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786 INVESTMENTS LIMITED



DAWOOD INCOME FUND

**FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED**

**DECEMBER 31, 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. Ahmed Salamn Munir Syed Shabahat Hussain Mr. Tahir Mehmood Syed Farhan Abbas	Chairperson Chief Executive Officer Director Director Director Director Director
Chief Financial Officer & Company Secretary	Mr. Talal Ismail Pasha	
Audit Committee	Syed Shabahat Hussain Mr. Tahir Mehmood Syed Farhan Abbas	Chairman Member Member
Human Resource Committee	Ms. Shafqat Sultana Miss Tara Uzra Dawood Mr. Tahir Mehmood	Chairperson Member Member
Trustee:	MCB Financial Services Limited 4th Floor, Pardasi House, 2/1 R-Y old Queens Road, Karachi	
Auditors	Grant Thornton Anjum Rahman 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 Bank Alfalah Limited	
Rating	PACRA: AA-(f)	



DIRECTORS' REPORT FOR THE QUARTER ENDED DECEMBER 31, 2018

It gives me immense pleasure to present on behalf of the Board of Directors of 786 Investments Ltd "786 or the Company" the Management Company of **Dawood Income Fund**, I am pleased to present reviewed financial statements along with auditors reviewed report for the half year ended December 31, 2018.

MARKET & ECONOMY REVIEW

Economic Review

The economy did not fare well in 2018. Acceleration halted and the economic challenges were aggravated in the second half. The government's negotiated bilateral inflows averted a sovereign default and offered space for maneuverability to fix disruptive factors.

People hope that the new leadership will be able to revive waning business confidence and minimize the pain of stabilization for the working masses. The government's vision will come into full play in the year ahead. It is high time to identify the perils and promises.

All global economic forecasters have revised down the expected economic performance of the country citing shrinking foreign exchange reserves and a high debt burden among other factors. The World Bank, International Monetary Fund (IMF) and the Asian Development Bank have brought down the GDP growth forecast by two to three per cent. Reputable credit rating agencies Moody's and Fitch Ratings have downgraded Pakistan to the lower end of the highly speculative grade.

In its current review the IMF stated: "Macroeconomic stability gains have been eroding, putting the outlook at risk. Growth is expected to moderate to 4pc in 2019, and slow to about 3pc in the medium-term". It projected a slight rise in the unemployment ratio. The current account balance is forecast at negative 5.3pc for 2019 compared to negative 4.1pc for 2017 and negative 5.9pc in 2018.

Average headline CPI inflation stands at 6.0 percent for the first half of FY19, which is considerably higher than the 3.8 percent recorded during the same period last year. SBP's inflation cast for FY19 in the range of 6.5% to 7.5% in view of (i) higher anticipated international oil prices (ii) an upward revision in domestic gas prices (iii) an increase regularity duty on imports and (iv) exchange rate depreciations. The policy interest rate was raised by 350 bps to 10% during the period under review.

To sum up, the economy has averted the immediate severe balance of payments crises and all macro-economic indicators are showing positive trends towards stabilization. The general paradigm of fiscal and monetary policies has been realigned towards exports, investment and productivity growth. In the days to come, bold steps will be put in place to facilitate both foreign and local investment and dramatically improve the ease of doing business climate in the country. Additionally, financial inflows are expected from friendly countries, which will also help provide some relief to the external account.

Money Market Review:

The SBP held thirteen Treasury bill auctions during the 1half FY19. The cumulative participation witnessed were PKR 10.90bn against the pre-announced auction target of PKR 10.50bn while the SBP accepted an amount of PKR 9.85bn during the period under review. That being said, acceptance in 3 months tenor represented 99.99% of the total accepted amount while the 6 months were 0.01% while no bids were received in 12 months tenor. Further during this period SBP conducted six Pakistan Investment Bond (PIB) auctions and raised PKR 36.18bn the last cut-off yields was 12.25%, 12.70% and 13.15% for 3, 5 and 10 years respectively. Further during this period SBP conducted one Floating Rate Bonds (FRB) auction based on spread over 6 months weighted average cut-off T.Bills. The cumulative participation witnessed were PKR 93.473bn against the auction target of PKR 150bn while the SBP did not accepted any amount. The SBP did not conduct any GOP Ijarah Sukuk auction during the period under review.



FUND PERFORMANCE

As at December 31, 2018, net assets were PKR. 386.37 million as compared to PKR. 334.72 million as at June 30, 2018. Total operating income for the period was PKR. 26.71 million as compared to PKR. 27.08 million in the same period last year. Total income maintained almost at same level as compared to same period last year. Total expense was PKR. 5.45 million as compared to PKR. 7.60 million in the same period last year. Net Income for the period was PKR. 21.26. Income already paid on unit redeemed was PKR. 6.00 million. The Net Asset Value per unit was Rs. 83.74 as at December 31, 2018.

----SD----

Chief Executive Officer

----SD----

Director

February 18, 2019
Karachi

786 انویسٹمنٹ لمیٹڈ
ڈائریکٹرز کی رپورٹ
برائے 31 دسمبر 2018 مختصر ششماہی

داؤد انکم فنڈ کی سبجیکٹ کمپنی 786 انویسٹمنٹ لمیٹڈ (786 یاد رکھنی) کے بورڈ آف ڈائریکٹرز کی جانب سے، میں 31 دسمبر 2018 کو ختم ہونے والی ششماہی کے دوبارہ نظر ثانی شدہ مالیاتی گوشوارے مع آڈیٹرز کی دوبارہ نظر ثانی شدہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

مارکیٹ اور اقتصادی جائزہ
اقتصادی جائزہ:

2018 میں معیشت اچھی نہیں رہی ہے۔ معیشت کی رفتار زکی رہی اور دوسری ششماہی میں معاشی مشکلات بڑھ گئیں۔ حکومت کے دو طرفہ مذاکرات کے تبادلے نے ریاستی امور کو خراب کر دیا اور ایس کن عوامل کو حل کرنے کے لئے پائیدار جدوجہد کی پیشکش کی۔
لوگ امید کرتے ہیں کہ نئی قیادت کاروباری اعتماد کو فروغ دے اور کام کرنے والے لوگوں کے لئے استحکام کی بے پستی کو کم کرنے میں کامیاب ہو جائے گی۔ حکومت کا نقطہ نظر اگلے برس میں مکمل کردار ادا کرے گا۔ خطرات اور وعدوں کی شناخت کا یہ بہترین وقت ہے۔
تمام عالمی معاشی پیشگوئیوں نے غیر ملکی ذخائر کی اور دیگر عناصر کے درمیان اعلیٰ قرضوں کے بوجھ کے حوالے سے ملک کی متوقع معاشی کارکردگی کو مزید کم کیا ہے۔ ورلڈ بینک، بین الاقوامی مالیاتی فنڈ (آئی ایم ایف) اور ایشیائی ترقیاتی بینک نے جی ڈی پی نمو کی پیش گوئی کو دو سے تین فی صد تک کم کر دیا ہے۔ نامور کریڈٹ ریٹنگ ایجنسیوں موڈیز اور فچ ریٹنگ نے پاکستان کو انتہائی محاسباتی گریڈ کے نچلے درجہ میں رکھی ہے۔

اپنے موجودہ جائزہ میں آئی ایم ایف نے کہا: "اقتصادی استحکام کے حصول نے نقطہ نظر کو خطرے میں ڈال دیا ہے۔ 2019 میں نمو کی رفتار 4 فی صد تک اعتدال پسند اور درمیانی مدت میں تقریباً 3 فی صد تک کی متوقع ہے۔" اس سے بے روزگاری کے تناسب میں معمولی اضافہ ہوا ہے۔ موجودہ اکاؤنٹس بیلنس 2019 کے لئے 5.3 فی صد کی پیش گوئی کی گئی ہے جبکہ 2017 کے لئے منفی 4.1 فی صد اور 2018 میں منفی 5.9 فی صد تھا۔

مالی سال 2019 کی پہلی ششماہی کے لئے اوسط سی پی آئی افراز کی شرح 6.0 فی صد رہی ہے، جو پچھلے سال اسی مدت کے دوران 3.8 فی صد درج کی گئی سے قابل ذکر زیادہ ہے۔ ایس بی پی نے مالی سال 19 کے لئے اپنی افراز قیمت کو (i) بین الاقوامی تیل کی اعلیٰ متوقع قیمتوں (ii) مقامی گیس کی قیمتوں میں دوبارہ اضافہ (iii) درآمدات پر ریگولیشن ڈیوٹی میں اضافہ اور (iv) درآمدات کی شرح میں کمی کے مد نظر 6.5 فی صد تا 7.5 فی صد کی رینج میں ریواؤٹ کیا ہے۔ زیر جائزہ مدت کے دوران پالیسی انٹریسٹ کی شرح 350 بی پی ایس تا 10% تک بڑھا دی گئی۔
مجموعی طور پر معیشت نے ادائیگی کے بحرانوں کے فوری شدید توازن کو خراب کر دیا ہے اور تمام بڑے معاشی اشارے استحکام کی طرف مثبت رجحانات ظاہر کرتے ہیں۔ مالی اور مالیاتی پالیسیوں کا عام انداز برآمدات، سرمایہ کاری اور پیداواری نمو کی طرف اشارہ کرتا ہے۔ آنے والے دنوں میں، غیر ملکی اور مقامی سرمایہ کاروں کو سہولت دینے کے لئے جرات مندانہ اقدامات کیے جائیں گے اور ملک میں کاروباری آب و ہوا ڈرامائی طور پر آسانی سے بہتر بنائی جائے گی۔ اس کے علاوہ، دوستانہ مذاک سے مالی بہاؤ کی آمد متوقع ہے، جو بیرونی اکاؤنٹ میں کچھ مدد فراہم کرے گی۔

منفی مارکیٹ کا جائزہ:

ایس بی پی نے مالی سال 19 کی پہلی ششماہی کے دوران تیر (13) ٹریڈری بل آکشن منعقد کرائیں۔ مجموعی شرکت کا مشاہدہ پہلے اعلان کردہ بنیادی ہدف 10.50bn روپے کے برخلاف 10.90bn روپے تھا جبکہ ایس بی پی نے زیر جائزہ مدت کے دوران 9.85bn روپے کی رقم کی منظوری دی۔ یہ کہا جا رہا ہے کہ 3 ماہ کی مدت میں تیسری سٹیٹ بینک کی قیادت میں 99.99 فی صد کی نمائندگی کرتی ہے۔ جبکہ 6 ماہ کی 0.01 فی صد تھی جبکہ 12 ماہ کی مدت کی کوئی بڑا وصول نہیں ہوئی۔

مزید، اس عرصے کے دوران، ایس بی پی نے چھ (6) پاکستان انویسٹمنٹ بانڈ (پی آئی بی) بنیادی بنیادوں کا انعقاد کیا اور 36.18bn روپے اکٹھے کئے 5.3 اور 10 سالوں کی پیداوار بائیں ترتیب 12.25 فی صد، 12.70 فی صد اور 13.15 فی صد تھی۔ اس کے علاوہ موجودہ مدت کے دوران، ایس بی پی نے 6 ماہ کی اوسط کٹ آف فی بلز پر میڈیٹ فلونگ ریٹ بانڈز (FRB) کی ایک بنیادی منعقد کی۔ مجموعی شرکت کا مشاہدہ 93.473bn روپے کے بنیادی ہدف کے خلاف 150bn روپے کیا گیا تھا جبکہ ایس بی پی نے کسی رقم کی منظوری نہیں دی ہے۔

زیر جائزہ مدت کے دوران ایس بی پی نے کوئی بھی اوپن ایچارج منسلک آکشن کا انعقاد نہیں کیا۔



فٹہ کی کارکردگی

31 دسمبر 2018 کو خالص اثاثے 386.37 ملین روپے ہیں جو 30 جون 2018 کو 334.72 ملین روپے تھے۔ گزشتہ سال کی اسی مدت میں 27.08 ملین روپے کے مقابلے موجودہ مدت کے لئے کل آپریٹنگ آمدنی 26.71 ملین روپے رہی۔ کل آمدنی گزشتہ سال کی اسی مدت کے مقابلے تقریباً اسی لیول پر برقرار رہی۔ مدت کے دوران کل اخراجات 5.45 ملین روپے ہوئے جو گزشتہ سال کی اسی مدت میں 7.60 ملین روپے تھے۔ مدت کے لئے خالص آمدنی 21.26 ملین روپے ہوئی۔ فی یونٹ موصولہ سہولتیں ہی ادا شدہ آمدنی 6.00 ملین روپے تھی۔ 31 دسمبر 2018 کو فی یونٹ خالص اثاثے کی قدر 83.74 روپے ہوئی۔

---SD---
ڈائریکٹر

---SD---
چیف ایگزیکٹو آفیسر
کراچی، 18 فروری 2019ء

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, 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, the Management Company of Dawood Income Fund has, in all material respects, managed Dawood Income Fund during the period ended 31st December 2018 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement



Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: January 30, 2019



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INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS' OF DAWOOD INCOME FUND

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Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Dawood Income Fund ("the fund") as at December 31, 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim statement of cash flows together with the notes forming part thereof (here-in-after referred to as the "interim financial statements") for the six months period then ended. Management Company (786 Investments Limited) is responsible for the preparation and presentation of the interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial statements based on our review.

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 statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other Matters

- i. the figures of the condensed interim income statement and the condensed interim statement of comprehensive income for the three months period ended December 31, 2018 and December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2018.

- ii. the financial statements of the fund for the six months period ended December 31, 2017 and for the year ended June 30, 2018 were reviewed and audited by another firm of chartered accountants, who in their report dated February 22, 2018 and dated September 17, 2018 expressed an unmodified conclusion and an unmodified opinion respectively.

Date: February 18, 2019
Karachi

Grant Thornton Anjum Rahman
Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Khalid Aziz
Engagement Partner



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

			(Un audited) December 31 2018	(Audited) June 30 2018
			----- Rupees -----	
Assets	Note			
Balances with Banks	5	272,413,016	178,611,620	
Investments	6	118,021,535	161,342,284	
Accrued Income/Profit		2,885,226	1,598,839	
Security Deposits		100,000	100,000	
Prepayments		13,637	-	
Total Assets		393,433,414	341,652,743	
Liabilities				
Payable to 786 Investments Limited - Management Company	7	918,236	744,035	
Payable to MCB Financial Services Limited - Trustee	8	101,979	56,015	
Annual Fee to Securities and Exchange Commission of Pakistan	9	165,856	243,087	
Accrued Expenses and Other Liabilities	10	5,505,587	5,515,348	
Unclaimed Dividend		369,962	369,962	
Total Liabilities		7,061,620	6,928,447	
Net Assets		386,371,794	334,724,296	
Unit Holders' Funds		386,371,794	334,724,296	
		----- Numbers -----		
Number of Units In Issue	11	4,614,112	3,790,392	
		----- Rupees -----		
Net Assets Value per Unit		83.74	88.31	
 Contingencies and Commitments	 12			

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

For 786 Investments Limited
(Management Company)

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

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

----SD----
Director



**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2018**

	Six Months Period Ended December 31		Three Months Period Ended December 31	
	2018	2017	2018	2017
	----- Rupees -----			
Income				
Net Realized Loss on Sale of Investments Classified As Fair Value Through Profit Or Loss	(402,965)	-	(404,382)	-
Income from Saving Accounts	3,579,527	6,148,904	1,878,905	3,082,537
Income from Sukuk Certificates	2,911,107	1,048,973	1,810,972	569,908
Income from Commercial Papers	1,226,028	-	902,357	-
Income from Term Deposit Receipt (TDR)	180,904	-	-	-
Income from Certificates of Investments (COI)	-	132,791	-	-
Income from Government Securities	10,782,685	1,292,700	6,256,304	634,900
Other Income	58,165	87,842	58,165	87,842
Reversal of Impairment in the Value of Investments Classified As Fair Value Through Other Comprehensive Income	8,377,578	18,377,578	4,188,789	14,188,789
Total Income	26,713,029	27,088,788	14,691,110	18,563,976
Expenses				
Remuneration to 786 Investments Limited - Management Company	3,317,115	2,131,475	1,773,879	1,138,970
Sindh Sales Tax on Remuneration to the Management Company	431,223	277,093	230,603	148,067
Accounting and Operational Charges	201,141	-	118,258	(66,166)
Remuneration to the MCB Financial Services Limited- Trustee - Sindh Sales Tax on Remuneration to the Trustee	341,778	302,330	190,528	151,152
Annual Fee to Securities & Exchange Commission of Pakistan	44,434	39,303	24,773	19,650
Auditors' Remuneration	165,856	106,572	88,692	56,947
Fees and Subscription	326,174	351,101	161,659	186,421
Securities Transactions Cost	70,827	70,827	35,414	34,242
Printing, Stationery and Postage Charges	8,819	15,646	3,851	14,654
Legal and Professional Charges	35,288	76,121	3,403	41,121
Provision for Sindh Workers' Welfare Fund	68,357	-	34,200	-
Withholding Taxes Written Off	433,911	397,757	237,836	260,829
Bank Charges	-	3,828,444	-	3,828,444
Total Expense	6,465	5,048	3,580	3,561
Net Income for the Period Before Taxation	5,451,388	7,601,717	2,906,676	5,817,892
Taxation	21,261,641	19,487,071	11,784,434	12,746,084
Net Income for the Period After Taxation	21,261,641	19,487,071	11,784,434	12,746,084
Allocation of Net Income for the Period				
Income Already Paid on Units Redeemed	(6,009,025)	(1,214,110)	-	(1,195,507)
Accounting Income Available for Distribution:				
-Relating to Capital Loss	(402,965)	-	(404,382)	-
-Excluding Capital Loss	15,655,581	18,272,961	12,188,816	11,550,577
	15,252,616	18,272,961	11,784,434	11,550,577
	21,261,641	19,487,071	11,784,434	12,746,084

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

For 786 Investments Limited
(Management Company)

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

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

----SD----
Director



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2018**

	Six Months Period Ended December 31		Three Months Period Ended December 31	
	2018	2017	2018	2017
Net Income for the Period After Taxation	21,261,641	19,487,071	11,784,434	12,746,084
Other Comprehensive Income				
<i>Items that Have Been or May be Reclassified Subsequently To the Income Statement</i>				
Un-Realised Gain on Revaluation of Investments Classified As Financial Assets At Fair Value Through Other Comprehensive Income- Net	127,323	369,963	139,031	477,213
	127,323	369,963	139,031	477,213
Total Comprehensive Income for the Period	21,388,964	19,857,034	11,923,465	13,223,297

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

For 786 Investments Limited
(Management Company)

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

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

----SD----
Director



**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018**

	For the Six Months Period Ended December 31, 2018				For the Six Months Period Ended December 31, 2017			
	-----Rupees-----							
	Capital Value	Undistributed Income/(Loss)	Unrealised (Losses)/Gains on Investment	Total	Capital Value	Undistributed Income/(Loss)	Unrealised (Losses)/ Gains on Investment	Total
Net Assets at Beginning of the Period	435,397,805	(101,341,693)	668,184	334,724,296	373,888,482	(126,408,405)	257,250	247,737,327
Issue of 4,174,120 Units (2017: 779,410 Units)								
- Capital Value	333,207,151	-	-	333,207,151	61,516,166	-	-	61,516,166
- Element of Income	5,677,895	-	-	5,677,895	2,143,834	-	-	2,143,834
Total Proceeds on Issuance of Units	338,885,046	-	-	338,885,046	63,660,000	-	-	63,660,000
Redemption of 3,350,400 Units (2017: 323,915 Units)								
- Capital Value	(267,452,033)	-	-	(267,452,033)	(25,565,485)	-	-	(25,565,485)
- Amount Paid Out of Element of Income Relating to 'Net Income for the Period After Taxation	-	(6,009,025)	-	(6,009,025)	-	(1,214,110)	-	(1,214,110)
- Refund/Adjustment on Units As Element of Income	(2,843,642)	-	-	(2,843,642)	(434,122)	-	-	(434,122)
Total Payments on Redemption of Units	(270,295,676)	(6,009,025)	-	(276,304,701)	(25,999,607)	(1,214,110)	-	(27,213,717)
Total Comprehensive Income for the Period	-	21,261,641	127,323	21,388,964	-	19,487,071	369,963	19,857,034
Distribution During the Period	-	(32,321,811)	-	(32,321,811)	-	-	-	-
	-	(11,060,170)	127,323	(10,932,847)	-	19,487,071	369,963	19,857,034
Net Assets At End of the Period	503,987,176	(118,410,888)	795,507	386,371,794	411,548,875	(108,135,444)	627,213	304,040,644
Undistributed Loss Brought Forward		(101,341,693)				(126,408,405)		
- Realised Loss		-				-		
- Unrealised Income		(101,341,693)				(126,408,405)		
Accounting Income Available for Distribution		(402,965)				-		
- Relating to Capital Gains		15,655,581				-		
- Excluding Capital Gains		15,252,616				-		
Net Income for the Period after Taxation		21,261,641				-		
Distribution during the Period		(32,321,811)				-		
Undistributed Loss Carried Forward		<u>(118,410,888)</u>				<u>(126,408,405)</u>		
Undistributed Loss Carried Forward		(118,410,888)				(126,408,405)		
- Realised Loss		-				-		
- Unrealised Income/(Loss)		<u>(118,410,888)</u>				<u>(126,408,405)</u>		
		(Rupees)				(Rupees)		
Net Assets Value per Unit at Beginning of the Period		<u>88.31</u>				<u>78.93</u>		
Net Assets Value per Unit at end of the Period		<u>83.74</u>				<u>84.59</u>		

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

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

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

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

----SD----
Director



**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018**

	Six Months Period Ended	
	December 31	December 31
	2018	2017
Note	----- Rupees -----	
Cash Flows From Operating Activities		
Net Income for the Period Before Taxation	21,261,641	19,487,071
Adjustments for:		
Reversal of Impairment in the Value of Investments Classified as Value through Other Comprehensive Income	(8,377,578)	(18,377,578)
Withholding Taxes Written Off	-	3,828,444
Profit/Income on Investments and Balances With Banks	(7,897,566)	(7,197,877)
Provision for Sindh Workers' Welfare Fund	433,911	397,757
Operating Profit Before Working Capital Changes	5,420,408	(1,862,183)
Decrease/(Increase) In Assets		
Deposits and Prepayments	(13,637)	(13,637)
	<u>(13,637)</u>	<u>(13,637)</u>
Increase/(Decrease) In Liabilities		
Payable to 786 Investments Limited - Management Company	174,201	32,517
Payable to MCB Financial Services Limited - Trustee	45,964	155
Annual Fee to Securities and Exchange Commission of Pakistan	(77,231)	(60,590)
Accrued Expenses and Other Liabilities	(443,672)	(4,111,901)
	<u>(300,738)</u>	<u>(4,139,819)</u>
Net Proceeds from Investments	51,825,650	8,877,578
Refund of Advance Tax	-	3,071,382
Profit/Income Received on Investment and Balances With Banks	6,611,179	6,338,272
Net Cash Generated From Operating Activities	63,542,862	12,271,593
Cash Flows From Financing Activities		
Amounts Received Against Issue of Units	338,885,046	63,660,000
Payment Made Against Redemption of Units	(276,304,701)	(27,213,717)
Dividend Paid	(32,321,811)	(640,599)
Net Cash Generated From Financing Activities	30,258,534	35,805,684
Net Increase In Cash and Cash Equivalents	93,801,396	48,077,277
Cash and Cash Equivalents At Beginning of the Period	178,611,620	228,144,962
Cash and Cash Equivalents At End of the Period	272,413,016	276,222,239

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

<p>----SD----</p> <p>Chief Executive Officer</p>	<p>For 786 Investments Limited (Management Company)</p> <p>----SD----</p> <p>Chief Financial Officer</p>	<p>----SD----</p> <p>Director</p>
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Dawood Income Fund ("the Fund") was established under the Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 (the NBFC Rules). The Fund was established under a Trust Deed executed on April 8, 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. On January 20, 2017, the Management Company has changed its name to 786 Investments Limited after completing regulatory formalities. During the last year, the registered office of the Management Company was changed and now is situated at G3, Ground floor, B.R.R Tower, Hassan Ali Street, I.I Chundrigar Road, Karachi, Pakistan.
- 1.2** 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 6.2.1, which is a non-performing term finance certificate hence being unable to be transferred until final settlement which is held in the name of BAHL being the previous trustee of the Fund).
- 1.3** The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange Limited (PSX). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The Fund is categorized as "income scheme" in accordance with Circular No. 7 of 2009 issued by the 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.
- 1.5** The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM3' to the Management Company and has assigned stability rating "AA-(f)" to the Fund as on November 29, 2018.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of and directives issued under the Companies Act, 2017 along with part VIII A of the repealed Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case the requirements differ, the requirements of the Rules, the Regulations and the Directives issued by the SECP shall prevail.

This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2018. However, selected explanatory notes are included to explain events and transactions that are significant.

The condensed interim financial information are unaudited and are being circulated to the unit holders as required under Regulation 38(2)(f) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulation). However, a limited scope review has been carried out by the auditors in accordance with requirement of clause 5.19.13 of the PSX Rule Book.

In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company declare that this condensed interim financial information give a true and fair view of the state of the Fund's affairs as at December 31, 2018.

2.2 Basis of Measurement

These condensed financial information 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 condensed financial information are presented in Pak Rupees which is the functional and presentation currency of the Fund.

3 ACCOUNTING POLICIES AND ESTIMATES

3.1 The accounting policies, basis of accounting estimates applied and method of computation adopted in the preparation of these condensed interim financial information and financial risk management objectives and policies are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018 except for:

The Fund has adopted IFRS 9 'Financial instruments' from July 1, 2018. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from July 1, 2018. A number of other new standards are effective from July 1, 2018 but they do not have a material effect on the Fund's financial information.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell on-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit/markup calculated using the effective interest method.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, markup and other investment income and related assets and liabilities recognised by the fund. Accordingly, there is no impact on comparative information.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

3.1.1 Classification and Measurement of Financial Assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and



- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial Assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial Assets at Amortised Cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.1.2 Classification and Measurement of Financial Liabilities

An entity shall classify all financial liabilities as subsequently measured at amortized cost, except for those measured at fair value through profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires;

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

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The adoption of IFRS 9 did not had a significant effect on the Fund's accounting policies related to financial liabilities

3.1.3 The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the Fund's financial assets and financial liabilities as at 1 July 2018.



Financial Assets	Original Classification Under IAS 39	New Classification Under IFRS 9
Balances with Banks	Loans and Receivables	Amortised Cost
		At Fair Value through Other Comprehensive Income
Investments	At available for Sale	At Fair Value through Profit or Loss
	At held for Trading	
Accrued Income/Profit	Loans and Receivables	Amortised Cost
Security Deposits	Loans and Receivables	Amortised Cost
Prepayments	Loans and Receivables	Amortised Cost
Financial Liabilities	Original Classification Under IAS 39	New classification Under IFRS 9
Payable to 786 Investments Limited - Management Company	Other Financial Liabilities	Amortised Cost
Payable to MCB Financial Services Limited - Trustee	Other Financial Liabilities	Amortised Cost
Annual fee to Securities and Exchange Commission of Pakistan	Other Financial Liabilities	Amortised Cost
Accrued Expenses and Other Liabilities	Other Financial Liabilities	Amortised Cost
Unclaimed Dividend	Other Financial Liabilities	Amortised Cost

3.1.4 Impairment of Financial Assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds.

4 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended June 30, 2018.

	Note	(Un audited) December 31 2018	(Audited) June 30 2018
5 BANK BALANCES		----- Rupees -----	
- Profit and Loss Sharing (PLS) Accounts	5.1	272,413,016	148,611,620
- In Term Deposits Receipt (TDR)		-	30,000,000
		<u>272,413,016</u>	<u>178,611,620</u>

5.1 Profit rates on savings accounts range from 3% to 10.75% (30 June 2018: 2.61% to 7%) per annum.



(Un audited) (Audited)
December 31 June 30
2018 2018

6 INVESTMENTS

Note ----- Rupees -----

At Fair Value through Other Comprehensive Income

Term Finance Certificates - Listed	6.1	-	
Term Finance And Sukuk Certificates - Unlisted	6.2	76,795,507	61,668,184
Commercial Papers	6.3	41,226,028	
		118,021,535	61,668,184
At Fair Value through Profit or Loss		118,021,535	61,668,184

Government Securities	6.4	-	99,674,100
		118,021,535	161,342,284

Investments at Fair Value through Other Comprehensive Income

6.1 Term Finance Certificates - Listed

	As at July 01, 2018	Acquired during the Period	Matured/ Disposed during the Period	As at December 31, 2018	Cost/Carrying Value	Market Value	Percentage of Net-Assets	Percentage of Investments
Note	-----Number of certificates-----				-----Rupees-----			
Construction and Material								
Dewan Cement Company Limited*	6.1.1	19,268	-	1,675	17,593	87,964,569	-	-
Provision Made	6.5				(87,964,569)	-	-	-
						-		

6.1.1 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 May, 09 2016 whereby the remaining debt will be paid in thirty one equal quarterly installments in arrears. The Fund has recognised reversal of impairment amounting to Rupees. 8.378 million on receipt basis in current period. The Fund has suspended mark-up there against.

Certificates have a face value of Rupees. 5,000 each.

*These TFCs certificates are non-performing and are fully provided (note: 6.5), therefore; these are not subject to mark to market.

6.2 Term Finance & Sukuk Certificates - Unlisted

	As at July 01, 2018	Acquired during the Period	Matured/ Disposed during the Period	As at December 31, 2018	Cost/Carrying Value	Market Value	Percentage of Net-Assets	Percentage of Investments
Note	-----Number of certificates-----				-----Rupees-----			
Term Finance Certificates								
Cable and Electric Goods								
New Allied Industries Limited***	6.2.1	11,523	-	-	11,523	25,433,190	-	-
Provision Held	6.5	-	-	-	-	(25,433,190)	-	-
Sukuk Certificates								
Cable and Electric Goods								
TPL Corporation Limited *	6.2.2	5	-	-	5	5,162,500	5,309,171	1%
Real Estate and Development								
Eden Housing Limited***	6.2.3	2,933	-	-	2,933	2,887,171	-	-
Provision Held	6.5	-	-	-	-	(2,887,171)	-	-
Commercial Bank								
Dubai Islamic Bank Limited*	6.2.4	26	-	-	26	26,486,304	26,486,304	7%
Fertilizers								
Dawood Hercules Corporation Limited**	6.2.5	300	-	-	300	30,019,380	30,000,032	8%
Engineering								
Agha Steel Industries Limited*	6.2.6	-	15	-	15	15,000,000	15,000,000	4%
						76,668,184	76,795,507	



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

**Each having face value of Rupees. 100,000 per certificate

***These term finance and sukuk certificates are non-performing and are fully provided (note: 6.2.1 and 6.2.3), therefore; these are not subject to mark to market.

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

6.2.2 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 Rupees. 0.25 million per certificate each commencing from October 2019. These sukuk certificates are secured by hypothecation charge over the hypothecated assets of Rupees. 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.

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

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

6.2.5 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 against 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.

6.2.6 This is the Pakistan's 1st over the counter listed sukuk issue, priced through competitive bidding process by Agha Steel Industries Limited backed by diminishing musharaka and carry profit equal to 3 month KIBOR plus 0.8%. Pak Brunei is appointed as trustee and the issue agent of the sukuk.

6.3 Commercial papers of K-Electric Limited are Shariah Compliant having tenor of 6 months and carry profit equal to 6 month KIBOR plus 0.9% receivable on maturity as on March 1, 2019.

Investments at Fair Value through Profit and Loss

6.4 Government Securities

Face Value									
Issue Date	Note	Tenor	As at 1 July 2018	Purchased during the Period	Sold/Matured during the Period	As at 31 December 2018	Market Value as at 31 December 2018	Market Value as a Percentage of Net Assets	Market Value as a Percentage of Total Investments
.....Rupees									
26-Apr-18		3 Months	100,000,000	-	100,000,000	-	-	-	-
19-Jul-18	6.4.1	3 Months	-	300,000,000	300,000,000	-	-	-	-
11-Oct-18		3 Months	-	320,000,000	320,000,000	-	-	-	-
6-Dec-18		3 Months	-	300,000,000	300,000,000	-	-	-	-
			100,000,000	920,000,000	1,020,000,000	-	-	-	-



6.5 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 December 31, 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 Assets	Percentage of Gross Assets
-----Rupees-----						
Dewan Cement Limited	TFC	87,964,569	87,964,569	-	-	-
New Allied Electronics Industries Limited	TFC	25,433,190	25,433,190	-	-	-
Eden Housing Limited	Sukuk	2,887,171	2,887,171	-	-	-
		<u>116,284,930</u>	<u>116,284,930</u>	<u>-</u>		

6.6 Movement in Provision against Debt Securities

		December 31, 2018		
		-----Rupees-----		
	Note			
Opening Balance				
Less:				
- Reversal against Carrying Value Matured	6.1.1	96,342,147	28,320,361	124,662,508
		(8,377,578)	-	(8,377,578)
Closing Balance		<u>87,964,569</u>	<u>28,320,361</u>	<u>116,284,930</u>

6.7 Unrealised Appreciation in Fair Value of Investments Classified as Fair Value Through Other Comprehensive Income

	Note	(Un Audited) December 31 2018	(Audited) June 30 2018
----- Rupees -----			
Fair Value of Investments		76,795,507	61,668,184
Cost/Carrying Amount of Investment		<u>(76,257,250)</u>	<u>(61,000,000)</u>
		538,257	668,184
Net Unrealised Appreciation in the Fair Value of Investments at the Beginning of the Period		<u>(410,934)</u>	<u>(257,250)</u>
		<u>127,323</u>	<u>410,934</u>

7 PAYABLE TO 786 INVESTMENTS LIMITED - MANAGEMENT COMPANY

On Account of:			
Remuneration Payable	7.1	616,471	523,496
Sindh Sales Tax Payable	7.2	100,624	88,539
Accounting and Operations Charges	7.3	201,141	132,000
		<u>918,236</u>	<u>744,035</u>

7.1 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 value 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 on monthly basis in arrears.

7.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2018: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.



7.3 In accordance with the provisions of the NBFC Regulations as amended vide SRO 1160(1)/2015 dated November 25, 2015, the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund upto a maximum of 0.1% of the average annual net assets of the scheme or actual whichever is less. However, in order to keep Total Expense Ratio (TER) within prescribed limit of 2% as disclosed in note 14, the Management Company has charged accounting and operation charges to the extent of Rupees. 201,141.

	Note	(Un Audited) December 31 2018	(Audited) June 30 2018
----- Rupees -----			
8 PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE			
On Account of:			
Remuneration Payable	8.1	90,246	49,573
Sindh Sales Tax Payable	8.2	11,733	6,442
		<u>101,979</u>	<u>56,015</u>

8.1 According to the provisions of the trust deed of the Fund, the trustee is entitled to monthly remuneration for services rendered to the fund as follows:

On Net Assets:

-Up to Rs. 1 Billion 0.15% on the average daily net assets or Rupees.0.6 million whichever is higher.

-Exceeding Rs. 1 Billion 0.09% on the amount exceeding Rupees. 1 billion

8.2 The Sindh Provincial Government has levied Sindh Sales tax at the rate of 13% (June 30, 2018: 13%) on trustee's remuneration.

9 ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

Represents annual fee of SECP in accordance with the NBFC Regulations, whereby the fund is required to pay SECP at the rate of 0.075% (June 30, 2018: 0.075%) per annum of the net assets of the Fund computed on a daily basis.

	Note	(Un Audited) December 31 2018	(Audited) June 30 2018
----- Rupees -----			
10 ACCRUED EXPENSES AND OTHER LIABILITIES			
Federal Excise Duty on Remuneration	10.1	1,797,106	1,797,106
Provision for Sindh Workers' Welfare Fund	10.2	2,671,693	2,237,782
Accrued Expenses	10.3	533,361	659,473
Capital Gain Tax Payable		503,427	695,103
Zakat Payable and Withholding Tax		-	125,884
		<u>5,505,587</u>	<u>5,515,348</u>

10.1 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax levied by Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified. On September 4, 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.

The SHC while disposing the Constitutional Petition relating to levy of FED on mutual funds has declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 1, 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 July 1 2016, FED on services provided or rendered on non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.



In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision made for FED for the period from June 13, 2013 till June 30, 2016 aggregating to Rupees.1.797 million (June 30, 2018: Rupees. 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 December 31, 2018 would have been higher by Rupee 0.39 per unit (June 30, 2018: Rupee 0.47 per unit).

- 10.2** As the matter of applicability of SWWF on mutual funds is pending before Sindh Finance Ministry, however; as a matter of prudence Management Company has recognised SWWF charge for the period from May 21, 2015 to December 31, 2018. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rupee 0.58 (June 30, 2018: Rupee 0.59).

	(Un Audited) December 31 2018	(Audited) June 30 2018
10.3 Accrued Expenses	Note	Rupees
Auditors' Remuneration Payable	324,210	438,636
Rating Fee Payable - PACRA	169,964	113,000
Printing and Related Expenditure Payable	25,288	96,165
Shariah Advisor Fee Payable	12,229	11,672
Other Payable	1,670	-
	<u>533,361</u>	<u>659,473</u>
	(Un-Audited) December 31 2018	(Audited) June 30 2018
11 NUMBER OF UNITS IN ISSUE	Units	
Opening Units	3,790,392	3,138,834
Issued During the Period	4,174,120	3,255,583
Redemption During the Period	<u>(3,350,400)</u>	<u>(2,604,025)</u>
Closing Units	<u>4,614,112</u>	<u>3,790,392</u>

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2018 (June 30, 2018: Nil)

13 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income 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 a 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.

14 TOTAL EXPENSE RATIO

The Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated July 20, 2016 required that Collective Investment Scheme (CIS) to disclose Total Expense Ratio (TER) in the periodic financial statements of the Fund. TER of the Fund for the period ended December 31, 2018 is 2.47% which includes 0.49% representing government levy and SECP fee. The ratio is within the maximum limit of 2% prescribed under the NBFC Regulation 2008 for a CIS categorised as Income fund.

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:

	Six Months Period Ended	
	2018	2017
	----- Rupees -----	
786 Investments Limited - Management Company		
Remuneration (Including Indirect Taxes)	<u>3,748,338</u>	<u>2,408,568</u>
Accounting and Operation Charges	<u>201,141</u>	<u>-</u>
Issue of 629,730 Units (2017: Nil Units)	<u>50,505,723</u>	<u>-</u>
Redemption of 172,586 Units (2017: Nil Units)	<u>14,000,000</u>	<u>-</u>
MCB Financial Services Limited - Trustee		
Remuneration (Including Indirect Taxes)	<u>386,212</u>	<u>341,633</u>
BRR Investment Limited - Connected Person due to Group Company		
Issue of 422,359 Units (2017: 118,279 Units)	<u>33,135,625</u>	<u>10,000,000</u>
Redemption of 478,813 Units (2017: 15,028 Units)	<u>38,800,000</u>	<u>1,200,000</u>
First Dawood Investment Bank Limited -Employees Contributory Provident Fund- Employee Benefit Fund of Group Company		
Remuneration (Including Indirect Taxes)	<u>2,074,545</u>	<u>-</u>
First Dawood Investment Bank Limited - Connected Person due to Group Company		
Issue of 1,918,160 Units (2017: Nil Units)	<u>155,000,000</u>	<u>-</u>
Redemption of 1,918,160 Units (2017: Nil Units)	<u>158,609,583</u>	<u>-</u>
Directors and Executives of the Management Company		
Issue of 92,909 Units (2017: Nil Units)	<u>6,900,646</u>	<u>-</u>
Redemption of 130,835 Units (2017: Nil Units)	<u>10,859,519</u>	<u>-</u>
Other Connected Persons/Related Parties		
Issue of 353,712 Units (2017: Nil Units)	<u>29,250,133</u>	<u>-</u>



	(Un-Audited) December 31	(Audited) June 30
	2018	2018
	----- Rupees -----	
15.2 Amounts Outstanding as at Period End are as Follows:		
786 Investments Limited - Management Company		
Remuneration Payable (Including Indirect Taxes)	<u>918,236</u>	<u>744,035</u>
Units Held 805,531 (June 30, 2018: 348,387 Units)	<u>67,452,768</u>	<u>30,765,592</u>
MCB Financial Services Limited - Trustee		
Remuneration Payable (Including Indirect Taxes)	<u>101,979</u>	<u>56,015</u>
BRR Investment Limited - Connected Person		
Units Held 444,799 Units (June 30, 2018: 501,249 Units)	<u>37,246,100</u>	<u>44,264,574</u>
First Dawood Investment Bank Limited - Employees Contributory Provident Fund - Connected Person due to Group Company		
Units Held 429,201 (June 30, 2018: 387,701 Units)	<u>35,940,002</u>	<u>34,237,336</u>
Directors and Executives of the Management Company		
Units Held 587,946 (June 30, 2018: 625,872 Units)	<u>49,232,816</u>	<u>55,269,897</u>
Other Connected Persons/Related Parties		
Units Held 662,478 Units (June 30, 2018: 294,192 Units)	<u>55,473,891</u>	<u>25,979,669</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 Fair Value Hierarchy

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

As at December 31, 2018, the Fund held the following financial instruments measured at fair value:

December 31, 2018 (Unaudited)	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Financial Assets				
At Fair Value through Other Comprehensive Income	76,795,507	-	-	76,795,507
	76,795,507		-	76,795,507
June 30, 2018 (Audited)	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
At Fair Value through Other Comprehensive Income	61,668,184	-	-	61,668,184
At Fair Value through Profit Or Loss	99,674,100	-	-	99,674,100
	161,342,284	-	-	161,342,284

17 GENERAL

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

17.2 Figures has been rounded off to nearest rupees.

18 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements have been approved and authorized for the issue in the meeting by the Board of Directors of the Management Company held on February 18, 2019.

For 786 Investments Limited
(Management Company)

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

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

-----SD-----
Director

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