</b>	<b>10,585,599</b>
<b>Net Assets</b>		<b>304,040,644</b>	<b>247,737,327</b>
<b>Unit Holders' Fund</b>		<b>304,040,644</b>	<b>247,737,327</b>
		(Number of units)	
<b>Number of Units in Issue</b>		<b>3,594,329</b>	<b>3,138,834</b>
		(Rupees)	
<b>Net Assets Value Per Unit</b>		<b>84.59</b>	<b>78.93</b>

**Contingencies and Commitments**

11

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For 786 Investments Limited  
(Formerly Dawood Capital Management Limited)  
[Management Company]

---SD---  
Chief Executive Officer

---SD---  
Chief Financial Officer

---SD---  
Director



**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)**  
**FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2017**

	Note	Six Months Period Ended 31 December		Three Months Period Ended 31 December	
		2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees
<b>Income</b>					
Capital Gain on Sale of Investment - Net		-	937,125	-	937,125
Mark-Up/Interest Income	12	8,623,368	4,499,157	4,375,187	2,831,418
Other Income		87,842	-	-	-
Reversal of Impairment in the Value of Investments					
Classified As Available for Sale - Net		18,377,578	8,377,578	14,188,789	4,188,789
<b>Total Income</b>		<b>27,088,788</b>	<b>13,813,860</b>	<b>18,563,976</b>	<b>7,957,332</b>
<b>Expenses</b>					
Remuneration of 786 Investments Limited - Management Company	8.1	2,131,475	865,864	1,138,970	471,700
Sales Tax on Management Fee	8.2	277,093	112,563	148,067	61,322
Remuneration of MCB Financial Services Limited - Trustee		302,330	301,720	151,152	150,787
Sales Tax on Remuneration of Trustee		39,303	39,224	19,650	19,604
Annual Fee - Securities and Exchange Commission of Pakistan		106,572	64,940	56,947	35,378
Securities Transaction Cost		15,646	4,019	14,654	2,942
Accounting and Operations Charges	8.3	-	72,763	(66,166)	47,170
Auditors' Remuneration		351,101	502,664	186,421	380,948
Bank Charges		5,048	765	3,561	370
Withholding Income Tax	10.3	3,828,444	-	3,828,444	-
Fees and Subscription		70,827	22,000	34,242	11,000
Printing and Related Charges		76,121	50,000	41,121	25,000
<b>Total Expenses</b>		<b>7,203,960</b>	<b>2,036,522</b>	<b>5,557,063</b>	<b>1,206,221</b>
		<b>19,884,828</b>	<b>11,777,338</b>	<b>13,006,913</b>	<b>6,751,111</b>
Net Element of Income and Capital Gains Included in Prices of Units Issued Less Those in Units Redeemed	3.2	-	3,985,060	-	4,585,778
Provision Sindh Workers' Welfare Fund	9.1	(397,757)	-	(260,829)	-
<b>Net Income for the Period Before Taxation</b>		<b>19,487,071</b>	<b>15,762,398</b>	<b>12,746,084</b>	<b>11,336,889</b>
Taxation	10	-	-	-	-
<b>Net Income for the Period After Taxation</b>		<b>19,487,071</b>	<b>15,762,398</b>	<b>12,746,084</b>	<b>11,336,889</b>
<b>Allocation of Net Income for the Period:</b>					
Income Already Paid on Units Redeemed		1,214,110		1,195,507	
Accounting Income Available for Distribution:					
- Relating to Capital Gain		-		-	
-Excluding Capital Gain		18,272,961		11,550,577	
		<b>18,272,961</b>		<b>11,550,577</b>	
		<b>19,487,071</b>		<b>12,746,084</b>	

**Earnings Per Unit**

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The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For 786 Investments Limited  
(Formerly Dawood Capital Management Limited)  
[Management Company]

---SD---  
Chief Executive Officer

---SD---  
Chief Financial Officer

---SD---  
Director



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2017**

	<b>Six Months Period Ended 31 December</b>		<b>Three Months Period Ended 31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Net Income for the Period after Taxation	<b>19,487,071</b>	15,762,398	<b>12,746,084</b>	11,336,889
<b>Other Comprehensive Income</b>				
<i>Items That are or May Be Reclassified Subsequently to Income Statement</i>				
Net Unrealised Appreciation in Fair Value of Investments Classified As Available for Sale	<b>369,963</b>	282,555	<b>477,213</b>	282,555
<b>Total Comprehensive Income for the Period</b>	<b><u>19,857,034</u></b>	<u>16,044,953</u>	<b><u>13,223,297</u></b>	<u>11,619,444</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For 786 Investments Limited  
(Formerly Dawood Capital Management Limited)  
[Management Company]

---SD---  
Chief Executive Officer

---SD---  
Chief Financial Officer

---SD---  
Director



**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017**

	Six Months Period Ended 31 December 2017				Six Months Period Ended 31 December 2016			
	Capital Value	Undistributed Loss	Unrealised Gain on Investment	Net Assets	Capital Value	Undistributed Loss	Unrealised Gain on Investment	Net Assets
	----- (Rupees) -----				----- (Rupees) -----			
Net Assets at the Beginning of the Period	373,888,482	(126,408,405)	257,250	247,737,327	290,518,032	(134,534,544)	-	155,983,488
Issue of 779,410 Units (2016: 1,340,806 Units)								
- Capital Value (at Net Asset Value Per Unit at the Beginning of the Period	61,516,166	-	-	61,516,166	-	-	-	-
- Element of Income	2,143,834	-	-	2,143,834	-	-	-	-
Total Proceeds on Issuance of Units	63,660,000	-	-	63,660,000	101,878,018	5,497,646	-	107,375,664
Redemption of 323,915 Units (2016: 575,962)								
- Capital Value (at Net Asset Value Per Unit at the Beginning of the Period	(25,565,485)	-	-	(25,565,485)	-	-	-	-
- Amount Paid Out of Element of Income Relating to 'Net Income for the Period After Taxation'	-	(1,214,110)	-	(1,214,110)	-	-	-	-
- Refund/Adjustment on Units As Element of Income	(434,122)	-	-	(434,122)	-	-	-	-
Total Payments on Redemption of Units	(25,999,607)	(1,214,110)	-	(27,213,717)	(43,763,119)	(1,512,586)	-	(45,275,706)
Element of Income and Capital Gain Included In Prices of Units Issued Less Those in Units Redeemed - Net	-	-	-	-	-	(3,985,060)	-	(3,985,060)
Total Comprehensive Income for the Period	-	19,487,071	369,963	19,857,034	-	15,762,398	-	15,762,398
Distribution During the Period	-	-	-	-	-	-	282,555	282,555
	-	19,487,071	369,963	19,857,034	-	15,762,398	282,555	16,044,953
Net Assets at End of the Period	411,548,875	(108,135,444)	627,213	304,040,644	348,632,931	(118,772,146)	282,555	230,143,339
<b>Distribution for the Period</b>								
Undistributed Loss Brought Forward								
- Realised		(126,408,405)				(134,534,544)		
- Unrealised		-				-		
		(126,408,405)				(134,534,544)		
Accounting Income Available for Distribution								
- Relating to Capital Gains		-				-		
- Excluding Capital Gains		18,272,961				-		
		18,272,961				-		
Net Income for the Period		-				15,762,398		
Distribution During the Period		-				-		
Undistributed Loss Carried Forward		(108,135,444)				(118,772,146)		
Undistributed Loss Carried Forward								
- Realised		(108,135,444)				(118,772,146)		
- Unrealised		-				-		
		(108,135,444)				(118,772,146)		
Net Asset Value Per Unit As at Beginning of the Period				78.93				75.98
Net Asset Value Per Unit As at End of the Period				84.59				81.68

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**For 786 Investments Limited  
(Formerly Dawood Capital Management Limited)  
[Management Company]**

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

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

----SD-----  
**Director**



**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017**

	<b>Six Months Period Ended 31 December</b>		<b>Three Months Period Ended 31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net Income for the Period Before Taxation	19,487,071	15,762,398	12,746,084	11,336,889
<b>Adjustments for Non-Cash Charges and Other Items:</b>				
Net Element of Income/(Loss) and Capital Gains/ (Losses) Included in Prices of Units Issued Less Those in Units Redeemed	-	(3,985,060)	-	(4,585,778)
Reversal of Impairment in the Value of Investments Classified As Available for Sale - Net	(18,377,578)	-	(14,188,789)	-
	<u>1,109,493</u>	<u>11,777,338</u>	<u>(1,442,705)</u>	<u>6,751,111</u>
<b>Decrease/(Increase) in Assets</b>				
Investments	8,877,578	(33,000,000)	113,553,889	-
Income and Profit Receivable	(859,605)	(785,350)	(1,117,782)	(1,151,169)
Deposit and Prepayments	(13,637)	(22,000)	6,931	11,000
Advance Income Tax	6,899,826	(417,084)	4,078,434	(259,832)
	<u>14,904,162</u>	<u>(34,224,434)</u>	<u>116,521,472</u>	<u>(1,400,001)</u>
<b>(Decrease)/Increase in Liabilities</b>				
Payable to Management Company	32,517	261,041	(19,526)	605,785
Payable to Trustee	155	1,360	1,852	1,688
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(60,590)	(170,445)	56,947	(200,007)
Accrued Expenses and Other Liabilities	(3,714,144)	50,649	146,080	(45,828)
Dividend Payable	(640,599)	(31,927,051)	-	-
	<u>(4,382,661)</u>	<u>(31,784,446)</u>	<u>185,353</u>	<u>361,638</u>
<b>Net Cash Generated From/(Used In) Operating Activities</b>	<u>11,630,994</u>	<u>(54,231,542)</u>	<u>115,264,120</u>	<u>5,712,748</u>
<b>Cash Flows From Financing Activities</b>				
Receipts From Issuance of Units	63,660,000	107,375,664	35,950,000	107,375,664
Payments on Redemption of Units	(27,213,717)	(45,275,706)	(25,820,875)	(33,653,713)
<b>Net Cash Generated From Financing Activities</b>	<u>36,446,283</u>	<u>62,099,958</u>	<u>10,129,125</u>	<u>73,721,951</u>
Net Increase in Cash and Cash Equivalents During the Period	<u>48,077,277</u>	<u>7,868,416</u>	<u>125,393,245</u>	<u>79,434,699</u>
Cash and Cash Equivalents at Beginning of the Period	<u>228,144,962</u>	<u>189,555,170</u>	<u>150,828,994</u>	<u>117,988,887</u>
<b>Cash and Cash Equivalents at End of the Period</b>	<u><u>276,222,239</u></u>	<u><u>197,423,586</u></u>	<u><u>276,222,239</u></u>	<u><u>197,423,586</u></u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For 786 Investments Limited  
(Formerly Dawood Capital Management Limited)  
[Management Company]

---SD---  
Chief Executive Officer

---SD---  
Chief Financial Officer

---SD---  
Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2017**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

**1.1** Dawood Income Fund (the Fund) was established under a Trust Deed executed on 8 April 2003 between 786 Investments Limited (formerly Dawood Capital Management 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. Titles 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 7.2.2, 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). On 20 January 2017, the Management Company has changed its name to 786 Investments Limited after completing regulatory formalities. During the current period, the registered office of the Management Company was changed and now is situated at G3, Ground floor, BRR Tower, Hassan Ali Street, I.I Chundrigarh Road, Karachi, Pakistan.

**1.2** The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

**1.3** The Fund is categorized as "income scheme" in accordance with Circular No. 7 of 2009 issued by the Securities and Exchange Commission of Pakistan (SECP). The principal activity of the Fund is to make investment in spread transactions and debt based securities including Government securities, Commercial Papers and other money market instruments and placement of funds.

**1.4** Asset Manager Rating (AMR) of Management Company was 'AM3-' and that of Fund is A-(f) rated by Pakistan Credit Rating (PACRA) before suspension of the Fund. On 23 December 2017, PACRA has assigned a stability rating of "AA-(f)" to the Fund.

**1.5 Suspension of the Fund during the period from 22 March 2013 to 22 January 2015**

**1.5.1** The operations of the Fund were suspended from 22 March 2013 to 22 January 2015 by the Securities and Exchange Commission of Pakistan (SECP) vide order number SCD-SD (Enf./KHI/DCML/2013/61 in pursuance to a show cause notice issued on 8 November 2012 for violation of Regulation 38(a) and Regulation 38(n) of the NBFC Regulations, 2008. Further the SECP, cancelled the license of the Management Company to undertake the business of Asset Management Services and Investment Advisory Services and Trustee of the Fund was directed to extinguish/revoke the Fund.

**1.5.2** The Management Company being aggrieved by the directors of SECP, filed an appeal before the appellant bench of the SECP against the above suspension of the Fund and the cancellation of the license to undertake the business of Asset Management Services and Investment Advisory Services on the grounds that the above actions of the SECP were taken without lawful authority and jurisdiction. Subsequently, on 22 January 2015 the appeal was decided in favour of the Management Company by the appellant bench and the original order has been set aside.

**1.5.3** Based on the above, the Management Company is authorised and licensed to undertake Asset Management Services and Investment Advisory Services.

**1.5.4** The operations in dealing in units of Fund have been resumed with effect from 7 February 2016 under intimation to SECP and Trustee of the Fund.

**1.6** Due to the suspension of the Fund from 22 March 2013 to 22 January 2015, the Management Company was not able to comply with various requirements of the NBFC Rules, NBFC Regulations and other regulatory requirements. SECP vide its letter SCD/AMCW/DCML/151/2015 dated 5 November 2015 advised the Management Company to submit documents/information showing Board of Directors approved commitment along with timelines to comply with regulatory non-compliances. The Board of Directors of the Management Company is fully committed to comply with the regulatory requirements. Further, during the last year, an onsite inspection was carried out by the Specialized Companies Division - Supervision and Enforcement Department of the Securities and Exchange Commission of Pakistan concerning the operations and management of the Fund by the



Management Company as per the NBFC Rules 2003, the NBFC Regulations, 2008 and its Constitutive Documents. The inspection report identified certain non-compliances with applicable regulations which mainly pertain to financial management system, compliance and risk management system, updation of policies and procedures, investment committee, investment function, fund management and internal controls and procedures. Management considers that owing to suspension of the Fund such compliances could not be made in timely manner. However, the Management Company is fully committed to ensure compliance with such Regulations in due course.

- 1.7 The Management Company applied for renewal of its license to undertake Asset Management Services and Investment Advisory Services which was approved by the SECP on 19 October 2017 and accordingly issued license no. AMCW/13/786IL/AMS/08/2017 and AMCW/14/786IL/IA/06/2017 to carry out Asset Management Services and Investment Advisory Services respectively.
- 1.8 On 22 September 2017, PSX issued notice to the Management Company demanding to clear all the pending PSX formalities and payment of dues. It was further stated that the trading of shares of the Management Company shall remain suspended until such time the causes of suspension have been rectified.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of Compliance**

- 2.1.1 This condensed interim financial information of the Fund has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations shall prevail.
- 2.1.2 This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual audited financial statements of the Fund for the year ended 30 June 2017.
- 2.1.3 This condensed interim financial information is unaudited are being circulated to the unit holders as per the requirement of the NBFC regulations. However, a limited scope review has been performed by the external auditors of the fund. The Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.
- 2.1.4 The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 31 December 2017 have been extracted from the annual audited financial statements of the Fund for the year ended 30 June 2017, where as the comparative in condensed interim income statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 31 December 2016.
- 2.1.5 The Companies Act, 2017 was enacted on 30 May 2017 and is applicable with immediate effect. The Securities and Exchange Commission of Pakistan through press release and vide circular no. 23 of 2017 dated 04 October 2017 in continuation of circular no. 17 of 2017 dated 20 July 2017 has decided that all the companies whose financial year, including quarterly and other interim period, closes on or before 31 December 2017, shall prepare their financial statements, including interim financial statements, in accordance with the provisions of the repealed Companies Ordinance, 1984.

### **2.2 Basis of Measurement**

These financial statements have been prepared under the historical cost convention except that certain financial assets are measured at fair value.

### **2.3 Functional and Presentation Currency**

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



### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the Fund for the year ended 30 June 2017 except for change in accounting policy for recognition of Element of income/(loss) and capital gains/(losses) included in the prices of units issued less those in units redeemed (Element of Income) as stated below.
- 3.2 The Securities and Exchange Commission of Pakistan through its SRO 756(1)/2017 dated 3 August 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, 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 amended regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be 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 will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income statement' and 'statement of Movement in Unit Holders' Fund'. whereas disclosure with respect to 'Distribution Statement' has been deleted in the amended regulations.

Previously, an equalization account called the 'element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed' was created. In order to prevent the dilution of per unit income and distribution of income already paid out on redemption, the net element of income/(loss) and capital gains/(losses) relating to units issued and redeemed during the accounting period which pertained to unrealized appreciation/(diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unit holders. The remaining portion of the net element of income/(loss) and capital gains/(losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income statement' and 'Statement of Movement in Unit Holders' Fund' prospectively from 1 July 2017 as allowed by SECP vide their email to MUFAP dated February 08, 2018. Accordingly, corresponding figures have not been restated. The 'Distribution statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the profit of the Fund would have been higher by Rupees 485,750 net off charge for SWWF in respect of element of income/loss and consequently NAV per unit would have been higher by Rupee 0.14. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures/new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

- 3.3 The preparation of the condensed interim financial information in conformity with approved accounting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing the condensed interim financial information, the significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2017. The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2017.





**7.1.1** Invest Capital Investment Bank Limited (ICIBL) defaulted on its payment of principal and mark up due on 18 September 2010. The security was classified as non-performing by MUFAP on 17 May 2012 and accrual of income on the same was suspended. This security was fully provided in accordance with the provisioning circulars of SECP and the Board's approved provisioning policy. During the current period on 10 October 2017, the Management Company entered into a settlement agreement with ICIBL where it has agreed to pay only to the extent of Rupees 10 million against the total outstanding dues previously provided. Accordingly, remaining irrecoverable receivables are written off and agreed amount Rupees 10 million has been received during the current period.

**7.1.2** Dewan Cement Company Limited defaulted on its payments and was 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 Dewan Cement Limited on 09 May 2016 whereby the remaining debt will be paid in thirty one equal quarterly installments in arrears. The Fund has recognised reversal amounting to Rs. 8.378 million on receipt basis. The Fund has suspended mark-up there against.

## 7.2 Unlisted Term Finance and Sukuks Certificates - Available-for-Sale

Certificates have a face value of Rs 5,000 each unless stated otherwise

	Note	Number of Certificates			Balance as at 31 December 2017			Market Value as a Percentage of Net Assets	Market Value as a Percentage of Total Investments	
		As at 1 July 2017	Purchased during the Period	Disposed/ Matured/ Settled during the Period	As at 31 December 2017	Cost/Carrying Value	Market Value			Appreciation /(Diminution)
		Units			Rupees					
<b>Unlisted Term Finance Certificates</b>										
<b>Commercial Bank</b>										
Dubai Islamic Bank Limited	7.2.1	-	26	-	26	26,000,000	26,456,898	456,898	9%	84%
<b>Cable and Electric Goods</b>										
New Allied Industries Limited	7.2.2	11,523	-	-	11,523	25,433,190	-	-	0%	0%
<b>Unlisted Sukuks</b>										
<b>Cable and Electric Goods</b>										
TPL Corporation Limited (formerly known as TPLTrakker Limited)*	7.2.3	5	-	-	5	5,000,000	5,170,315	170,315	2%	16%
<b>Real Estate and Development</b>										
Eden Housing Limited	7.2.4	2,933	-	-	2,933	2,887,171	-	-	0%	0%
<b>31 December 2017</b>						<b>59,320,361</b>	<b>31,627,213</b>	<b>627,213</b>		
30 June 2017						33,320,361	5,257,250	257,250		

\*Each having face value of Rs. 1,000,000 per certificate

**7.2.1** This Sukuk certificates carry profit equal to 6 months KIBOR plus 0.50% receivable half-yearly in arrears and will mature in July 2027.

**7.2.2** New Allied Electronics Industries 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 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. As mentioned in note 1.1, these TFCs are held in CDC Investor account of the previous Trustee and will only be transferred upon final settlement.

**7.2.3** 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.

**7.2.4** Eden Housing defaulted on its payment of principal and mark-up due on 21 April 2011. Consequently, the security was classified as non-performing by MUFAP on 06 May 2011 and accrual on the same was suspended. This security has been provided in accordance with the provisioning circulars of SECP and the Board's approved provisioning policy.



**7.3 Government Securities - 'At Fair Value through Profit and Loss'- Held for Trading**

Issue Date	Note	Tenor	Face Value			As at 31 December 2017	Market Value As at 31 December 2017	Market Value as a Percentage of Net Assets	Market Value as a Percentage Total Investments
			As at 1 July 2017	Purchased during the Period	Sold/Matured during the Period				
			(Rupees)						
17-Aug-17	7.3.1	3 Months	-	100,000,000	100,000,000	-	-	-	-
Total as at 31 December 2017			-	100,000,000	100,000,000	-	-		

**7.4 Certificates of Investment - Loans and Receivables**

Description	Balance as at 31 December 2017				Carrying Value as at 31 December 2017	Percentage of Net Assets	Percentage of Total Investment
	As at 1 July 2017	Purchased during the Period	Matured during the Period	As at 31 December 2017			
	(Rupees)						
Orix Leasing Limited	16,500,000	-	16,500,000	-	-	-	-
	16,500,000	-	16,500,000	-	-	-	-

**7.5 Movement in Provision against Debt Securities**

Note	31 December 2017		
	Listed Debt Securities	Unlisted Debt	Total
(Rupees)			
Opening Balance	133,097,303	28,320,361	161,417,664
Less: Reversal of Provision			
- Written Off Against Carrying Amount on Sale of Investment	7.1.1 (10,000,000)	-	(10,000,000)
- Reversal Against Carrying Value Matured	7.1.2 (18,377,578)	-	(18,377,578)
	(28,377,578)	-	(28,377,578)
Closing Balance	104,719,725	28,320,361	133,040,086

**7.6 Details of Non-Compliant Investment with the Investment Criteria as Specified by the Securities and Exchange Commission of Pakistan**

In accordance with Clause (v) of the investment criteria laid down for "income scheme" in Circular no. 7 of 2009 issued by SECP, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at 31 December 2017, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the Circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by Mutual Fund Association of Pakistan (MUFAP) on default by respective issuer in repayment of coupon due on respective dates. The Fund holds 100% provision against such investment as enumerated below:



	Type of Investment	Value before Provision	Provision Made	Value after Provision	Percentage of Net Asset	Percentage of Gross Asset
		(Rupees)				
Dewan Cement Limited	TFC	104,719,725	104,719,725	-	-	-
New Allied Electronics Industries Limited	TFC	25,433,190	25,433,190	-	-	-
Eden Housing Limited	Sukuk	2,887,171	2,887,171	-	-	-
		<u>133,040,086</u>	<u>133,040,086</u>			
<b>7.7</b>	<b>Unrealised appreciation in fair value of investments classified as 'Available for Sale'</b>				<b>Un-Audited 31 December 2017</b>	<b>Audited 30 June 2017</b>
					<b>Rupees</b>	<b>Rupees</b>
Fair Value of Investments					<b>31,627,213</b>	5,257,250
Cost of Investment					<b>(31,000,000)</b>	(5,000,000)
Net Unrealised Appreciation in the Fair Value of Investments at the End of the Year					<u><b>627,213</b></u>	<u>257,250</u>
<b>8</b>	<b>Payable to 786 Investment Limited - Management Company</b>					
On Account of:						
Management Remuneration	8.1				<b>853,667</b>	824,893
Sindh Sales Tax	8.2				<b>137,205</b>	133,462
Accounting Operating and Valuation Services	8.3				<b>222,756</b>	222,756
Federal Excise Duty (FED)	8.4				<b>1,797,106</b>	1,797,106
					<u><b>3,010,734</b></u>	<u>2,978,217</u>

- 8.1** Under NBFC Regulation 61, Management Company is entitled to receive a remuneration at the rate not exceeding 1.5% of the average annual net assets of the Fund. Management Company has charged its remuneration at the rate of 1.5% per annum of the average annual net assets of the Fund. The fee is payable to Management Company monthly in arrears. Annual net assets of the Fund.
- 8.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.
- 8.3** This represent the allocation of expense relating to registrar services, accounting, operation and valuation services at 0.1% of average annual net assets of the Fund as allowed under regulation 60 (3)(s) of the NBFC Regulation 2008.
- 8.4** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from 13 June 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sale 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 4 September 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

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 1 July 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 Supreme Court of Pakistan. Thereafter, during the pendency of the present civil petition, the Supreme Court has suspended the operation of the impugned judgement of the SHC. The matter is still pending adjudication. With effect from 1 July 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 1 July 2016. However, as a matter of abundant caution the provision made for FED for the period from 13 June 2013 till 30 June 2016 aggregating to Rs. 1.797 million (2016: Rs. 1.797 million) is being retained in the condensed interim financial information of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision of FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at 31 December 2017 would have been higher by Rupee 0.50 per unit (2016: Rupee 0.57 per unit).



9	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	Un-Audited	Audited
			31 December 2017	30 June 2017
			Rupees	Rupees
	Provision for Sindh Workers' Welfare Fund	9.1	1,918,995	1,521,238
	Accrued Expenses		560,387	561,801
	Other Liabilities		100,984	557,425
	Zakat Payable and Withholding Tax		125,654	3,779,700
			<b>2,706,020</b>	<b>6,420,164</b>

- 9.1 In January 2016 the Sindh Revenue Board (SRB) had written to few mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

MUFAP has also taken a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. 21 May 2015. Accordingly, on 12 January 2017, MUFAP as an abundant caution, has decided to provide for SWWF with effect from 21 May 2015, while the efforts to exclude mutual funds from SWWF continue. The Management Company has recognised SWWF charge for the period from 21 May 2015 to 31 December 2017, amounting to Rs. 1.916 million (June 30, 2017: Rs. 1.521 million). Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Re. 0.53 (June 30, 2017: Re. 0.49).

## 10 TAXATION

- 10.1 The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90 percent of accounting income, the income distributed through bonus units shall not be dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001.

- 10.2 The Management Company has filed return of income of the Fund for the years ended 30 June 2013, 2014 and 2015 claiming exemption from taxation on income under clause 99 of Part 1 to the Second Schedule of the Income Tax Ordinance, 2001 (the Ordinance). The Additional Commissioner Inland Revenue (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 claiming that exemption under clause 99 is available to only those collective investment schemes, which distribute not less than 90% of its accounting income of that year amongst unit holders on year to year basis. 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 favour 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 and claim of exemption has nothing to do with timely or late filing of the return of income and directed CIR to re-examine the case after giving appellant opportunity of being heard.

On 2 March 2017, 30 May 2017 and 15 February 2017 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. However, the orders further stated that separate proceedings will be conducted for late filing of return and levying of penalty for respective tax years under Section 182 of the Income Tax Ordinance, 2001. No such proceedings have been initiated by the taxation authorities and hence, no provision has been recorded with respect to late filing of income tax returns for respective tax years by the Fund as the management will contest any such proceeding which will be initiated by the taxation authorities.



**10.3** The Management Company has received tax exemption certificate on 16 August 2017 valid upto 31 December 2017. Therefore, irrecoverable tax deducted on profits by banks and other investee companies for the period started from 1 January 2017 to 15 August 2017 previously recorded as advance tax has been expensed out during the current period.

#### **11 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at 31 December 2017 (30 June 2017: Nil)

#### **12 MARK-UP/INTEREST INCOME**

	<b>Un-Audited 31 December 2017 Rupees</b>	<b>Un-Audited 31 December 2016 Rupees</b>
Return On:		
- Profit From Bank Balances	<b>6,148,904</b>	2,318,118
-Term Finance And Sukuks Certificates	<b>1,048,973</b>	1,450,066
-Certificates Of Investments (Coi)	<b>132,791</b>	730,973
-Government Securities	<b>1,292,700</b>	-
	<b>8,623,368</b>	<b>4,499,157</b>

#### **13 TOTAL EXPENSE RATIO**

Total Expense Ratio (TER) for the six months period ended 31 December 2017 is 5.35% which includes 3.27% representing government levy, Sindh Workers Welfare Fund and SECP fee. Currently TER of the Fund exceeds the prescribed limit by 0.08% as per regulation 60(5) of the NBFC Regulations, 2008. However, the resulting adjustment to net asset value and reimbursement from Management Company will be made on the basis of annual TER calculated at the end of current financial year.

#### **14 EARNINGS PER UNIT**

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

#### **15 TRANSACTIONS WITH CONNECTED PERSONS/OTHER RELATED PARTIES**

Related parties/connected persons of the Fund include 786 Investments Limited (formerly Dawood Capital Management Limited), being 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 holders holding more than 10% units in the Fund or any of their connected person.

Remuneration payable to the Management Company and the 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.



Details of transactions with related parties and balances with them at the period end are as follows:

15.1	Details of the Transactions with Connected Persons/Related Parties are as Follows:	Six Months Period Ended 31 December		Three Months Period Ended 31 December	
		2017	2016	2017	2016
	<b>786 Investments Limited (formerly Dawood Capital Management Limited) - Management Company</b>				
	Remuneration (Including Indirect Taxes)	<u>2,408,568</u>	<u>978,427</u>	<u>1,287,037</u>	<u>533,022</u>
	Accounting and Operation Charges	<u>-</u>	<u>72,763</u>	<u>(66,166)</u>	<u>47,170</u>
	<b>MCB Financial Services Limited - Trustee</b>				
	Remuneration (Including Indirect Taxes)	<u>341,633</u>	<u>340,944</u>	<u>170,802</u>	<u>170,391</u>
	<b>786 Investments Limited (formerly Dawood Capital Management Limited) - Management Company</b>				
	Issue of Nil Units (2016: 31,914 Units) and Nil Units (2016: Nil) for the Six Months and Three Months Period Ended Respectively	<u>-</u>	<u>2,424,817</u>	<u>-</u>	<u>-</u>
	<b>Directors and Executives of the Management Company</b>				
	Issue of Nil Units (2016: 72,980 Units) and Nil Units (2016: Nil) for the Six Months and Three Months Period Ended Respectively.	<u>-</u>	<u>5,538,817</u>	<u>-</u>	<u>-</u>
	<b>Dawood Global Foundation</b>				
	Issue of Nil Units (2016: 184,856 Units) and Nil Units (2016: 184,856) for the Six Months and Three Months Period Ended Respectively	<u>-</u>	<u>15,000,000</u>	<u>-</u>	<u>15,000,000</u>
	<b>BRR Investment Limited</b>				
	Issue of 118,279 Units (2016: 420,484 Units) and Nil Units (2016: Nil) for the Six Months and Three Months Period Ended Respectively	<u>10,000,000</u>	<u>34,200,000</u>	<u>-</u>	<u>36,906,202</u>
	Redemption of 15,028 Units (December 2016: Nil Units)	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>	<u>-</u>
	<b>First Dawood Investment Bank Limited - Employees' Contributory Provident Fund</b>				
	Issue of Nil Units (2016: 34,518 Units) and Nil Units (2016: Nil) for the Six Months and Three Months Period Ended Respectively	<u>-</u>	<u>2,622,650</u>	<u>-</u>	<u>-</u>
15.2	<b>Amounts Outstanding as at Period End are as Follows:</b>	<b>Un-Audited</b>		<b>Audited</b>	
		<b>31 December</b>		<b>30 June</b>	
	<b>786 Investments Limited (Formerly Dawood Capital Management Limited) - Management Company</b>	<b>2017</b>		<b>2017</b>	
		<b>Rupees</b>		<b>Rupees</b>	
	Remuneration Payable	<u>3,010,734</u>		<u>2,978,217</u>	
	Units Held 261,797 (June 2017: 261,797)	<u>22,145,135</u>		<u>20,662,703</u>	
	<b>MCB Financial Services Limited - Trustee</b>				
	Remuneration Payable	<u>66,893</u>		<u>66,738</u>	
	<b>First Dawood Investment Bank Limited - Employees' Contributory Provident Fund</b>				
	Units Held 228,437 (June 2017: 228,437)	<u>19,323,236</u>		<u>18,029,729</u>	
	<b>BRR Investment Limited</b>				
	Units Held 519,883 Units (June 2017: 416,632)	<u>43,976,411</u>		<u>32,883,325</u>	
	<b>F. Villiers</b>				
	Units Held 411,213 (June 2017: 530,648)	<u>34,784,059</u>		<u>41,882,244</u>	



**Directors And Executives Of The Management Company**  
Units Held 718,431 (June 2017: 717,872)

**Other Connected Persons/Related Parties**  
Units Held 2,371 Units (June 2017: 2,371 Units)

Un-Audited 31 December 2017 Rupees	Audited 30 June 2017 Rupees
<b>60,771,347</b>	56,659,106
<b>200,560</b>	187,130

**16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

- 16.1** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- 16.2** Fair value of underlying financial assets are determined based on requirements of Regulation 66 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and directives if any, issued by the Securities and Exchange Commission of Pakistan. The Fund has an established control framework with respect to the measurement of fair values.
- 16.3** The fair value of financial assets that are traded in active market are based on prices obtained directly from an exchange on which the investments are traded. For unlisted debt securities and debt securities listed but not traded regularly on stock exchange valued in the manner specified by Securities and Exchange Commission of Pakistan.
- 16.4** The Fund measures fair value using the following fair value hierarchy that reflects the significance of the input in making the measurements.
- Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
- Level 3 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).
- 16.5** The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy to which the fair value is measurement is categorized.

31 December 2017				
Carrying Amount				Fair Value
Available-for-Sale	Held to Maturity	Other Financial Liabilities	Total	Level 2
(Rupees)				
<b>On-Balance Sheet Financial Instruments</b>				
<b>Financial Assets Measured At Fair Value</b>				
Investments				
- Term Finance and Sukuk Certificates - listed	-	-	-	-
- Term Finance and Sukuk Certificates - unlisted	31,627,213	-	31,627,213	31,627,213
	<b>31,627,213</b>	-	<b>31,627,213</b>	<b>31,627,213</b>



31 December 2017

Carrying Amount

	Available-for-Sale	Loans and Receivables	Other Financial Liabilities	Total
(Rupees)				
<b>Financial Assets Not Measured At Fair Value</b>				
Bank Balances	-	276,222,239	-	276,222,239
Investments				
- Certificate of Investments	-	-	-	-
Income and Profit Receivable	-	2,280,493	-	2,280,493
Deposit and Prepayment	-	113,637	-	113,637
Advance Income Tax	-	-	-	-
	-	278,616,369	-	278,616,369
<b>Financial Liabilities Not Measured At Fair Value</b>				
Payable to Management Company	-	-	3,010,734	3,010,734
Payable to Trustee	-	-	66,893	66,893
Payable to Securities and Exchange				
Commission of Pakistan - Annual Fee	-	-	106,572	106,572
Accrued Expenses and Other Liabilities	-	-	2,706,020	2,706,020
Dividend Payable	-	-	312,719	312,719
	-	-	6,202,938	6,202,938

16.6 For financial assets and financial liabilities not measured at fair value through profit or loss management considers that their carrying amounts approximate fair value because of their short-term nature and the high credit quality of counter parties.

16.7 The Fund routinely redeems and issues the redeemable units at the amount equal to the proportionate share of net assets of the Fund at the time of issuance and redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to holders of redeemable units approximates their fair value.

Reconciliation of recurring fair value measurements categorized within Level 2 of the fair value hierarchy

31 December 2017  
Rupees

30 June 2017  
Rupees

Unlisted Term Finance Certificates and Sukuks

Cost	31,000,000	5,000,000
Net unrealised appreciation recognised in other comprehensive income during the period	627,213	257,250
<b>Carrying Value</b>	<b>31,627,213</b>	<b>5,257,250</b>

## 17 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information has been approved and authorized for issue in the meeting of the Board of Directors of the Management Company held on 22 February 2018.

## 18 GENERAL

18.1 The corresponding figures have been re-arranged wherever necessary.

18.2 Figures have been rounded off to the nearest rupees.

For 786 Investments Limited  
(Formerly Dawood Capital Management Limited)  
[Management Company]

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

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

----SD----  
Director

## BOOK POST

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