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786 INVESTMENTS LIMITED



DAWOOD INCOME FUND

**FINANCIAL STATEMENTS
FOR THE QUARTER ENDED**

**31 MARCH 2018
(UN-AUDITED)**



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CORPORATE INFORMATION

Management Company	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	
Board of Directors	Ms. Shafqat Sultana Miss Tara Uzra Dawood Ms. Charmaine Hidayatullah Mr. Mohammad Izqar khan Mr. Tahir Mehmood Syed Farhan Abbas	Chairperson Chief Executive Officer Director Director Director Director
Chief Financial Officer & Company Secretary	Mr. Talal Ismail Pasha	
Audit Committee	Mr. Tahir Mehmood Ms. Charmaine Hidayatullah Syed Farhan Abbas	Chairman Member Member
Human Resource Committee	Mr. Tahir Mehmood Ms. Shafqat Sultana Miss Tara Uzra Dawood	Chairman Member Member
Trustee:	MCB Financial Services Limited 4th Floor, Pardasi House, 2/1 R-Y old Queens Road, Karachi	
Auditors	Riaz Ahmad & Company Chartered Accountants	
Legal Advisor	Rauf & Ghaffar Law Associates (Advocates & Consultants) Suite # 65, 5th Floor, Fareed Chamber, Abdullah Haroon Road, Saddar – Karachi, Pakistan.	
Registrars	F.D. Registrar Services (SMC-Pvt.) Ltd. Office# 1705, 17th Floor Saima Trade Tower. A, I.I. Chundrigar Road, Karachi-74000, Pakistan.	
Banker:	Al Baraka Bank (Pakistan) Limited JS Bank Limited BankIslami Pakistan Limited	
Rating	PACRA: AA-(f)	



DIRECTORS' REPORT FOR THE QUARTER ENDED MARCH 31, 2018

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 (DIF)**, I am pleased to present financial statements for the quarter ended March 31, 2018.

MONEY MARKET REVIEW

During the 9M FY18, headline inflation remained in single digit, averaging 3.25% Y/Y versus 4.94% Y/Y recorded in 9M HFY17. Meanwhile, core inflation (non-food non-energy) continued to maintain its higher trajectory and clocked in at 5.80% during the first nine months of the year as compared to 5.3% last year.

The State Bank of Pakistan (SBP) halted 3 years long monetary easing cycle and increased discount rate by 25bps in Jan'18 Monetary Policy Statement while maintaining status quo in Mar'18 on account a) contained inflation with a drop in recent core inflation, b) sustained growth momentum in output and c) time needed to gauge impact of recent policy decisions. Taking into account of these developments, average inflation for FY18 is still projected to fall within the annual target of 6%.

The SBP held twenty Treasury Bill auctions during 9M FY18. The cumulative participation witnessed were PKR 14,489 billion against the pre-announced auction target of PKR 12,875 billion while the SBP accepted an amount of PKR 10,846 billion during the period under review. That being said, acceptance in 3 months tenor represented 89% of the total accepted amount while the 6 months and 12 months were 11% and 0.38%.

The SBP conducted nine Pakistan Investment Bond (PIB) auctions during this period. The total accepted amount were PKR 54 billion against a cumulative target of PKR 700 billion in 3yr, 5yr, 10yr and 20yr tenor papers. Since August'18 onwards, all PIBs auctions were rejected due thin participation.

The SBP did not conducted any Government of Pakistan (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. The DIF will soon convert to shariah compliant income fund. In this respect, Trust Deed has been sent to Securities & Exchange Commission of Pakistan for their approval.

FUND PERFORMANCE

As at March 31, 2018, net assets were PKR. 336.79 million as compared to PKR. 247.737 million as at June 30, 2017. The Fund's total income during the period stands PKR. 36.20 million as compared to profit of PKR. 28.06 million. Total income increased by PKR. 8.14 million as compared to same period last year. Total expenses were PKR. 9.357 million as compared to PKR. 3.889 million in the same period last year. The Net Asset Value (NAV) of DIF per unit increased from PKR. 78.93 to PKR. 86.56 during the period.

FUTURE OUTLOOK

During the period, PKR has cumulative depreciated by almost 10% (Dec'17 and Mar'18) higher than the historical rate of 6%p.a. State Bank of Pakistan's FX reserve has fallen to US\$ 11.8 billion (2.5m of import cover) and news reports suggests that Pakistan is mulling fresh borrowing from China and most likely to enter IMF program in the 2nd Half Calendar Year.

Going forward, we believe Consumer Price Index (CPI) will increase at quicker pace in 2nd half financial year 2018 and onwards owing to the after effect of recent PKR depreciation, rising oil prices and surging fiscal deficit. Thus, we continue to expect cumulative interest rate to increase by 100-150 bps for Calendar Year 2018.



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

April 16, 2018
Karachi



داؤد انکم فنڈ کے ڈائریکٹرز کی رپورٹ

مجھے 786 انوسٹمنٹس لمیٹڈ "786i" یا کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ، 2018 کو اختتام پذیر ہونے والی سہ ماہی کے لیے داؤد انکم فنڈ (DIF) کی فنانشل اسٹیٹمنٹس آپ کی خدمت میں پیش کرتے ہوئے بے حد مسرت محسوس ہو رہی ہے۔

جائزہ برائے منی مارکیٹ

9M FY18 کے دوران، افراط زر کی شرح ایک بند سے پر برقرار رہی۔ Y/Y 3.25% اوسط کے مقابلے میں 9M HFY17 میں یہ 4.94% Y/Y ریکارڈ ہوئی۔ دریں اثنا، بنیادی افراط زر (غیر خوراک، غیر توانائی) نے اپنی اعلیٰ رفتار کو برقرار رکھتے ہوئے سال کے پہلے نو ماہ کے دوران 5.80% پر اختتام پذیر ہوا جو کہ گزشتہ سال اس مقابلے میں 5.3% تھا۔

اسٹیٹ بینک آف پاکستان (SBP) نے تین سالہ طویل مالیاتی سہولت کے سلسلہ کو روک دیا اور جنوری 18 کی مالیاتی پالیسی اسٹیٹمنٹ میں ڈسکاؤنٹ کی شرح کو 25bps سے بڑھا دیا۔ جبکہ مارچ 18 میں اکاؤنٹ پر جمود کے درجے کو برقرار رکھا۔ الف) حالیہ بنیادی افراط زر میں کمی کے ساتھ افراط زر کی موجودگی، ب) پیداوار میں مسلسل ترقی کی رفتار اور ج) حالیہ پالیسی کے فیصلوں کے اثرات کا تعین کرنے کے لئے وقت کی ضرورت ہے۔ ان پیش رفتوں پر غور کرتے ہوئے FY18 کے لئے اوسط افراط زر کی شرح اب بھی سالانہ ہدف 6% تک گرنے کا امکان ہے۔

9M FY18 کے دوران SBP نے 20 ٹریژری بل نیلامیاں منعقد کیں۔ پہلے سے اعلان کردہ نیلامی کے 12,875 بلین پاکستانی روپے کے ہدف کے مقابلے میں 14,489 بلین پاکستانی روپے کی مجموعی شرکت کا مشاہدہ کیا گیا۔ جبکہ زیر جائزہ مدت کے دوران SBP نے 10,846 بلین پاکستانی روپے کی رقم منظور کی۔ یہ کہا جا رہا ہے کہ 3 ماہ کی مدت کی منظوری کے دوران مجموعی طور پر کل منظور شدہ رقم کی 89% نمائندگی حاصل ہوئی جبکہ 6 ماہ اور 12 ماہ کے لیے 11% اور 0.38% تھی۔

SBP نے اس مدت کے دوران نو پاکستان انویسٹمنٹ بانڈ (PIB) کی نیلامیاں منعقد کیں۔ 3yr, 5yr, 10yr, 20yr کے ٹنور کے کاغذات میں 700 بلین پاکستانی روپے کے مجموعی ہدف کے خلاف کل منظور شدہ رقم 54 بلین پاکستانی روپے تھی۔ اگست 18 کے بعد سے تمام PIBs کی نیلامیوں کو کم شراکت کے باعث مسترد کر دیا گیا۔

زیرجائزہ مدت کے دوران SBP نے کسی بھی گورنمنٹ آف پاکستان (GOP) اجارہ سکوک کی نیلامی نہیں کی۔

حکمت عملی برائے فنڈ

فنڈ کی ترجیح صحت مند لیکویڈٹی 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 مینیجمنٹ 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 با تمام ریڈیمپشن (redemption) کی ضرورت کو پورا کرنا ہے۔ DIF جلد ہی شریعت کے مطابق انکم فنڈ میں تبدیل ہو جائے گا۔ اس سلسلے میں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو منظوری کے لئے ٹرسٹ ڈیڈ بھیج دی گئی ہے۔

فنڈ کی کارکردگی

31 مارچ، 2018 تک نیٹ اثاثہ جات 336.79 ملین پاکستانی روپے رہے جو اس کے مقابلے میں 30 جون 2017 کو 247.737 ملین پاکستانی روپے تھے۔ اس مدت کے دوران فنڈ کی کل آمدنی 36.20 ملین پاکستانی روپے رہی جو گزشتہ سال اسی مدت کے دوران 28.06 ملین پاکستانی روپے تھی۔ کل آمدنی میں گزشتہ سال کے مقابلے میں اسی مدت کے دوران 8.14 ملین پاکستانی روپے کا اضافہ ہوا۔ سال کے دوران کل اخراجات 9,357 ملین پاکستانی روپے ہوئے جو گزشتہ سال اسی عرصے کے دوران 3,889 ملین پاکستانی روپے تھے۔ اس مدت کے دوران DIF کی نیٹ ایسیٹ ویلیو (NAV) 78.93 روپے سے بڑھ کر اضافے کے ساتھ 86.56 روپے فی یونٹ اضافہ ہو گئی۔



مستقبل پر نظر

دوران منت، PKR کی مجموعی طور پر (دسمبر '17 اور مارچ '18) میں 10% تک تخفیف ہوئی جو کہ 6%p.a. کی تاریخی شرح سے زیادہ ہے۔ اسٹیٹ بینک آف پاکستان کے FX ذخائر 11.8 بلین امریکی ڈالر تک پہنچ گئے (درآمدات کو 2.5 ملین) اور خبروں کی رپورٹ یہ تجویز دیتی ہے کہ پاکستان چین سے نئے قرضے لینے پر غور کر رہا ہے اور اس کا کیلنڈر سال کے دوسرے نصف میں IMF پروگرام میں داخل ہونے کا امکان ہے۔

آگے بڑھتے ہوئے ہمیں یہ یقین ہے کہ حالیہ PKR کی تخفیف کے اثرات کے بعد اور بڑھتی ہوئی نیل کی قیمتوں اور مالیاتی خسارے میں اضافے کے سبب کنزیومر پرائس انڈیکس (CPI) میں مالی سال 2018 کے دوسرے نصف کے دوران اور اس کے بعد تیزی سے اضافہ ہوگا، اس لیے ہم کیلنڈر سال 2018 کے لئے ہم 100-150 bps تک مجموعی شرح سود کے بڑھ جانے کی توقع جاری رکھتے ہیں۔

اظہار تشکر

ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری باڈیز کی قابل قدر معاونت، تعاون اور رہنمائی کرنے پر ان کے شکر گزار ہیں۔

بورڈ ایسیٹ مینجمنٹ کمپنی کے ملازمین اور ٹرسٹی کا سخت محنت اور لگن سے کام کرنے اور یونٹ ہولڈرز کا مینجمنٹ پر مکمل اعتماد کرنے پر بھی مشکور ہے۔

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

برائے اور من جانب بورڈ
بورڈ آف ڈائریکٹرز

---SD---

چیئر پرسن

16 اپریل، 2018
کراچی



**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)
AS AT 31 MARCH 2018**

	Note	Un-Audited 31 March 2018 Rupees	Audited 30 June 2017 Rupees
Assets			
Balances with Banks	6	279,107,691	228,144,962
Investments	7	61,663,200	21,757,250
Profit Accrued and Other Receivable		2,088,958	1,420,888
Deposit and Prepayments		106,875	100,000
Advance Income Tax		-	6,899,826
Total Assets		342,966,724	258,322,926
Liabilities			
Payable to 786 Investments Limited - Management Company	8	2,845,447	2,978,217
Payable to MCB Financial Service Limited - Trustee		66,896	66,738
Payable to Securities and Exchange Commission of Pakistan - Annual Fee		166,087	167,162
Accrued Expenses and Other Liabilities	9	2,789,894	6,420,164
Dividend Payable		312,719	953,318
Total Liabilities		6,181,043	10,585,599
Net Assets		336,785,681	247,737,327
Unit Holders' Fund (as per statement attached)		336,785,681	247,737,327
		(Number of Units)	
Number of Units in Issue		3,890,603	3,138,834
		(Rupees)	
Net Assets Value Per Unit		86.56	78.93
Contingencies and Commitments	11		

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

For 786 Investments Limited
[Management Company]

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

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

----SD----
Director



**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND THREE MONTHS PERIOD ENDED 31 MARCH 2018**

	Note	Nine Months Period Ended		Three Months Period Ended	
		31 March		31 March	
		2018	2017	2018	2017
		Rupees	Rupees	Rupees	Rupees
Income					
Capital Gain on Sale of Investment - Net		-	3,471,893	-	2,534,768
Mark-Up/Interest Income	12	13,546,751	8,260,884	4,923,383	3,761,727
Other Income		88,754	-	912	-
Reversal of Worker Welfare Fund		-	3,761,961	-	3,761,961
Reversal of Impairment in the Value of Investments Classified As Available for Sale - Net		22,566,367	12,566,367	4,188,789	4,188,789
Total Income		36,201,872	28,061,105	9,113,084	14,247,245
Expenses					
Remuneration to 786 Investments Limited - Management Company	8.1	3,208,732	1,503,345	1,077,257	637,481
Sindh Sales Tax on Management Fee	8.2	417,136	195,435	140,043	82,872
Allocated Expense	8.3	-	150,334	-	77,571
Remuneration to MCB Financial Services Limited - Trustee		450,203	449,229	147,873	147,509
Sindh Sales Tax on Trustee Fee		58,526	58,400	19,223	19,176
Annual Fee to Securities and Exchange Commission of Pakistan		166,087	112,715	59,515	47,775
Auditors' Remuneration		392,631	639,404	41,530	136,740
Fees and Subscription		105,454	39,000	34,627	17,000
Securities Transaction Cost		61,995	50,549	46,349	46,530
Bank Charges		7,097	765	2,049	-
Provision for Sindh Workers' Welfare Fund (SWWF)	9.1	547,844	626,975	150,087	626,975
Withholding Income Tax	10.3	3,828,444	-	-	-
Printing and Related Charges		113,353	63,000	37,232	13,000
Total Expenses		9,357,502	3,889,151	1,755,785	1,852,629
Net Income from Operating Activities		26,844,370	24,171,954	7,357,299	12,394,616
Net Element of Income and Capital Gains Included in Prices of Units Issued Less Those in Units Redeemed	3.2	-	6,549,819	-	2,564,759
Net Income for the Period Before Taxation		26,844,370	30,721,773	7,357,299	14,959,375
Taxation	10	-	-	-	-
Net Income for the Period After Taxation		26,844,370	30,721,773	7,357,299	14,959,375
Allocation of Net Income for the Period:					
Net Income for the Period After Taxation		26,844,370		7,357,299	
Income Already Paid on Units Redeemed		1,697,270		483,160	
		25,147,100		6,874,139	
Accounting Income Available for Distribution:					
- Relating to Capital Gain		-		-	
- Excluding Capital Gain		25,147,100		6,874,139	
		25,147,100		6,874,139	

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
[Management Company]

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

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

----SD----
Director



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS AND THREE MONTHS PERIOD ENDED 31 MARCH 2018**

	Nine Months Period Ended 31 March		Three Months Period Ended 31 March	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
Net Income for the Period After Taxation	26,844,370	30,721,773	7,357,299	14,959,375
Other Comprehensive Income				
<i>Items That are or May be Reclassified Subsequently to Income Statement</i>				
Net Unrealised Appreciation/(Diminution) in Fair Value of Investments Classified As Available for Sale	405,950	258,625	35,987	(23,930)
Total Comprehensive Income for the Period	27,250,320	30,980,398	7,393,286	14,935,445

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

For 786 Investments Limited
[Management Company]

----SD----

Chief Executive Officer

----SD----

Chief Financial Officer

----SD----

Director



**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2018**

	31 March 2018				31 March 2017			
	Capital Value	Undistributed Loss	Unrealised Gain on Investment	Total	Capital Value	Undistributed Loss	Unrealised Gain on Investment	Total
	(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
Amount Received on Issuance of 1,140,746 Units (2017: 1,816,092 Units)	94,630,000	-	-	94,630,000	137,991,575	8,934,091	-	146,925,666
Amount Paid on Redemption of 388,977 Units (2017: 702,341 Units)	(31,134,696)	(1,697,270)	-	(32,831,966)	(53,365,799)	(2,384,272)	-	(55,750,071)
Element of Income/(Loss) and Capital Gains/(Losses) Included in Prices of Units Issued Less Those in Units Redeemed - Net	-	-	-	-	-	(6,549,819)	-	(6,549,819)
Total Comprehensive Income for the Period	-	26,844,370	405,950	27,250,320	-	30,721,773	258,625	30,980,398
Distribution During the Period	-	-	-	-	-	-	-	-
Net Assets at End of the Period	437,383,786	(101,261,305)	663,200	336,785,681	375,143,808	(103,812,771)	258,625	271,589,662
Undistributed Income 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		25,147,100				-		
		25,147,100				-		
Net Income for the Period after Taxation (For Prior Periods Either Income/(Loss) and Where There is Loss Situation in Current Year)						30,721,773		
Distribution During the Period						-		
Undistributed Income Carried Forward		(101,261,305)				(103,812,771)		
Undistributed Income Carried Forward								
- Realised		(101,667,255)				(104,071,396)		
- Unrealised		405,950				258,625		
		(101,261,305)				(103,812,771)		
Net Assets Value Per Unit at Beginning of the Period		78.93				75.98		
Net Assets Value Per Unit at End of the Period		86.56				85.77		

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

For 786 Investments Limited
[Management Company]

---SD---
Chief Executive Officer

---SD---
Chief Financial Officer

---SD---
Director



**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2018**

	Nine Months Period Ended 31 March	
	2018	2017
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the Period Before Taxation	26,844,370	30,721,773
Adjustments for Non-Cash Charges and Other Items:		
Reversal of Impairment in the Value of Investments Classified As Available for Sale - Net	(22,566,367)	-
Net Element of Income/(Loss) and Capital Gains/ (Losses) Included in Prices of Units Issued Less Those in Units Redeemed	-	(6,549,819)
	4,278,003	24,171,954
(Increase)/Decrease in Assets		
Investments	(16,933,633)	(16,500,000)
Profit Accrued and Other Receivable	(668,070)	(488,377)
Deposit and Prepayments	(6,875)	(11,000)
Advance Income Tax	6,899,826	(781,135)
	(10,708,752)	(17,780,512)
(Decrease)/Increase in Liabilities		
Payable to Management Company	(132,770)	(74,327)
Payable to Trustee	158	1,359
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(1,075)	(122,670)
Accrued Expenses and Other Liabilities	(3,630,270)	(4,272,694)
Dividend Payable	(640,599)	(31,927,051)
	(4,404,556)	(36,395,383)
Net Cash Generated Used In Operating Activities	(10,835,305)	(30,003,941)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts From Issuance of Units	94,630,000	146,925,666
Payments on Redemption of Units	(32,831,966)	(55,750,071)
Net Cash Generated From Financing Activities	61,798,034	91,175,595
Net Increase in Cash and Cash Equivalents During the Period	50,962,729	61,171,654
Cash and Cash Equivalents at Beginning of the Period	228,144,962	189,555,170
Cash and Cash Equivalents at End of the Period	279,107,691	250,726,824

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

For 786 Investments Limited
[Management Company]

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

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

----SD----
Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS AND THREE MONTHS PERIOD ENDED 31 MARCH 2018**

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 Chundrigar 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. 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 March 2018 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 March 2017.
- 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(I)/2017 dated August 3, 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 revised 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 revised regulations.

Previously, an equalisation 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 unrealised 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 unitholders. 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 July 1, 2017, based on the clarification issued by the SECP. 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 income/loss of the Fund would have been higher by Rs 1.329 million. 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.
- 3.4 Amendments to certain existing standards, new standards and interpretations on approved accounting standards which were effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund.

4 ESTIMATES AND JUDGMENTS

- 4.1 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.
- 4.2 In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited financial statements as at and for the year ended 30 June 2017.

5 FINANCIAL RISK MANAGEMENT

- 5.1 The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the annual audited financial statements of the Fund as at and for the year ended 30 June 2017.

	Note	Un-Audited 31 March 2018 Rupees	Audited 30 June 2017 Rupees
6 BALANCES WITH BANKS			
- PLS Savings Accounts	6.1	<u>279,107,691</u>	<u>228,144,962</u>
		<u>279,107,691</u>	<u>228,144,962</u>

- 6.1 These accounts carry return at rates range from 3% to 6% (June 2017: 3.5% to 6%) per annum.

7 INVESTMENTS

Available for Sale

Listed Term Finance and Sukuk Certificates	7.1	-	-
Unlisted Term Finance and Sukuk Certificates	7.2	<u>61,663,200</u>	<u>5,257,250</u>
		<u>61,663,200</u>	<u>5,257,250</u>

At Fair Value through Profit and Loss - Held for Trading

Government Securities	7.3	-	-
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Loans and Receivables

Certificates of Investment (COI)	7.4	-	16,500,000
		<u>61,663,200</u>	<u>21,757,250</u>

7.1 Listed 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 March 2018			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	Settled during the Period	As at 31 March 2018	Cost/Carrying Value	Market Value		
	Units			Rupees				
Financial Services								
Invest Capital Investment Bank Limited	7.1.1	4,000	-	4,000	-	-	-	0%
Construction and Material								
Dewan Cement Company Limited	7.1.2	30,000	-	-	30,000	100,530,936	-	0%
31 March 2018					<u>100,530,936</u>	-	-	
30 June 2017					133,097,303	-	-	



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. 12.566 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 March 2018			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 March 2018	Cost/Carrying Value	Market Value			Appreciation/(Diminution)		
	Units			Rupees							
Unlisted Term Finance Certificates											
Commercial Bank											
	Dubai Islamic Bank Limited*	7.2.1	-	26	-	26	26,000,000	26,473,200	473,200	8%	43%
Cable and Electric Goods											
	New Allied Industries (Pvt) Limited	7.2.2	11,523	-	-	11,523	25,433,190	-	-	0%	0%
Unlisted Sukuks											
Cable and Electric Goods											
	TPL Corporation Limited (formerly known as TPLTrakker)	7.2.3	5	-	-	5	5,000,000	5,190,000	190,000	2%	8%
Real Estate and Development											
	Eden Housing Limited	7.2.4	2,933	-	-	2,933	2,887,171	-	-	0%	0%
Fertilizers											
	Dawood Hercules Corporation Limited	7.2.5	-	6,000	-	6,000	30,000,000	30,000,000	-	9%	49%
31 March 2018							89,320,361	61,663,200	663,200		
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.

7.2.5 These Sukuk certificates carry profit equal to 3 month KIBOR plus 1% receivable quarterly in arrears and will mature in February 2023. The Instrument is structured to redeem 60% of the Issue Amount during the first 4 years and remaining 40% in last two (2) equal semi-annual installments of 20% each. The instrument is secured pledge of shares of Engro Corporation Limited, inclusive of 50% margin, in a designated CDC account. In the event of any sale and repurchase of security, the Trustee will have a lien over subsequent cash, which is to be deposited in a specified bank account and further, Floating or Hypothecation charge on all present and future assets of the Company inclusive of 25% margin Security.

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

Issue Date	Note	Tenor	Face Value			As at 31 March 2018	Market Value As at 31 March 2018	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	Sold/Matured during the Period				
			------(Rupees)-----			-----%-----			
17-Aug-17	7.3.1	3 Months	-	100,000,000	100,000,000	-	-	-	
Total as at 31 March 2018			-	100,000,000	100,000,000	-	-	-	

7.4 Certificates of Investment - Loans and Receivables

Description	Balance as at 31 March 2018				Carrying Value as at 31 March 2018	Percentage of Net Assets	Percentage of Total Investment	
	As at 1 July 2017	Purchased during the Period	Matured during the Period	As at 31 March 2018				
				------(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 March 2018		
	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	(20,000,000)	(20,000,000)
- Reversal Against Carrying Value Matured	7.1.2	(12,566,367)	(12,566,367)
			(32,566,367)
Closing Balance	100,530,936	28,320,361	128,851,297

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 March 2018, 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	100,530,936	100,530,936	-	-	-
New Allied Electronics Industries Limited	TFC	25,433,190	25,433,190	-	-	-
Eden Housing Limited	Sukuk	2,887,171	2,887,171	-	-	-
		<u>128,851,297</u>	<u>128,851,297</u>			

7.7 Unrealised Appreciation in Fair Value of Investments Classified as 'Available for Sale'

	Un-Audited 31 March 2018 Rupees	Audited 30 June 2017 Rupees
Fair Value of Investments	61,663,200	5,257,250
Cost of Investment	(61,000,000)	(5,000,000)
Net Unrealised Appreciation in the Fair Value of Investments at the End of the Period	<u>663,200</u>	<u>257,250</u>

8 Payable to 786 Investments Limited - Management Company

On Account of:			
Management Remuneration	8.1	904,525	824,893
Sindh Sales Tax	8.2	143,816	133,462
Accounting Operating and Valuation Services	8.3	-	222,756
Federal Excise Duty (FED)	8.4	1,797,106	1,797,106
		<u>2,845,447</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 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 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 (2017: 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 March 2018 would have been higher by Rupee 0.46 per unit (2017: Rupee 0.57 per unit).

9	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	Un-Audited	Audited
			31 March 2018 Rupees	30 June 2017 Rupees
	Provision for Sindh Workers' Welfare Fund	9.1	2,069,082	1,521,238
	Accrued Expenses		548,034	561,801
	Other Liabilities		48,564	557,425
	Zakat Payable and Withholding Tax		124,214	3,779,700
			2,789,894	6,420,164

- 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 March 2018, amounting to Rs. 2.069 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. 0.48).

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 and 02 January 2018 valid upto 30 June 2018 . 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 March 2018 (30 June 2017: Nil)

12 MARK-UP/INTEREST INCOME	Un-Audited 31 March 2018 Rupees	Un-Audited 31 March 2017 Rupees
Return On:		
- Profit on Bank Balances	10,328,774	5,506,184
- Profit on Sukuks Certificates	1,792,486	1,569,162
- Profit on Certificates of Investments (COI)	132,791	1,185,538
- Profit on Government Securities	1,292,700	-
	<u>13,546,751</u>	<u>8,260,884</u>

13 TOTAL EXPENSE RATIO

Total Expense Ratio (TER) for the Nine months period ended 31 March 2018 is 4.23% which includes 2.27% representing government levy, Sindh Workers Welfare Fund and SECP fee.

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, 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:	Nine Months Period Ended		Three Months Period Ended	
	31 March		31 March	
	2018	2017	2018	2017
786 Investments Limited - Management Company				
Remuneration (Including Indirect Taxes)	<u>3,625,868</u>	<u>1,698,780</u>	<u>1,217,300</u>	<u>720,353</u>
Accounting and Operation Charges	<u>-</u>	<u>150,334</u>	<u>-</u>	<u>77,571</u>
MCB Financial Services Limited - Trustee				
Remuneration (Including Indirect Taxes)	<u>508,729</u>	<u>507,629</u>	<u>167,096</u>	<u>166,685</u>
786 Investments Limited - Management Company				
Issue of Nil Units (2017: 31,914 Units) and Nil Units (2017: Nil) for the Nine Months and Three Months Period Ended Respectively	<u>-</u>	<u>2,424,817</u>	<u>-</u>	<u>-</u>
Directors and Executives of the Management Company				
Issue of 46,374 Units (2017: 96,309 Units) and 46,374 Units (2017: 23,329 Units) for the Nine Months and Three Months Period Ended	<u>4,000,000</u>	<u>7,538,817</u>	<u>4,000,000</u>	<u>2,000,000</u>
Dawood Global Foundation				
Issue of Nil Units (2017: 184,856 Units) and Nil Units (2017: Nil Units) for the Nine Months and Three Months Period Ended Respectively	<u>-</u>	<u>15,000,000</u>	<u>-</u>	<u>-</u>
BRR Investment Limited				
Issue of 118,279 Units (2017: 420,484 Units) and Nil Units (2017: Nil) for the Nine Months and Three Months Period Ended Respectively	<u>10,000,000</u>	<u>34,200,000</u>	<u>-</u>	<u>-</u>
Redemption of 15,028 Units (2017: 12,729 Units) and Nil Units (2017: 12,729 Units) for the Nine Months and Three Months Period Ended	<u>1,200,000</u>	<u>1,080,000</u>	<u>-</u>	<u>1,080,000</u>
First Dawood Investment Bank Limited				
- Employees' Contributory Provident Fund				
Issue of Nil Units (2017: 34,518 Units) and Nil Units (2017: Nil) for the Nine Months and Three Months Period Ended Respectively	<u>-</u>	<u>2,622,650</u>	<u>-</u>	<u>-</u>
Other Connected Persons/Related Parties				
Issue of 137,183 Units (2017: Nil Units) and 137,183 Units (2017: Nil) for the Nine Months and Three Months Period Ended Respectively	<u>11,800,000</u>	<u>-</u>	<u>11,800,000</u>	<u>-</u>



15.2 Amounts Outstanding as at Period End are as Follows:

	Un-Audited 31 March 2018 Rupees	Audited 30 June 2017 Rupees
786 Investments Limited - Management Company		
Remuneration Payable	<u>2,845,447</u>	<u>2,978,217</u>
Units Held 261,797 (June 2017: 261,797)	<u>22,662,162</u>	<u>20,662,703</u>
MCB Financial Services Limited - Trustee		
Remuneration Payable	<u>66,896</u>	<u>66,738</u>
First Dawood Investment Bank Limited - Employees' Contributory Provident Fund		
Units Held 228,437 (June 2017: 228,437)	<u>19,774,379</u>	<u>18,029,729</u>
BRR Investment Limited		
Units Held 519,888 Units (June 2017: 416,637)	<u>45,003,501</u>	<u>32,883,325</u>
F. Villiers		
Units Held 411,215 (June 2017: 530,648)	<u>35,596,346</u>	<u>41,882,244</u>
Directors And Executives Of The Management Company		
Units Held 600,706 (June 2017: 717,872)	<u>51,999,475</u>	<u>56,659,106</u>
Other Connected Persons/Related Parties		
Units Held 294,192 Units (June 2017: 2,371 Units)	<u>25,466,393</u>	<u>187,130</u>

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 March 2018

Carrying Amount					Fair Value
Available-for-Sale	Held to Maturity	Loans and Receivables	Other Financial Liabilities	Total	Level 2

(Rupees)

On-Balance Sheet Financial Instruments

Financial Assets Measured At Fair Value

Investments

- Sukuk Certificates - Listed
- Sukuk Certificates - Unlisted

-	-	-	-	-	-
61,663,200	-	-	-	61,663,200	61,663,200
61,663,200	-	-	-	61,663,200	61,663,200

31 March 2018

Carrying Amount

Available-for-Sale	Held to Maturity	Loans and Receivables	Other Financial Liabilities	Total
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(Rupees)

Financial Assets Not Measured At Fair Value

Bank Balances

Investments

- Certificate of Investments
Income and Profit Receivable
Deposit and Prepayment
Advance Income Tax

-	-	279,107,691	-	279,107,691
-	-	-	-	-
-	-	2,088,958	-	2,088,958
-	-	106,875	-	106,875
-	-	-	-	-
-	-	281,303,524	-	281,303,524

Financial Liabilities Not Measured At Fair Value

Payable to Management Company

Payable to Trustee

Payable to Securities and Exchange

Commission of Pakistan - Annual Fee

Accrued Expenses and Other Liabilities

Dividend Payable

-	-	-	2,845,447	2,845,447
-	-	-	66,896	66,896
-	-	-	166,087	166,087
-	-	-	2,789,894	2,789,894
-	-	-	312,719	312,719
-	-	-	6,181,043	6,181,043

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 March 2018	30 June 2017
	Rupees	Rupees
Unlisted Term Finance Certificates and Sukuks		
Cost	5,257,250	5,000,000
Sukuk Certificate Purchased (Dubai Islamic Bank Limited)	26,000,000	-
Sukuk Certificate Purchased (Dawood Hercules Corporation Limited)	30,000,000	-
Net unrealised appreciation recognised in other comprehensive income during the period	405,950	257,250
Carrying Value	<u>61,663,200</u>	<u>5,257,250</u>

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 16 April, 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
[Management Company]

____SD____
Chief Executive Officer

____SD____
Chief Financial Officer















____SD____
Director

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