



INVESTMENTS

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786 INVESTMENTS LIMITED



DAWOOD INCOME FUND

**ANNUAL REPORT
2019**



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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 Salman 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)	



Mission Statement

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



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of 786 Investments Limited. ("786" or the "Company") the Management Company of **Dawood Income Fund** is pleased to present the annual report and the audited financial statements of the Company for the year ended June 30, 2019.

Economic Review:

Pakistan's economy slowed down sharply in the current fiscal year, hitting a nine-year low at 3.3 per cent and missing the 6.2 per cent target by a wide margin. The fiscal year 2018-19 witnessed a muted growth of 3.29 percent against the ambitious target of 6.2 percent. The target was based upon sectoral growth projections for agriculture, industry, and services at 3.8 percent, 7.6 percent and 6.5 percent respectively. The actual sectoral growth turned out to be 0.85 percent for agriculture, 1.4 percent for industry and 4.7 percent for services. FY19's started with challenges of decline in imports by 7.3%, decline in exports by 2.2% this helped in reducing the trade deficit by 31.7% during FY19. Major crops witnessed negative growth as production of cotton, rice and sugarcane declined by 17.5%, 3.3% and 19.4% respectively. The crops showing positive growth include wheat and maize which grew at the rate of .05% and 6.9% respectively. Meanwhile, industrial growth came in at 1.4% and service sector posted 4.71% growth. CPI inflation comes out to be 7.3%. The increase in CPI inflation is being majorly attributed because of food and beverages prices. Pakistan's fiscal deficit as % of GDP estimated to be 5%. During the period State Bank of Pakistan announced 6 monetary policies and continuous increased was witnessed during the year which starts from 7% and ended at 12.25%. The broader reasons of increased in discount rate were (i) higher recent month on month headline and core inflation outturns (ii) recent exchange rate depreciation (iii) an elevated fiscal deficit and its increased monetization, and (iv) potential adjustment in utility tariffs.

Money Market Review:

During FY19 headline inflation rose considerably to 8.9% as compared to 5.2% in FY18 due to higher government borrowing from SBP, lagged impact of exchange rate depreciations, hike in domestic fuel prices, and rising food prices. SBP expects to rise in the near term due to the one-off impact of adjustment in utilities prices and other measures in the FY2020 budget. Taking these factors into consideration, the SBP expects average inflation of 11% - 12% in FY20, higher than previously projected.

The SBP held twenty six Treasury bill auctions during FY19. The cumulative participation was witnessed at PKR23,343bn against the pre-announced auction target of PKR 20,300bn while the SBP accepted an amount of PKR18,339bn during the review period. That being said, participation in 03 months tenor represented 99.98% of the total accepted amount while the 6months were 0.02% and 12months paper were negligible % of the total accepted amount.

Furthermore, during the period SBP conducted twelve Pakistan Investment Bond (PIB) auctions. The cumulative participation were PKR 2,089bn against the target of PKR800bn and total accepted amount was PKR789bn with last cut-off yields of 13.70% , 13.80% and 13.70% for 3, 5 and 10 years respectively. Further during the period under review SBP conducted seven Floating Rate Bonds (FRB) auction based on spread over 6 months weighted average cut-off T.Bills plus 75 basis points (last cut-off). The cumulative participation witnessed were PKR 706bn while the SBP accepted PKR290bn.

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



Future Outlook

Pakistan's economy received multiple jolts during the fiscal year 2019 and almost all economic indicators worsened. The economy is faced with new and bigger challenges in fiscal year 2020. The economy took off with Gross Domestic Product (GDP) being declared at a decade high level of 5.5% in fiscal 2018. The provisional growth rate for FY 2019 is estimated at 3.29%. However, government budgeted GDP for FY20 is estimated to be 2.4%. Overall import was slightly increased on YoY bases, however total export grew by 19%. Pakistan's trade balance recorded a deficit of \$ 2.6 billion in June 2019.

The water and energy crisis may further hamper economic growth in fiscal year 2020. As per international organizations, Pakistan is likely to face a major water crisis by 2025. The crisis may slow down agriculture growth. Given the bleak economic scenario, where the country's foreign currency reserves have dropped to a critical level of less than two months import cover at \$7.3 billion on June 27, 2019. We expect more currency devaluation in FY20 and hike in key interest rate by December 2019.

Fund Performance

As at June 30, 2019, net assets were Rs. 445.69 million as compared to Rs. 334.72 million as at June 30, 2018. Total operating income for the year was Rs. 62.02 million as compared to Rs. 47.01 million for the same period last year. Total expenses during the year were Rs. 11.59 million as compared to Rs. 11.89 million last year. The net profit for the financial year 2019 was Rs. 38.90 million, as compared to Rs. 25.06 million last year. The Net Asset Value per unit was Rs. 80.43 as at June 30, 2019.

Future Plans:

The Board of Directors decided to merge 786 Rising Star Fund (formerly Dawood Islamic Fund) and First Dawood Mutual Fund with and into 786 Smart Fund (formerly Dawood Income Fund) subject to consent of Central Depository Company of Pakistan Limited (CDC), the Trustee of 786 Rising Star Fund and First Dawood Mutual Fund and MCB Financial Services Ltd (MCBFSL), the Trustee of 786 Smart Fund, unit holders approvals of all three funds and SECP approval.

Corporate Governance and Financial Reporting Framework

The Directors are pleased to state as follows:

- The financial statements, prepared by the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.



- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance except as disclosed in the statement of compliance annexed with these financial statements.
- There has been no trading during the year in the units of the Fund carried out by the Directors, Chief Executive Officer, Company Secretary and their spouses and their minor children except as disclosed in the relevant notes to the financial statement.
- There is no statutory payment on account of taxes, duties, levies and charges outstanding.
- During the year one of the Director has completed Directors Training Program, rest of the Directors will attend Director Training Program or take exemption from the Commission.
- During the year election was held and Ahmad Salman Munir was elected by the shareholder, rest of the six directors was re-elected in election of directors.

Board of Directors Meetings

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

Names	No of Meetings held	No of Meetings attended	Leave granted
Ms. Shafqat Sultana	5	5	-
Ms. Tara Uzra Dawood	5	5	-
Ms. Charmaine Hidayatullah	5	4	1**
Mr. Muhammad Izqar Khan	1	-	1**
Mr. Tahir Mehmood	5	5	-
Syed Farhan Abbas	5	5	-
Syed Shabahat Hussain	5	4	-
Ahmed Salman Munir*	3	3	-

*SECP approved the appointment of Ahmed Salman Munir on September 19, 2018.

**Leave of absence was granted.

Audit Committee Meeting

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

Names	No of Meetings held	No of Meetings attended	Leave granted
Syed Shabahat Hussain*	4	3	1
Mr. Tahir Mehmood	4	4	-
Syed Farhan Abbas	4	4	-

The Board re-constitute the Audit committee on September 17, 2018

*Syed Shabahat Hussain joined Audit committee in replacement of Charmaine Hidayatullah.

**Leave of absence was granted.



Auditors

The present Auditor, Grant Thornton Anjum Rahman retire and being eligible, have offered themselves for re-appointment. The Board Audit Committee have recommended their re-appointment as statutory auditors for the year ending June 30, 2020 and the Board have endorsed the communication.

Dividend

The Management company announced cash dividend to unit holders of Rs. 8.22 per unit for the year ended June 30, 2019 which comes out to be 8.22% of the par value per unit of Rs. 100.

Sales and Redemption Units

8,042,818 units worth Rs.665.39 million were issued in the current year (2018: 3,255,583 units worth Rs. 279.12 million) and 6,292,094 units worth Rs. 512.84 were redeemed in the current year (2018: 2,604,025 units worth Rs. 217.61 million). As on June 30, 2019, the total number of outstanding units was 5,541,116 valued as Rs. 445.69 million.

Acknowledgement

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

Director

Shafqat Sultana
Chairperson

September 23 , 2019

Karachi.



بورڈ نے 17 ستمبر 2018 کو آڈٹ کمیٹی کی دوبارہ تشکیل کی۔

* سید شاہت حسین چار مائین چارٹ ایٹڈ کی جگہ آڈٹ کمیٹی میں شامل ہوئے۔

** غیر حاضری کی چھٹی دی گئی۔

آڈیٹرز

موجودہ آڈیٹرز، ہارون زکریا اینڈ کمپنی ریٹائر ہو گئے اور اہلیت کی بنیاد پر خود کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2020 کو ختم ہونے والے سال کے لئے قانونی آڈیٹ کی حیثیت سے تقرری کی۔ سٹارٹ کی ہے اور بورڈ نے اس کی منظوری دے دی ہے۔

آڈیٹرز کی رپورٹ

آڈیٹرز نے 30 جون 2019 کو ختم ہونے والے سال کے لئے کمیٹی کے مالی گوشواروں پر اپنی رائے دی ہے، جس میں انہوں نے چند معاملات پر زور دیا ہے۔

- مالیاتی گوشواروں کے نوٹ 1.3 پر ہمارا جواب یہ ہے کہ انتظامیہ نے کمیشن کو انویسٹمنٹ ایڈوائزر کی آڈٹ کی تجویز کی درخواست دی ہے لیکن ایگزیکٹو ریگولیشنز میں کمی کے سبب کہا گیا ہے کہ جب تک انویسٹمنٹ ایڈوائزر کی آڈٹ کی ریگولیشنز پوری نہیں ہوتیں اس وقت تک آڈٹس زیر التوا رہے گا۔ تاہم، کمیٹی کو کمیشن سے ایسٹیمینٹ سرویسز جاری رکھنے کے آڈٹس کی تجویز وصول ہو گئی ہے۔ ایگزیکٹو ریگولیشنز کو پورا کرنے کے لئے انتظامیہ مختلف حکمت عملیوں پر غور کر رہی ہے۔

- مالیاتی گوشواروں کے نوٹ 12.1 پر ہمارا جواب یہ ہے کہ کمیٹی نے سال کے دوران ایگزیکٹو ریگولیشنز کا ایڈجسٹمنٹ کیا ہے، لیکن مارکیٹ میں اتار چڑھاؤ کی وجہ سے کمیٹی نے SECP سے اجازت لی ہے۔

دسمبر 2019 تک بلا یہ شیئر بیچنے کی۔

مناقصہ

بورڈ آف ڈائریکٹرز نے یونٹ ہولڈرز کو 30 جون 2019 کو ختم ہونے والے سال کے لئے 8.22 روپے فی یونٹ نقد ڈیویڈنڈ کا اعلان کیا ہے۔ جو 100 روپے کے فی یونٹ مساوی قیمت کا 8.22 فیصد ہے۔

سیلز اینڈ ریڈمپشن یونٹ۔

موجودہ سال میں 6565.39 ملین روپے مالیت کے 8,042,818 یونٹ جاری ہوئے (2018: 3,255,583 یونٹ جسکی مالیت 279.12 ملین روپے) اور موجودہ سال میں 512.84 روپے مالیت کے 6,292,094 یونٹ دائرہ کار گئے (2018: 2,604,025 یونٹ جس کی مالیت 217.61 ملین روپے)۔ 30 جون 2019 کو، بجایا ایگزیکٹو ریگولیشنز کے تحت 5,541,116 یونٹ جس کی مالیت 445.69 ملین روپے ہے۔

اظہار تشکر

جمنہٹ کمیٹی کے بورڈ آف ڈائریکٹرز کا بل قدر معاف، مدد اور رہنمائی پر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج لمیٹڈ کی انتظامیہ کے شکر گزار ہیں۔ ڈائریکٹرز مزید مہنگن اور صحت پر کمیٹی کے ملازمین اور انتظامیہ کا اور کمیٹی میں اعتماد پر شکر ہولڈرز کا بھی شکر یہ ادا کرتے ہیں۔

شفقت سلطانہ
چیئر پرسن

ڈائریکٹر

کراچی: 23 ستمبر 2019ء



- فنڈ کے ہونٹ میں کسی ڈائریکٹر، چیف ایگزیکٹو آفیسر، کچھٹی سیکرٹری اور ان کے زوج اور ان کے نابالغ بچوں کی طرف سے سال کے دوران کوئی تجارت نہیں کی گئی سوائے جن کا مالی گوشواروں سے متعلقہ نوٹس میں انکشاف کیا گیا۔
- سیکسز، ڈیویڈنڈ، لیویز اور بقایا چارجز کی مد میں کوئی قانونی ادائیگی نہیں ہے۔
- ایک ڈائریکٹر نے ڈائریکٹرز میٹنگ پر پروگرام مکمل کر لیا ہے، باقی ڈائریکٹرز ڈائریکٹرز میٹنگ پر پروگرام میں شرکت کریں گے یا کمیشن سے ایگزیکٹویشن حاصل کر لیں گے۔
- سال کے دوران، انتخابات ہوئے اور حصص داران نے احمد مسلمان منیر کو منتخب کیا، باقی چھ ڈائریکٹرز کا دوبارہ انتخاب ڈائریکٹرز کے انتخاب میں کیا گیا۔

بورڈ آف ڈائریکٹرز کے اجلاس

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

نام	منعقدہ اجلاسوں کی تعداد	تعداد حاضری اجلاس	تعطیل
محترمہ شفقت سلطان	5	5	-
محترمہ تارہ عزراد اود	5	5	-
محترمہ چارمائن ہدایت اللہ	5	4	1**
جناب محمد اذکار خان	1	-	1**
جناب طاہر محمود	5	5	-
سید فرحان عباس	5	5	-
سید شہاب حسین	5	4	-
احمد مسلمان منیر*	3	3	-

* SECP نے 19 ستمبر 2018 کو احمد مسلمان منیر کی تقرری کی منظوری دی۔

** غیر حاضری کی پیمائش دی گئی۔

آڈٹ کمیٹی کا اجلاس

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

نام	منعقدہ اجلاسوں کی تعداد	تعداد حاضری اجلاس	تعطیل
جناب سید شہاب حسین*	4	3	1
جناب طاہر محمود	4	4	-
سید فرحان عباس	4	4	-



مستقبل کا نقطہ نظر:

مالیاتی سال 2019 کے دوران پاکستانی معیشت کو بہت سی مشکلات پیش آئیں اور تقریباً تمام معاشی اشارے بدترین تھے۔ مالیاتی سال 2020 میں معیشت کو نئے اور بڑے چیلنجوں کا سامنا ہے۔ مالی سال 2018 میں معیشت و بائی کی بلند ترین سطح پر 5.5 فیصد مجموعی مقامی مصنوعات (جی ڈی پی) کا اعلان کیا گیا۔ مالی سال 2019 کے لئے پروڈیکٹس نمونہ 3.29 فیصد لگا یا گیا ہے۔ تاہم مالی سال 2020 کے لئے حکومت نے جی ڈی پی نمونہ کا تخمینہ 2.4 فیصد تک لگا یا ہے۔ سال بہ سال مجموعی درآمدات میں معمولی اضافہ ہوا، تاہم کل برآمدات 19 فیصد تک بہتر ہوئی۔ پاکستان کا تجارتی توازن جون 2019 میں 2.6 بلین ڈالر کا خسارہ درج کیا گیا۔

پانی اور بجلی کا بحران مالی سال 2020 میں معاشی ترقی کو مزید نقصان پہنچا سکتا ہے۔ بین الاقوامی تنظیموں کے مطابق پاکستان کو 2025 تک پانی کے بحران کا سامنا کرنا پڑ سکتا ہے۔ بحران اس مالی سال میں زراعت کی ترقی کو سست کر سکتا ہے۔

غیر معمولی اقتصادی صورتحال کو دیکھتے ہوئے، جہاں 27 جون 2019 کو ملک کے فیڈرل رزرو میں درآمدات کے ذخائر دو ماہ سے کم عرصہ میں درآمدات کے لحاظ سے 7.3 بلین ڈالر کی کم سے کم سطح پر پہنچ گئے۔ ہمیں مالی سال 2020 میں کرنسی کی قدر مزید کم اور دسمبر 2019 تک تکٹیدری شرح سود میں تیزی سے اضافہ ہونے کی توقع ہے۔

فنڈ کی کارکردگی

30 جون 2019 کو خالص اثاثے 445.69 بلین روپے ہیں جو 30 جون 2018 کو 334.72 بلین روپے تھے۔ گزشتہ سال کی اسی مدت میں 47.01 بلین روپے کے متاثرہ سال کے لئے کل آپریٹنگ آمدنی 62.02 بلین روپے رہی۔ سال کے دوران کل اخراجات 11.59 بلین روپے ہوئے جو گزشتہ سال میں 11.89 بلین روپے تھے۔ مالی سال 2019 کے لئے خالص منافع 38.90 بلین روپے ہوئے جو گزشتہ سال میں 25.06 بلین روپے تھا۔ 30 جون 2019 کو فی ہونٹ خالص اثاثے کی قدر 80.43 روپے ہوئی۔

مستقبل کے منصوبے

کمپنی اپنی حکمت عملی پر نظر ثانی کر رہی ہے اور کمپنی کی طرف متوجہ ہونے اور ایکویٹی بزنس کو کم کرنے کے لئے معیشت کی صورتحال اور کمپنی کے ہاں دستیاب وسائل کا جائزہ کر رہی ہے۔ کمپنی نے مارکیٹ کی مستقبل پر مبنی سٹیج پر رہتے ہوئے اپنے دو فنڈ ٹرسٹ ڈیڈ اور مرتبہ دستاویزات کو اپ ڈیٹ کیا ہے اور روایتی آگم فنڈ سے اسلاک آگم فنڈ کی کمیٹی میں تبدیلی کے ساتھ "داؤد آگم فنڈ" کا نام تبدیل کر کے "786" امارت فنڈ" رکھا ہے اور "داؤد اسلاک فنڈ" کا نام بھی تبدیل کر کے "786 رازنگ اسٹار فنڈ" کر دیا ہے۔ پورڈ آف ڈائریکٹرز فیصلہ کیا ہے کہ 786 Rising Star Fund (formerly Dawood Islamic Fund) اور First Dawood Mutual Fund کو 786 Smart Fund (formerly Dawood Income Fund) میں ضم کر دیا جائے اور منظوری لی جائے Central Depository Company of Pakistan Limited (CDC) مڈلسٹی 786 Rising Star Fund اور First Dawood Mutual Fund and MCB Financial Services Ltd (MCBFSL) مڈلسٹی 786 Smart Fund تینوں فنڈز کے ہونڈ ہولڈرز سے منظوری اور SECP سے منظوری لی جائے۔

کارپوریٹ گورننس اور مالیاتی رپورٹنگ کا دائرہ کار

ڈائریکٹرز، نمائندگی بیان کرتے ہیں کہ:

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات، اس کے امور، آپریٹنگ کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- کمپنی کے کماؤ، جات بالکل صحیح طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاکو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے اور کسی انحراف کا واضح انکشاف اور وضاحت کی گئی ہے۔
- اندرونی کنٹرول کے نظام کا ڈیزائن معقول ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے گونگ کسٹرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- کارپوریٹ گورننس کے بہترین عمل سے کوئی مادی انحراف نہیں کیا گیا ہے سوائے جن کا مالی گوشاواروں کے ساتھ منسلک تعمیلی بیان میں انکشاف کیا گیا۔



منجنت کھنی کے ڈائریکٹرز کی رپورٹ

داؤد انکم فنڈ (786 یادی کھنی) منجنت کھنی، 786 انویسٹمنٹ لیجنڈ کے بورڈ آف ڈائریکٹرز 30 جون 2019 کو ختم ہونے والے سال کی سالانہ رپورٹ اور نظر ثانی شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

اقتصادی جائزہ

رواں مالی سال میں پاکستان کی معیشت تیزی سے سست ہو گئی، جو نومبر کی کم ترین سطح 3.3 فیصد پر پہنچ گیا اور 6.2 فیصد کا ہدف ہماری فرق سے کھو گیا۔ مالی سال 2018-19 میں 6.2 فیصد کے حوصلہ مند ہدف کے مقابلہ میں 3.29 فیصد کی معمولی نمو دیکھنے میں آئی۔ اس کا ہدف زراعت، صنعت، اور خدمات کے لئے باہر تیب 3.8 فیصد، 7.6 فیصد اور 6.5 فیصد کے سیکٹرز پر ترقیاتی توجہوں پر مبنی تھا۔ اصل سیکٹرز نمو زراعت کے لئے 0.85 فیصد، صنعت کے لئے 1.4 فیصد اور خدمات کے لئے 4.7 فیصد رہی۔ مالی سال 19 کا آغاز درآمدات میں 7.3 فیصد کمی، برآمدات میں 2.2 فیصد کمی کے چیلنجوں سے ہوا جس سے مالی سال 19 کے دوران تجارتی خسارے میں 31.7 فیصد کمی میں مدد ملی۔ بڑی فصلوں میں منفی نمو دیکھنے میں آئی جب کہ پلاس، پھول اور گنے کی پیداوار میں باہر تیب 17.5 فیصد، 3.3 فیصد اور 19.4 فیصد کمی واقع ہوئی ہے۔ مثبت نمو ظاہر کرنے والی فصلوں میں گندم اور کئی شامل ہیں جو باہر تیب 0.5 فیصد اور 6.9 فیصد کی شرح سے بڑھ گئیں۔ دریں اثناء، صنعتی نمو 1.4 فیصد اور خدمات کے شعبے نے 4.71 فیصد نمو درج کرائی۔ سی پی آئی افراط زر 7.3 فیصد رہا ہے۔ خوراک اور مشروبات کی قیمتوں کو پی آئی افراط زر میں اضافے کا سب سے بڑا سبب قرار دیا جا رہا ہے۔ پاکستان کا مالی خسارہ بی ڈی پی کے 5 فیصد ہونے کا تخمینہ لگایا گیا ہے۔ اس مدت کے دوران اسٹیٹ بینک آف پاکستان نے 6 مائیکرو پیلیسیوں کا اعلان کیا اور اس سال کے دوران مسلسل اضافہ دیکھا گیا جو 7 فیصد سے شروع اور 12.25 فیصد پر ختم ہوا۔ ڈاکومنٹ ریٹ میں اضافے کی بڑی وجوہات (i) حالیہ مہینہ پیمینہ کی ہیڈ لائن اور افراط زر کی بنیادی شرح میں اضافہ (ii) حالیہ زرمبادلہ کی شرح میں کمی (iii) بلند مالی خسارہ اور اس سے بڑھتی ہوئی رقم، اور (iv) پمپنگی کے نرخوں میں تیز رفتاری جھٹکا۔

مٹی مارکیٹ کا جائزہ:

اسٹیٹ بینک سے حکومت کے طرف سے ہماری قرض لینے، زرمبادلہ کی شرح میں کمی کے اثرات، گھریلو پیداوار کی قیمتوں میں اضافے اور ایشیائی خورد و نوش کی قیمتوں میں اضافے کی وجہ سے مالی سال 19 کے دوران ہیڈ لائن میں افراط زر میں 8.9 فیصد کا نمایاں اضافہ ہوا جب کہ مالی سال 18 میں یہ 5.2 فیصد تھا۔ مالی سال 2020 کے بجٹ میں پمپنگی کی قیمتوں میں ایڈجسٹمنٹ اور دیگر اقدامات کے یک طرفہ اثر کی وجہ سے اسٹیٹ بینک کو مستقبل قریب میں اضافے کی توقع ہے۔ ان عوامل کو مد نظر رکھتے ہوئے، اسٹیٹ بینک کو مالی سال 20 میں افراط زر کی اوسط شرح 12%-11% ہونے کی توقع ہے، جو جزئی طور پر بڑھ کر زیادہ ہے۔

ایس بی پی نے مالی سال 19 کے دوران چھٹر پڑی بل آکشن منعقد کرائیں۔ مجموعی شرکت کا مشاہدہ پہلے اعلان کردہ نیلامی ہدف 20,300bn روپے کے برخلاف 23,343bn روپے تھا جبکہ ایس بی پی نے زیر جائزہ مدت کے دوران 18,339bn روپے کی رقم کی منظوری دی۔ یہ کہا جا رہا ہے کہ 3 ماہ کی مدت میں قبولیت کل قابل قبول رقم کی 99.98 فیصد کی تکمیل کرتی ہے۔ جبکہ 6 ماہ کی 0.02 فیصد اور 12 ماہ کی برائے نام فیصد تھی۔

مزید اس عرصے کے دوران، ایس بی پی نے بارہ (12) پاکستان انویسٹمنٹ بانڈ (پی آئی بی) نیلامیوں کا انعقاد کیا اور 800bn روپے کے ہدف کے مقابلے میں 2,089bn روپے اکٹھے کئے، 5.3 اور 10 سالوں کی پیداوار باہر تیب 13.70 فیصد، 13.80 فیصد اور 13.70 فیصد کے ساتھ کل قابل قبول رقم 789bn روپے تھی۔ اس کے علاوہ زیر جائزہ مدت کے دوران، ایس بی پی نے 6 ماہ کی اوسط کٹ آف بی بلز پلس 75 جسس پی آئس (لاسٹ کٹ آف) پر بھیجا ٹھونگ ریٹ بانڈز (FRB) پر مبنی سات نیلامیوں منعقد کیں۔ مجموعی شمولیت کا مشاہدہ 706bn روپے کیا گیا تھا جبکہ ایس بی پی نے 290bn روپے رقم کی منظوری دی ہے۔

زیر جائزہ مدت کے دوران ایس بی پی نے کوئی نئی او پی اچارہ سلگ آکشن کا انعقاد نہیں کیا۔

اسٹاک مارکیٹ کا جائزہ:

مالی سال 2018-19 کے دوران، پاکستان اسٹاک مارکیٹس 100 انڈیکس نے 19.11 فیصد اتر کر رکھ دی کا مشاہدہ کیا۔ زیر جائزہ مدت کے دوران، مارکیٹ غیر مستحکم رہی ہے، یہ 30 جولائی 2018 کو 43,556 پوائنٹس کی بلند ترین سطح تک پہنچنے کے بعد، مسلسل کم ہوتی چلی گئی اور 17 مئی 2019 کو 33,167 پوائنٹس کی اپنی سب سے کم سطح پر پہنچ گئی۔ مالی سال 2019 کا آغاز نمایاں مثبت اقتصادی اشاروں، قابل ذکر بی ڈی پی نمو، بہتر ملک کے تصور، SME کی پہچان کے ساتھ آغاز ہوا کیونکہ ملک کی معیشت کی پرامن محرکات اور اور سیز پاکستانیوں کی طرف سے ترسیل زر جاری ہو گیا۔ نئے کیلنڈر سال 2019 کے شروع میں ہی، مارکیٹ نے مقامی بکلی لیکن مالی سال کے اختتام کے دوران انڈیکس 33,902 پوائنٹس پر بند ہوا جبکہ مارکیٹ کی سرمایہ کاری 6.88 ٹریلین روپے تھی۔ جولائی 2018 - جون 2019 کے دوران فیڈرل سرمایہ کاروں نے 43.61 ٹریلین روپے مالیت کی سیکیورٹیز کی سرمایہ کاری کی، جو مقامی انفرادی سرمایہ کاروں، کمپنیوں اور انشورنس کمپنیوں کے ذریعے کی گئی۔



REPORT OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2019

Description of Collective Investment Scheme Category and Type:
Income Scheme/Open end

Fund Objective

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

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

The Collective Investment Scheme achieved its stated objective.

Fund Performance

As at June 30, 2019, net assets were Rs. 445.69 million as compared to Rs. 334.72 million as at June 30, 2018. Total operating income for the year was Rs. 62.02 million as compared to Rs. 47.01 million for the same period last year. Total expenses during the year were Rs. 11.59 million as compared to Rs. 11.89 million last year. The net profit for the financial year 2019 was Rs. 38.90 million, as compared to Rs. 25.06 million last year. The Net Asset Value per unit was Rs. 80.43 as at June 30, 2019.

Fund Return

Fund Bench Mark Avg 6 Months KIBOR

	YTD Return	YTD Bench Mark
FY 2018	11.89%	6.22%
FY 2019	11.12%	10.05%

Asset Allocation	
TFC / Sukuk	25.68%
Bank Balances	72.90%
Others	1.42%

Asset Quality 2019	
AA	6.59%
AA-	0.38%
A+	82.81%
A1+	8.80%
Unrated	1.42%

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

Net Assets Value			NAV per unit	
June 30, 2018	June 30, 2019	Change in %	June 30, 2018	June 30, 2019
334,724,296	445,691,772	33.15%	88.31	80.43



INVESTMENT STRATEGY

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

DIVIDEND

The Management company announced cash dividend to unit holders of Rs. 8.22 per unit for the year ended June 30, 2019 which comes out to be 8.22% of the par value per unit of Rs. 100.

PATTERN OF UNIT HOLDING

Number Of Certificateholders	Certificate Holding			Number Of Certificates
	From		To	
216	0.0001	-	9,999.9999	110,450
11	10,000	-	49,999.9999	275,136
2	50,000	-	99,999.9999	70,908
8	100,000	-	499,999.9999	2,630,296
3	5,000,000		999,999.9999	2,454,326
240				5,541,116

ECONOMIC REVIEW:

Pakistan's economy slowed down sharply in the current fiscal year, hitting a nine-year low at 3.3 per cent and missing the 6.2 per cent target by a wide margin. The fiscal year 2018-19 witnessed a muted growth of 3.29 percent against the ambitious target of 6.2 percent. The target was based upon sectoral growth projections for agriculture, industry, and services at 3.8 percent, 7.6 percent and 6.5 percent respectively. The actual sectoral growth turned out to be 0.85 percent for agriculture, 1.4 percent for industry and 4.7 percent for services. FY19's started with challenges of decline in imports by 7.3%, decline in exports by 2.2% this helped in reducing the trade deficit by 31.7% during FY19. Major crops witnessed negative growth as production of cotton, rice and sugarcane declined by 17.5%, 3.3% and 19.4% respectively. The crops showing positive growth include wheat and maize which grew at the rate of .05% and 6.9% respectively. Meanwhile, industrial growth came in at 1.4% and service sector posted 4.71% growth. CPI inflation comes out to be 7.3%. The increase in CPI inflation is being majorly attributed because of food and beverages prices. Pakistan's fiscal deficit as % of GDP estimated to be 5%. During the period State Bank of Pakistan announced 6 monetary policies and continuous increased was witnessed during the year which starts from 7% and ended at 12.25%. The broader reasons of increased in discount rate were (i) higher recent month on month headline and core inflation outturns (ii) recent exchange rate depreciation (iii) an elevated fiscal deficit and its increased monetization, and (iv) potential adjustment in utility tariffs.



MONEY MARKET REVIEW:

During FY19 headline inflation rose considerably to 8.9% as compared to 5.2% in FY18 due to higher government borrowing from SBP, lagged impact of exchange rate depreciations, hike in domestic fuel prices, and rising food prices. SBP expects to rise in the near term due to the one-off impact of adjustment in utilities prices and other measures in the FY2020 budget. Taking these factors into consideration, the SBP expects average inflation of 11% - 12% in FY20, higher than previously projected.

The SBP held twenty six Treasury bill auctions during FY19. The cumulative participation was witnessed at PKR23,343bn against the pre-announced auction target of PKR 20,300bn while the SBP accepted an amount of PKR18,339bn during the review period. That being said, participation in 03 months tenor represented 99.98% of the total accepted amount while the 6months were 0.02% and 12months paper were negligible % of the total accepted amount.

Furthermore, during the period SBP conducted twelve Pakistan Investment Bond (PIB) auctions. The cumulative participation were PKR 2,089bn against the target of PKR800bn and total accepted amount was PKR789bn with last cut-off yields of 13.70% , 13.80% and 13.70% for 3, 5 and 10 years respectively. Further during the period under review SBP conducted seven Floating Rate Bonds (FRB) auction based on spread over 6 months weighted average cut-off T.Bills plus 75 basis points (last cut-off). The cumulative participation witnessed were PKR 706bn while the SBP accepted PKR290bn.

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

FUTURE OUTLOOK:

Pakistan's economy received multiple jolts during the fiscal year 2019 and almost all economic indicators worsened. The economy is faced with new and bigger challenges in fiscal year 2020. The economy took off with Gross Domestic Product (GDP) being declared at a decade high level of 5.5% in fiscal 2018. The provisional growth rate for FY 2019 is estimated at 3.29%. However, government budgeted GDP for FY20 is estimated to be 2.4%. Overall import was slightly increased on YoY bases, however total export grew by 19%. Pakistan's trade balance recorded a deficit of \$ 2.6 billion in June 2019.

The water and energy crisis may further hamper economic growth in fiscal year 2020. As per international organizations, Pakistan is likely to face a major water crisis by 2025. The crisis may slow down agriculture growth. Given the bleak economic scenario, where the country's foreign currency reserves have dropped to a critical level of less than two months import cover at \$7.3 billion on June 27, 2019. We expect more currency devaluation in FY20 and hike in key interest rate by December 2019.

OTHER DISCLOSURE UNDER NBFC REGULATIONS 2008

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

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



Details of Pattern of Holdings (Units)
As at June 30, 2018

S. No.	Category	No of Unit Holders	Investment Amount	% of Total
1	Directors	3	50,725,135	11.38%
2	Associated Companies	3	141,308,886	31.71%
3	Individuals	218	168,725,348	37.86%
4	Insurance	1	2,807,685	0.63%
5	Others	15	82,124,719	18.43%
	TOTAL	240	445,691,773	100.00



**DETAILS OF PATTERN OF HOLDINGS (UNITS)
AS AT JUNE 30, 2019**

S. No.	Category	No of Unit Holders	Unit Held	Amount	% of Total
1	Directors				
	Tara Uzra Dawood	1	601,448	48,376,641	10.85%
	Shafqat Sultana	1	29,183	2,347,277	0.53%
	Charmaine Hidayatullah	1	15	1,210	0.00%
2	Associated Companies				
	786 INVESTMENTS LIMITED	2	1,372,100	110,362,959	24.76%
	M/s. BRR Investment (Pvt) Ltd	1	384,739	30,945,909	6.94%
3	Individuals	218	2,097,698	168,725,386	37.86%
4	Insurance	1	34,907	2,807,685	0.63%
5	Banks/DFIs	-	-	-	0.00%
6	Modarabas/Mutual Funds	-	-	-	0.00%
7	Others	15	1,021,025	82,124,707	18.43%
		240	5,541,114	445,691,773	100.00



MCB FINANCIAL SERVICES LIMITED

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS


DAWOOD INCOME FUND

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

Dawood Income Fund, an open-end Scheme established under a Trust Deed dated April 08, 2003 executed between 786 Investments Limited, 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.

- i. 786 Investments Limited, the Management Company of Dawood Income Fund has, in all material respects, managed Dawood Income Fund during the year ended 30th June 2019 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

Karachi: August 30, 2019


Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited



Grant Thornton

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF DAWOOD INCOME FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Dawood Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the related income statement, statement of comprehensive income, statement of movements in unit holders' fund, statement of cash flow, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019 and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and the Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (the Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
<p>Net assets value (NAV)</p> <p>The balances with banks and investments constitute the most significant component of the net assets value (NAV). The balances with banks and investments as at June 30, 2019 amounted to Rs. 331.39 million and 116.72 million respectively. Details of balances with banks and investments are disclosed in note 8 and 9 respectively.</p> <p>The proper valuation of balances with banks and investments for the determination of NAV of the Fund as at June 30, 2019 was considered as a high risk area and therefore we consider this as a key audit matter (KAM)</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> • Obtained understanding and tested the controls and design effectiveness of the key controls on the investments and balances with banks. • Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2019 and reconciled it with the books and records of the Fund. • Re-performed valuation to assess the investments are carried as per the valuation methodology specified in the accounting policies. • Obtained bank reconciliation statements and tested reconciling items on a sample basis. • Assessed the adequacy of the provision for diminution in the value of debt investments as per the requirements of NBFC Regulations, 2008 and the Management's Company assumptions. • Furthermore, we also assessed the adequacy of the respective disclosures and presentation in the financial statements.

Other Matter

The financial statements of the fund for the year ended June 30, 2018 were audited by another firm of chartered accountants, who in their audit report dated September 17, 2018, expressed an unmodified opinion.

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management Company and Board of Directors (the Board) for the Financial Statements

The Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal control as Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The board is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company;

- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


We also provide to the board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Khalid Aziz**.


Grant Thornton Anjum Rahman
Chartered Accountants

Karachi
Date: September 23, 2019



**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019**

	Note	2019 -----Rupees-----	2018
Assets			
Balances with Banks	8	331,391,795	178,611,620
Investments	9	116,722,434	161,342,284
Accrued Income/Profit	10	6,271,592	1,598,839
Security Deposits	11	100,000	100,000
Advance Income Tax		73,763	-
Total Assets		454,559,584	341,652,743
Liabilities			
Payable to 786 Investments Limited - Management Company	12	1,183,182	744,035
Payable to MCB Financial Services Limited - Trustee	13	70,640	56,015
Payable to Securities and Exchange Commission of Pakistan	14	354,912	243,087
Unclaimed Dividend		369,962	369,962
Accrued Expenses and Other Liabilities	15	6,889,115	5,515,348
Total Liabilities		8,867,811	6,928,447
Contingencies and Commitments			
	16		
Net Assets		445,691,773	334,724,296
Unit Holders' Funds		445,691,773	334,724,296
		(Number)	
Number of Units in Issue	17	5,541,116	3,790,392
		(Rupees)	
Net Assets Value per Unit		80.43	88.31

The annexed notes from 1 to 25 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Note	-----Rupees-----	
Income		
Net Realized Loss on Sale of Investments	(402,965)	(58,132)
Income from Investments and Balances With Banks	18 45,612,417	20,134,442
Reversal of Impairment on Investment At Fair Value Through Other Comprehensive Income	9.2.1 16,755,156	26,755,156
Other Income	58,165	178,754
	62,022,773	47,010,220
Expenses		
Remuneration to the Management Company	12.1 7,098,308	4,748,750
Sindh Sales Tax on Remuneration to the Management Company	12.2 922,779	617,337
Accounting and Operational Charges	12.3 453,221	132,000
Remuneration to the Trustee	13.1 719,900	600,000
Sindh Sales Tax on Trustee Fee	13.2 93,590	78,000
Annual Fee to Securities & Exchange Commission of Pakistan	14 354,912	243,087
Auditor's Remuneration	19 455,965	547,520
Fees and Subscription	140,500	140,500
Securities Transactions Cost	68,761	63,078
Printing and Related Charges	70,000	135,000
Legal and Professional Charges	173,100	40,469
Provision for Sindh Workers' Welfare Fund	15.2 1,029,233	716,544
Withholding Taxes - Written Off	-	3,828,444
Bank Charges	10,104	8,788
	11,590,373	11,899,517
Net Income for the Year Before Taxation	50,432,400	35,110,703
Taxation	5.8 -	-
Net Income for the Year After Taxation	50,432,400	35,110,703
Allocation of Net Income for the Year		
Income Already Paid on Units Redeemed	(11,529,639)	(10,043,991)
Accounting Income Available for Distribution:	38,902,761	25,066,712
Relating to Capital Gain	-	-
Excluding Capital Gain	38,902,761	25,066,712
	38,902,761	25,066,712

The annexed notes from 1 to 25 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018		
Note	-----Rupees-----			
Net Income for the Year After Taxation	50,432,400	35,110,703		
<i>Items That Have Been Or May Be Re-Classified Subsequently To The Income Statement</i>				
Unrealized Gain on Revaluation of Investments Classified As Fair Value Through Other Comprehensive Income - Net	9.5 <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td align="right">54,250</td></tr></table>	54,250	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td align="right">410,934</td></tr></table>	410,934
54,250				
410,934				
	54,250	410,934		
Total Comprehensive Income for the Year	<u>50,486,650</u>	<u>35,521,637</u>		

The annexed notes from 1 to 25 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	2019				2018			
	Rupees				Rupees			
	Capital Value	Undistributed Income/ (Loss)	Unrealized (Losses)/ Gains on Investment	Total	Capital Value	Undistributed Income/ (Loss)	Unrealized (Losses)/ Gains on Investment	Total
Net Assets at Beginning of the Year	435,397,805	(101,341,693)	668,184	334,724,296	373,888,482	(126,408,405)	257,250	247,737,327
Issue of 8,042,818 Units (2018: 3,255,583 Units)								
- Capital Value (at Net Asset Value per Unit at the Beginning of the Year)	642,284,559	-		642,284,559	256,952,083	-		256,952,083
- Element of income	23,110,503	-		23,110,503	22,166,026	-		22,166,026
Total Proceeds on Issuance of Units	665,395,062	-		665,395,062	279,118,109	-		279,118,109
Redemption of 6,292,094 Units (2018: 2,604,025 Units)								
- Capital Value (at Net Asset Value per Unit at the Beginning of the Year)	(502,278,391)	-		(502,278,391)	(205,526,861)	-		(205,526,861)
- Amount Paid out of Element of Income	-	(11,529,639)		(11,529,639)	-	(10,043,991)		(10,043,991)
- Refund/adjustment on Units as Element of Income	(10,567,517)	-		(10,567,517)	(12,081,925)	-		(12,081,925)
Total Payments on Redemption of Units	(512,845,908)	(11,529,639)		(524,375,547)	(217,608,786)	(10,043,991)		(227,652,777)
Total Comprehensive Income for the Year		50,432,400	54,250	50,486,650		35,110,703	410,934	35,521,637
Distribution during the Year								
Distribution for the Year 2018 @ 8.53 per unit on July 4, 2018		(32,321,811)		(32,321,811)				
Distribution for the Year 2019 @ 8.22 per Unit on June 26, 2019		(48,216,877)		(48,216,877)				
	-	(30,106,288)	54,250	(30,052,038)	-	35,110,703	410,934	35,521,637
Net Assets at End of the Year	587,946,959	(142,977,620)	722,434	445,691,773	435,397,805	(101,341,693)	668,184	334,724,296
Undistributed (Loss)/Income Brought Forward								
- Realized Loss		(101,341,693)				(126,408,405)		
- Unrealized Income							(126,408,405)	
Accounting Income Available for Distribution								
- Relating to Capital Gain		-				-		
- Excluding Capital Gain		38,902,761		38,902,761		25,066,712		25,066,712
Distribution during the Year July 04, 2018		(32,321,811)						
Distribution during the Year June 26, 2019		(48,216,877)						
Undistributed Gain/(Loss) Carried Forward		(142,977,620)				(101,341,693)		
Undistributed Income/(Loss) Carried Forward								
- Realized Loss		(142,977,620)				(101,341,693)		
- Unrealized Income								
		(142,977,620)				(101,341,693)		
Net assets Value per Unit at Beginning of the Year				88.31				78.93
Net assets Value per Unit at end of the Year				80.43				88.31

The annexed notes from 1 to 25 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Note	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the Year Before Taxation	50,432,400	35,110,703
Adjustments for:		
Net Realized Gain on Sale of Investments	(402,965)	(58,132)
Markup/Interest Income on Bank Balances and Investments	(45,612,417)	(20,134,442)
Reversal of Impairment on Investment at Fair Value Through Other Comprehensive income	(16,755,156)	(26,755,156)
Withholding Taxes - Written Off	-	3,828,444
Provision for Sindh Workers' Welfare Fund	1,029,233	716,544
Operating Loss Before Working Capital Changes	(61,741,305)	(42,402,742)
(Decrease)/Increase in Assets		
Advance Income (Tax Paid/Withheld)/Refund	(73,763)	3,581,213
	(73,763)	3,581,213
Increase/(Decrease) in Liabilities		
Payable to the Management Company	439,147	(437,076)
Payable to the Trustee	14,625	(10,723)
Annual Fee Payable to Securities and Exchange Commission of Pakistan	111,825	75,925
Accrued Expenses and Other Liabilities	344,534	(3,418,466)
	910,131	(3,790,340)
Proceeds/(Payments) from Investments - Net	61,832,221	(112,771,746)
Markup/Interest Income Received on Investments and Balances with Banks	40,939,664	19,956,491
Net Cash Generated From/(Used in) Operating Activities	92,299,348	(100,316,421)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts Received Against Issue of Units	665,395,062	279,118,109
Payment Made Against Redemption of Units	(524,375,547)	(227,652,777)
Dividend Paid	(80,538,688)	(682,253)
Net Cash Generated From Financing Activities	60,480,827	50,783,079
Net Increase/(Decrease) in Cash and Cash Equivalents	152,780,175	(49,533,342)
Cash and Cash Equivalents at Beginning of the Year	178,611,620	228,144,962
Cash and Cash Equivalents at End of the Year	331,391,795	178,611,620

The annexed notes from 1 to 25 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 constituted under a Trust Deed executed on April 08, 2003 between 786 Investments Limited as Management Company and Bank AL-Habib Limited (BAHL) as Trustee. In June 2011, BAHL retired and MCB Financial Services Limited (MCBFSL) was appointed as the new trustee of the Fund and the name of the Fund was also changed from "Dawood Money Market Fund" to "Dawood Income Fund". These changes, after necessary regulatory approvals, were duly incorporated in the Trust Deed of the Fund by way of First Supplemental Trust Deed. On January 20, 2017, the Management Company has changed its name to 786 Investments Limited after completing regulatory formalities. During the last year, the registered office of the Management Company was changed and is now situated at G3, Ground floor, B.R.R Tower, Hassan Ali Street, I.I Chundrigar Road, Karachi, Pakistan.
- 1.2 The Fund is an open end mutual fund and is listed on Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund.
- 1.3 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 Title to the assets of the Fund are held in the name of MCBFSL as the Trustee of the Fund (except for term finance certificate of New Allied Industries Limited as mentioned in note 9.3.1, which is a non-performing term finance certificate hence being unable to be transferred until final settlement, which is held in the name of BAHL being the previous trustee of the Fund).
- 1.5 The Fund is categorized as "Income Scheme" in accordance with Circular No. 07 of 2009 issued by the Securities and Exchange Commission of Pakistan (SECP).
- 1.6 The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of "AM3" to the Management Company as at June 28, 2019 and stability rating of "AA-(f)" to the Fund as at April 30, 2019.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

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

2.2 Basis of Measurement

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

2.3 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency. All amount have been rounded off to the nearest rupees unless otherwise indicated.

3. ACCOUNTING ESTIMATES and JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.



The estimates and judgements that have a significant effect on the financial statements are in respect of the following:

Investments (Financial assets)	Notes 5.1
Provisions	5.5
Element of income/loss and capital gains/losses in prices of units issued less those in units redeemed - net	5.9
Contingencies and commitments	16

4 STANDARDS, AMENDMENTS and INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS

4.1 Standards, Amendments and Interpretations to the Published Accounting Standards that are Relevant to the Fund and adopted in the Current Year

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

IFRS 9 'Financial Instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from Contracts with Customers' - This standard replaces previous revenue standards: IAS 18 Revenue, IAS 11 Construction contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The impact of changes laid down by these standards are detailed in note 6.

4.2 Standards, Amendments to Published Standards and Interpretations that are Effective but not Relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 01, 2018 are considered not to be relevant or to have any significant effect on the Fund's financial reporting and operations and are therefore not presented here.

4.3 Standards, Amendments and Interpretations to the Published Standards that are Relevant but not Yet Effective and Not Early Adopted by the Fund

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

Standard or Interpretation	Effective Date (Annual Periods beginning on or After)
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 1, 2019
Annual improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

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



4.4 Standards, Amendments and Interpretations to the Published Standards That are Not Yet Notified by the Securities and Exchange Commission of Pakistan (SECP)

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

Standard or Interpretation	IASB effective date (Annual Periods Beginning on or After)
IFRS 14 Regulatory Deferral accounts	January 1, 2018

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Financial Assets

5.1.1 Classification and Measurement

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

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

The financial assets are categorized as follows:

Financial Asset at Amortized Cost

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

Financial Asset at Fair Value through Other Comprehensive Income

Debt Investment

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

Equity Investment

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

Financial Asset at Fair Value Through Profit or Loss

Debt Investment

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

Equity Investment

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

5.1.2 Regular way Contracts

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



5.1.3 Initial Recognition and Measurement

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

5.1.4 Subsequent Measurement

Financial Asset at Amortized Cost

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

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

Financial Asset at Fair Value Through Other Comprehensive Income

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

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

Financial Asset at Fair Value through Profit or Loss

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

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

5.1.5 Basis of Valuation of Debt Investments

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

5.1.6 Impairment

The carrying value of the Fund's assets are reviewed at Each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment loss in respect of investment classified as FVTOCI (other than debt securities) is recognized based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. The determination of what is significant or prolonged requires judgment.

Provision for diminution in the value of debt securities is made as per the requirements of Circular No. 33 of 2012 dated October 24, 2012 (which is essentially the same as contained in Circular No. 1 of 2009 previously issued by the SECP) and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular.

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

Other individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the income statement.

5.1.7 Derecognition

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



5.2 Financial Liability

5.2.1 Classification and Measurement

Financial Liability at Amortized Cost

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

Financial Liability at Fair Value Through Profit or Loss

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

5.2.2 Initial Recognition and Measurement

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

5.2.3 Subsequent Measurement

Financial Liability at Amortized Cost

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

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

Financial Liability at Fair Value Through Profit or Loss

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

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

5.2.4 Derecognition

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

5.3 Derivatives

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

5.4 Offsetting of Financial Assets and Liabilities

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

5.5 Provisions

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

5.6 Issue and Redemption of Units

Units are allocated at the offer price prevalent on the day of realization of cheques. The offer price represents the net assets value at the end of the day plus allowable sales load (if any).

Units are redeemed at offer price prevalent on the date on which application for redemption is received. The redemption price represents the net assets value at the end of the day.



5.7 Revenue Recognition

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

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

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

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

5.8 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income as reduced by the realized and unrealized capital gain for the year is distributed amongst the Fund's unit holders. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

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

5.9 Element of Income/Loss and Capital Gains/Losses in Prices of Units Sold Less Those in Units Redeemed - Net

Element of income has been determined as the difference between net assets value on the issuance and redemption date, as the case may be, of units and the net assets value at the beginning of the accounting period.

Income paid on redemption of units (element of income) made during the year shall be on gross basis and calculated on First In First Out (FIFO) basis.

Element of income shall be disclosed in the statement of movement in unitholder's fund as distributable income and allocation of net income available for distribution relating to capital gain excluding capital gains.

5.10 Distribution to Unit Holders

Distribution to unit holders is recognized upon declaration and approval by the board of directors of the Management Company.

5.11 Net Asset Value per Unit

The net asset value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

5.12 Cash and Cash Equivalent

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

6 CHANGE IN ACCOUNTING POLICIES

i) IFRS 9 - Financial Instrument

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instrument, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from July 1, 2018 resulted in changes in accounting policies and adjustments to the amount recognised in the financial statements. The new accounting policies are set out in the note 5.1, 5.2 and 5.3 above. In accordance with the transitional provisions in IFRS 9, corresponding figures have not been restated.

Classifications and Remeasurement

On 1 July 2018 (the date of initial application of IFRS 9), the Fund and Management Company has assessed which business models apply to the financial assets held by the Fund and has classified its financial instruments into the appropriate IFRS 9 categories. 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	Amortized Cost
Investments	At available for Sale	At Fair Value through Other Comprehensive Income
	At held for Trading	At Fair Value through Profit or Loss
Accrued Income/Profit	Loans and Receivables	Amortized Cost
Security Deposits	Loans and Receivables	Amortized Cost
Advance Income Tax	Loans and Receivables	Amortized Cost



Financial Liabilities	Original Classification Under IAS 39	New Classification Under IFRS 9
Payable to 786 Investments Management Company	Other Financial Liabilities	Amortized Cost
Payable to MCB Financial Services Limited - Trustee	Other Financial Liabilities	Amortized Cost
Annual Fee to Securities and Commission of Pakistan	Other Financial Liabilities	Amortized Cost
Accrued Expenses and Other	Other Financial Liabilities	Amortized Cost
Unclaimed Dividend	Other Financial Liabilities	Amortized Cost

Impairment

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.

There is no impact on the Fund's net assets as a result of the above changes.

ii) IFRS 15 - Revenue from contracts with customers

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 recognized by the Fund. Accordingly, there is no impact on comparative information.

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.

7 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the period ended June 30, 2019 is 2.5% which includes 0.51% representing government levies on the Fund such as federal excise duties and sales taxes, Workers' Welfare Fund, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorized as an "Income" scheme.

8 BALANCES WITH BANKS	Note	2019	2018
		-----Rupees-----	
- In Profit and Loss Sharing (PLS) Accounts	8.1	331,391,795	148,611,620
- In Term Deposit Receipts	8.2	-	30,000,000
		<u>331,391,795</u>	<u>178,611,620</u>

8.1 Profit rates on PLS accounts range from 3% to 11% (30 June 2018: 2.61% to 7%) per annum.

8.2 These represents Term Deposit Receipts (TDRs) placed with JS Bank Limited having maturity upto 3 months or less with yield rates 7.10% and matured during the period.

9 INVESTMENTS	Note	2019	2018
		-----Rupees-----	
At Fair Value Through Profit of Loss			
Government Securities	9.1	-	99,674,100
At Fair Value Through Other Comprehensive Income			
Listed - Term Finance Certificates	9.2	-	-
Unlisted - Term Finance and Sukuk Certificates	9.3	116,722,434	61,668,184
		<u>116,722,434</u>	<u>61,668,184</u>
		<u>116,722,434</u>	<u>161,342,284</u>



As at July 01, 2018	Acquired during the Year	Matured/ Disposed during the Year	As at June 30, 2019	Cost/ Carrying Value	Market Value	% of Total Investment
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At Fair Value Through Profit or Loss

9.1 Government Securities - 3 Months Market Treasury Bills

	-----Number of securities-----			-----Rupees-----		
Face Value of Rs.320,000,000/- Each	-	1	1	-	-	-
Face Value of Rs.200,000,000/- Each	-	1	1	-	-	-
Face Value of Rs.100,000,000/- Each	1	3	4	-	-	-
Face Value of Rs.50,000,000/- Each	-	2	2	-	-	-

As at July 01, 2018	Acquired during the Year	Matured/ Disposed during the Year	As at June 30, 2019	Cost/ Carrying Value	Market Value	% of Total Investment
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At Fair Value Through Other Comprehensive Income

9.2 Listed - Term Finance Certificates

Face Value of Rs 4,130/-Each

	Note	-----Number of certificates-----			-----Rupees-----		
Construction and Material							
Dewan Cement Company Limited	9.2.1	19,268	-	-	19,268	79,586,991	-
Provision Held	9.4					(79,586,991)	

9.2.1 Dewan Cement Limited (DCL) has classified as non-performing by MUFAP. Accordingly, the security has been fully provided in accordance with the requirements of SECP's circular No. 1 of 2009 and the Board's approved provisioning policy. The Fund has entered into a compromise agreement with DCL on May, 09 2016 whereby the remaining debt will be paid in thirty one equal quarterly installments in arrears. The Fund has recognized reversal of impairment amounting to Rs. 16.76 millions on receipt basis in current period. The Fund has suspended mark-up there against.

As at July 01, 2018	Acquired during the Year	Matured/ Disposed During the Year	As at June 30, 2019	Cost/ Carrying Value	Market Value	% of Total Investment
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At Fair Value Through Other Comprehensive Income

9.3 Unlisted - Term Finance Certificates

Face Value of Rs. 2,207/-Each

	Note	-----Number of certificates-----			-----Rupees-----		
Cable and Electric Goods							
New Allied Industries Limited	9.3.1	11,523	-	-	11,523	25,433,190	-
Provision held	9.4					(25,433,190)	

At Fair Value Through Other Comprehensive Income

Unlisted - Sukuk Certificates

Face Value of Rs. 1,000,000/-Each

Cable and Electric Goods								
TPL Corporation Limited	9.3.2	5	-	-	5	5,162,500	5,296,130	5%
Commercial Bank								
Dubai Islamic Bank Limited	9.3.3	26	-	-	26	26,486,304	26,486,304	23%
Engineering								
Agha Steel Industries Limited	9.3.4	-	15	-	15	15,000,000	15,000,000	13%
Face value of Rs. 100,000/-Each								
Fertilizers								
Dawood Hercules Corporation Limited	9.3.5	300	-	-	300	30,019,380	29,940,000	26%



	As at July 01, 2018	Acquired during the Year	Matured/Dis posed During the Year	As at June 30, 2019	Cost/ Carrying Value	Market Value	% of Total Investment	
Face value of Rs. 5,000/-Each								
	Note	-----Number of certificates-----			-----Rupees-----			
Power Generation & Distribution Hub Power Company Limited	9.3.6	-	8,000	-	8,000	40,000,000	40,000,000	33%
Face value of Rs. 2,933/-Each								
Eden Housing Limited	9.3.7	984	-	-	984	2,887,171	-	-
Provision held	9.4					(2,887,171)		
						<u>116,668,184</u>	<u>116,722,434</u>	

- 9.3.1** New Allied Electronics Industries Limited defaulted on its payment of principal and mark-up due on December 25, 2008. Consequently, the security was classified as non-performing by MUFAP on January 09, 2009 and accrual on the same was suspended. This security has been fully provided in accordance with the provisioning circulars of SECP and the Board's approved provisioning policy. These TFCs are held in CDC investor account of the previous trustee and will only be transferred upon final settlement.
- 9.3.2** 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 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.
- 9.3.3** These sukuk certificates are unsecured and carry profit equal to 6 month KIBOR plus 0.50% receivable half-yearly in arrears and will mature in July 2027.
- 9.3.4** This is the Pakistan's 1st over the counter listed sukuk issue, priced through competitive bidding process by Agha Steel Industries Limited backed by diminishing musharaka and carry profit equal to 3 month KIBOR plus 0.8% and will completely mature in October 2024. Pak Brunei Limited is appointed as trustee and the issue agent of the sukuk. These sukuk certificates are secured by hypothecation charge over the present and future fixed assets of the issuer in favour of the Trustee of the issuer for the benefit of the certificate holders.
- 9.3.5** 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 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.
- 9.3.6** These sukuk certificates are unsecured and carry profit equal to 3 month KIBOR plus 1% receivable quarterly in arrears and will mature in November 2019.
- 9.3.7** Eden Housing Limited defaulted on its payment of principal and mark-up due on April 21, 2011. Consequently, the security was classified as non-performing by MUFAP on May 06, 2011 and accrual on the same was suspended. This security has been fully provided in accordance with the provisioning circulars of SECP and the Board's approved provisioning policy. These sukuk are held in CDC investor account of the fund.

9.4 Details of Non-Compliant Investments

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

Name of Non Compliant Investment	Note	Type of Investment	Value of Investment Before Provision	Provision Held If Any	Value of Investment After Provision	% of Net Assets	% of Gross Assets
			-----Rupees-----				
Dewan Cement Limited - Restructured	9.2.1	Pre-IPO investment	79,586,991	(79,586,991)	-	-	-
New Allied Industries Limited	9.3.1	Term finance certificates	25,433,190	(25,433,190)	-	-	-
Eden Housing Limited	9.3.7	Sukuk certificates	2,887,171	(2,887,171)	-	-	-



9.5 Unrealized Gain on Revaluation of Investments Classified as Fair Value Through Other Comprehensive Income - Net	Note	2019	2018
		-----Rupees-----	
Fair Value of Investments	9.3	116,722,434	61,668,184
Less: Cost/Carrying Value of Investment		<u>(116,257,250)</u>	<u>(61,000,000)</u>
		465,184	668,184
Less: Net Unrealized Gain in Fair Value of Investments - Opening		<u>(410,934)</u>	<u>(257,250)</u>
		<u>54,250</u>	<u>410,934</u>

10 ACCRUED INCOME/PROFIT

Income form:

- Profit and Loss Sharing (PLS) Accounts		3,577,346	472,352
- Term Finance and Sukuk Certificates		2,694,246	1,108,980
- Certificate of Deposits (COI)		-	17,507
		<u>6,271,592</u>	<u>1,598,839</u>

11 SECURITY DEPOSIT

The security deposit held with Central Depository Company of Pakistan Limited (CDCPL) for the purpose of security transactions.

12 PAYABLE TO 786 INVESTMENT LIMITED - MANAGEMENT COMPANY

Management Remuneration	12.1	627,856	523,496
Sindh Sales Tax Payable	12.2	102,105	88,539
Accounting and Operational Charges	12.3	453,221	132,000
		<u>1,183,182</u>	<u>744,035</u>

- 12.1 According to the provisions of the Trust Deed of the Fund, the Management Company has charged its remuneration at the rate of 1.5% (2018: 1.5%) per annum on the average annual net assets of the Fund calculated on a daily basis.
- 12.2 The Sindh Provincial Government has levied Sindh Sales tax at the rate of 13% (2018: 13%) on Management Company's remuneration.
- 12.3 In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I)/2015 dated November 25, 2015, the Management Company of the Fund is entitled for reimbursement of fee and expenses incurred by the Management Company in relation to registrar service, accounting, operation and valuation services related to the Fund maximum up to 0.1% of average annual net assets of the scheme or actual whichever ever is less. Accordingly, the Management Company has charged accounting and operating expenses to the Fund at a rate of 0.1% per annum of the average annual net assets of the Fund for the year ended June 30, 2019.

13 PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE	Note	2019	2018
		-----Rupees-----	
Trustee Remuneration	13.1	62,511	49,573
Sindh Sales Tax Payable	13.2	8,129	6,442
		<u>70,640</u>	<u>56,015</u>

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

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

14 ANNUAL FEE TO SECURITIES and EXCHANGE COMMISSION OF PAKISTAN

It 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% (2018: 0.075%) per annum of the net assets of the Fund computed on a daily basis.



15 ACCRUED EXPENSES and OTHER LIABILITIES	Note	2019	2018
		-----Rupees-----	
Federal Excise Duty on Remuneration	15.1	1,797,106	1,797,106
Provision for Sindh Workers' Welfare Fund	15.2	3,267,015	2,237,782
Accrued Expenses	15.3	657,443	659,473
Capital Gain Tax Payable		1,155,931	695,103
Zakat Payable and Withholding Tax		11,620	125,884
		6,889,115	5,515,348

- 15.1 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax levied by Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified. On September 04, 2013, a Constitutional Petition was filed in the Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative collective investment schemes.

The SHC while disposing the Constitutional Petition relating to levy of FED on mutual funds has declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011 (i.e. the date on which Sindh Sales Tax on Services Act, 2011 came into force). In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Honorable Supreme Court of Pakistan (SCP). Thereafter, during the pendency of the present civil petition, SCP has suspended the operation of the impugned judgement of the SHC. The matter is still pending adjudication. With effect from July 01 2016, FED on services provided or rendered on non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision made for FED for the period from June 13, 2013 till June 30, 2016 aggregating to Rupees.1.797 million (June 30, 2019: Rupees. 1.797 million) is being retained in the financial statements of the Fund as the matter is pending before the SCP. Had the said provision of FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2019 would have been higher by Rupee 0.32 per unit (June 30, 2018: Rupee 0.47 per unit).

- 15.2 Provision for Sindh Workers' Welfare Fund (SWWF) is being made on a daily basis going forward pursuant to MUFAP's recommendation to all its members on January 12, 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay SWWF for the accounting year closing on or after December 13, 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence WWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from the applicability of SWWF but as a matter of abundant caution the Management has recorded SWWF with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

Furthermore, on November 10, 2016, SCP passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition with the SCoP against the said judgment, which is pending. While the petitions filed by the Collective Investment Schemes (CISs) on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) have taken legal and tax opinions on the impact of the SCP's judgement on the CISs petition before the SHC. Both the legal and tax advisors consulted were of the view that the SCP's judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the funds under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Above decision was communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective. Accordingly, the Fund has recorded the adjustment in its books on January 12, 2017.

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 recognized SWWF charge for the period from May 21, 2015 to June 30, 2019. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Re 0.59 (June 30, 2018: Re 0.59).

15.3 Accrued Expenses		2019	2018
		-----Rupees-----	
Auditors' Remuneration Payable		340,601	438,636
Rating Fee Payable - PACRA		226,000	113,000
Printing and Related Expenditure Payable		40,000	96,165
Shariah and Tax Advisors Fee Payable		49,172	11,672
Other Payable		1,670	-
		657,443	659,473

16 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2019 and June 30, 2018



	2019	2018
	-----Rupees-----	
17 NUMBER OF UNITS IN ISSUE		
Total Outstanding as of July 01	3,790,392	3,138,834
Issued During the Year	8,042,818	3,255,583
Redemption During the Year	<u>(6,292,094)</u>	<u>(2,604,025)</u>
Total Outstanding as of June 30	<u>5,541,116</u>	<u>3,790,392</u>
18 INCOME FROM INVESTMENTS and BALANCES WITH BANKS		
Income from:		
- Sukuk Certificates	8,801,742	2,908,731
- Government Securities	10,782,685	4,507,732
- Certificates of Investments (COI)	-	132,791
- Commercial Papers	1,804,712	-
- Profit and Loss Sharing (PLS) Account	24,042,374	12,567,681
- Term Deposits Receipts (TDR)	180,904	17,507
	<u>45,612,417</u>	<u>20,134,442</u>
19 AUDITORS' REMUNERATION		
Annual Audit Fee	245,000	245,000
Half Yearly Review of Financial Statements	90,000	90,000
Other Services	25,000	25,000
Out of Pocket Expenses	62,190	146,963
	422,190	506,963
Sales Tax	33,775	40,557
	<u>455,965</u>	<u>547,520</u>
20 TRANSACTIONS WITH RELATED PARTIES/CONNECTED PERSONS		
Related party/connected person include 786 Investments Limited being the Management Company, other collective investment schemes managed by the Management company, MCB Financial Services Limited being the Trustee of the Fund, Directors and Officers of the Management Company, other associated undertakings and unit holder's holding more than 10% units in the Fund or any other connected person.		
Remuneration payable to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations 2008 and the Trust Deed respectively.		
The transactions with related parties are in the normal course of business and at contracted rates and terms determined in accordance with market rates.		
Aggregate transactions and balances with related parties, associated undertakings and connected person which are not disclosed elsewhere in the notes are as follows:		
20.1 Transactions during the Year Ended	Note	2019 -----Rupees----- 2018
786 Investments Limited - Management Company		
Remuneration of the Management Company	12.1	<u>7,098,308</u> 4,748,750
Sales Tax on Remuneration to the Management Company	12.2	<u>922,779</u> 617,337
Accounting and Operational Charges	12.3	<u>453,221</u> 132,000
Issue of Units: 1,267,921 (2018: 86,590)		<u>100,865,358</u> 7,500,000
Redemption of Units: 244,208 (2018: Nil)		<u>20,000,000</u> -
MCB Financial Services Limited - Trustee		
Remuneration of the Trustee	13.1	<u>719,900</u> 600,000
Sales tax on Trustee fee	13.2	<u>93,590</u> 78,000



	2019	2018
Note	-----Rupees-----	
BRR Investment Limited		
(Connected Person due to Group Company)		
Issue of Units: 822,516 (2018: 245,001)	<u>65,372,484</u>	<u>21,000,000</u>
Redemption of Units: 939,031 (2018: 160,385)	<u>78,457,282</u>	<u>14,000,000</u>
First Dawood Investment Bank Limited		
(Connected Person due to Group Company)		
Issue of Units: 3,698,076 (2018: 826,684)	<u>301,201,673</u>	<u>72,000,000</u>
Redemption of Units: 3,698,076 (2018: 826,684)	<u>306,966,759</u>	<u>72,988,578</u>
First Dawood Investment Bank Limited -Employees		
Contributory Provident Fund- Employee Benefit Fund		
of Group Company		
Issue of Units: 41,415 (2018: 160,383)	<u>2,074,545</u>	<u>14,000,000</u>
20.2 Directors and Key Management Personnel of the Management		
Company		
Issue of Units: 144,382 (2018: 84,377)	<u>11,018,443</u>	<u>7,295,000</u>
Redemption of Units: 132,084 (2018: 12,850)	<u>10,964,546</u>	<u>1,129,938</u>
Other Connected Persons		
Issue of Units: 517,389 (2018: 127,734)	<u>41,421,839</u>	<u>11,000,000</u>
Balance as at Year Ended		
786 Investments Limited - Management Company		
Remuneration Payable to the Management Company	12 <u>627,856</u>	<u>523,496</u>
Sales tax Payable on Management Company's remuneration	12 <u>102,105</u>	<u>88,539</u>
Accounting and Operational Charges	12 <u>453,221</u>	<u>132,000</u>
FED Payable on Management Company's Remuneration	<u>1,797,106</u>	<u>1,797,106</u>
Units Held: 1,372,100 (2018: 348,387)	<u>110,362,959</u>	<u>30,765,592</u>
MCB Financial Services Limited - Trustee		
Remuneration Payable to the Trustee	13 <u>62,511</u>	<u>49,573</u>
Sales Tax Payable on Trustee fee	13 <u>8,129</u>	<u>6,442</u>
BRR Investment Limited		
(Connected Person due to Group Company)		
Units Held: 384,739 (2018: 501,249)	<u>30,945,909</u>	<u>44,264,574</u>
First Dawood Investment Bank Limited -Employees		
Contributory Provident Fund- Employee Benefit Fund		
of Group Company		
Units Held: 473,120 (2018: 387,701)	<u>38,054,757</u>	<u>34,237,336</u>
Directors and Key Management Personnel of the Management		
Company		
Units Held: 631,945 (2018: 635,872)	<u>50,829,625</u>	<u>55,269,897</u>
Other Connected Persons		
Units Held: 858,661 (2018: 294,192)	<u>69,065,176</u>	<u>25,979,669</u>



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

21 FINANCIAL INSTRUMENTS - FAIR VALUES and RISK MANAGEMENT

21.1 RISK MANAGEMENT FRAMEWORK

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds.

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

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

21.2 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. As of June 30, 2019, the Fund is exposed to such risk in respect of balances with banks and investment in debt investments. The balances with banks are subject to interest rates as declared by the respective bank on periodic basis. Debt investments are subject to floating interest rates. The sensitivity of the income/(loss) for the year is the effect of the assumed changes in interest rates on:

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

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

	Effect on Income	
	2019	2018
	-----Rupees-----	
Change in Basis Point		
+ 100	44,811,423	33,995,390
- 100	(44,811,423)	(33,995,390)

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



June 30, 2019

Yield/Effective Interest Rate (%)	Exposed to Yield/Interest Rate Risk			Not Exposed to Yield/Interest Rate Risk	Total
	Up to Three Months	More than Three Months and Up to One Year	More than One Year		

(Rupees)

**On-Balance Sheet
Financial Assets**

Balances with Banks	9 - 11	331,391,795	-	-	-	331,391,795
Investments	11 - 15	-	40,000,000	76,722,434	-	116,722,434
Accrued Income/Profit		5,929,345	342,247	-	-	6,271,592
Security Deposits		-	-	-	100,000	100,000
		<u>337,321,140</u>	<u>40,342,247</u>	<u>76,722,434</u>	<u>100,000</u>	<u>454,485,821</u>

Financial Liabilities

Payable to 786 Investment Limited - Management Company		-	-	-	1,183,182	1,183,182
Payable to MCB Financial - Services Limited - Trustee		-	-	-	70,640	70,640
Payable to Securities and Exchange Commission of Pakistan		-	-	-	354,912	354,912
Unclaimed Dividend		-	-	-	369,962	369,962
Accrued Expenses and Other Liabilities		-	-	-	657,443	657,443
		-	-	-	<u>2,636,139</u>	<u>2,636,139</u>

On-Balance Sheet Gap

		<u>337,321,140</u>	<u>40,342,247</u>	<u>76,722,434</u>	<u>(2,536,139)</u>	<u>451,849,682</u>
--	--	--------------------	-------------------	-------------------	--------------------	--------------------

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2019

June 30, 2018

Yield/Effective Interest Rate (%)	Exposed to Yield/Interest Rate Risk			Not Exposed to Yield/Interest Rate Risk	Total
	Up to Three Months	More than Three Months and Up to One Year	More than One Year		

(Rupees)

**On-Balance Sheet
Financial Assets**

Balances with Banks	7	178,611,620	-	-	-	178,611,620
Investments	6 - 10	129,693,480	26,486,304	5,162,500	-	161,342,284
Accrued Income/Profit		1,598,839	-	-	-	1,598,839
Security Deposits		-	-	-	100,000	100,000
		<u>309,903,939</u>	<u>26,486,304</u>	<u>5,162,500</u>	<u>100,000</u>	<u>341,652,743</u>

Financial Liabilities

Payable to 786 Investment Limited - Management Company		-	-	-	744,035	744,035
Payable to MCB Financial - Services Limited - Trustee		-	-	-	56,015	56,015
Payable to Securities and Exchange Commission of Pakistan		-	-	-	243,087	243,087
Unclaimed Dividend		-	-	-	369,962	369,962
Accrued Expenses and Other Liabilities		-	-	-	659,473	659,473
		-	-	-	<u>2,072,572</u>	<u>2,072,572</u>

On-Balance Sheet Gap

		<u>309,903,939</u>	<u>26,486,304</u>	<u>5,162,500</u>	<u>(1,972,572)</u>	<u>339,580,171</u>
--	--	--------------------	-------------------	------------------	--------------------	--------------------

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2019.



(ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk at the year end.

(iii) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities.
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

(iv) Unit Holder's Fund Risk Management

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

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

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

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme.

21.3 Liquidity Risk

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

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



2019

Financial Liabilities

Payable to 786 Investment Limited -
Management Company
Payable to MCB Financial -
Services Limited - Trustee
Payable to Securities and Exchange
Commission of Pakistan
Unclaimed Dividend
Accrued Expenses and Other Liabilities

Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
(Rupees)					
1,183,182	-	-	-	-	1,183,182
70,640	-	-	-	-	70,640
-	354,912	-	-	-	354,912
369,962	-	-	-	-	369,962
657,443	-	-	-	-	657,443
2,281,227	354,912	-	-	-	2,636,139

2018

Financial Liabilities

Payable to 786 Investment Limited -
Management Company
Payable to MCB Financial -
Services Limited - Trustee
Payable to Securities and Exchange
Commission of Pakistan
Unclaimed Dividend
Accrued Expenses and Other Liabilities

Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
(Rupees)					
744,035	-	-	-	-	744,035
56,015	-	-	-	-	56,015
-	243,087	-	-	-	243,087
369,962	-	-	-	-	369,962
659,473	-	-	-	-	659,473
1,829,485	243,087	-	-	-	2,072,572

21.4 Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk:

	2019	2018
	(Rupees)	
Balances with banks *	331,391,795	178,611,620
Investments	116,722,434	161,342,284
Accrued income/profit	6,271,592	1,598,839
Security deposits	100,000	100,000

* These balances are placed with Commercial Banks having credit rating between A1+ and A1 in accordance with the offering document as approved by SECP.

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The table below analyses the Fund's concentration of credit risk by industrial distribution:

	2019	2018
	% of Instruments	
Amortized Cost		
Balances with Banks	73.95%	52.54%
Fair Value Through Other Comprehensive Income		
Cable and Electric Goods	1.18%	1.52%
Commercial Bank	5.91%	7.79%
Engineering	3.35%	8.83%
Fertilizers	6.68%	0.00%
Power Generation & Distribution	8.93%	0.00%
Fair Value Through Profit or Loss		
Government Securities	0.00%	29.32%
	100%	100%



Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

Name of Bank	Rating agency	Latest published rating		Percentage of bank balance
		Short term	Long term	
Bank Alfalah Limited	PACRA	A1+	AA+	0.00%
JS Bank Limited	PACRA	A1+	AA-	0.53%
Albaraka Bank Limited	PACRA	A1	A	0.00%
Bank Islami Pakistan Limited	PACRA	A1	A+	99.47%

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods are used to estimate the fair values of instruments:

Debt Securities

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

Government Securities

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

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

22.1 Fair Value Hierarchy

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

Level 1: quoted prices in active markets for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2019, the Fund held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
2019				
Fair value through other comprehensive income	-	116,722,434	-	116,722,434
Fair value through profit or loss	-	-	-	-
	-	116,722,434	-	116,722,434
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
2018				
Fair value through other comprehensive income		61,668,184	-	61,668,184
Fair value through profit or loss		99,674,100	-	99,674,100
	-	161,342,284	-	161,342,284



23 SUPPLEMENTARY NON FINANCIAL INFORMATION

23.1 Pattern of Unit Holding

	As at 30 June 2019			As at 30 June 2018		
	Number of Unit Holders	Investment Amount	Percentage Investment	Number of Unit Holders	Investment Amount	Percentage Investment
	Rupees			Rupees		
Individuals	218	168,725,386	37.86%	223	125,831,284	37.59%
Associated Companies & Directors	7	230,088,754	51.63%	7	163,732,248	48.92%
Insurance Companies	1	2,807,685	0.63%	1	2,624,639	0.78%
Retirement Funds	9	34,164,342	7.67%	9	39,500,461	11.80%
Others	5	9,905,606	2.22%	5	3,035,664	0.91%
	240	445,691,773	100%	245	334,724,296	100%

23.2 Details of Brokers

During the year, the Fund has paid brokerage of Rs. 7,074 to JS Global Capital Limited (2018 Rs. 8,498)

23.3 Details of Investment Committee

Name of Member	Designation	Qualification	Experience
Ms. Tara Uzra Dawood	Chief Executive Officer	Doctorate of Juridical Science	15 years
Mr. Tauqir Shamshad*	Chief Operating Officer/Fund Manager	M COM	26 years
Mr. Talal Ismail Pasha	Chief Financial Officer and Company Secretary	ACMA	15 years
Mr. Muhammad Abbas	AVP Finance	MBA Finance	19 years
Mr. Shaheryar Ali **	Risk Officer/Acting Fund Manager	BS Actuarial Science	2 year

* Mr. Tauqir Shamshad resigned on March 31, 2019.

** Mr. Shaheryar Ali resigned on June 30, 2019.

23.4 Details of Fund Manager

Mr. Tauqir Shamshad was appointed as Fund Manager on December 08, 2017. He is also a Fund Manager of First Dawood Mutual Fund and 786 Rising Star Fund (Formerly: Dawood Islamic Income Fund).

Mr. Shaheryar Ali was appointed as Risk Officer on March 01, 2018. He is also an acting Fund Manager of First Dawood Mutual Fund and 786 Rising Star Fund (Formerly: Dawood Islamic Income Fund) after resignation of Mr. Tauqir Shamshad on March 31, 2019. Mr. Shahyar Ali also resign from 786 Investment Limited on June 30, 2019.

23.5 Details of Board of Director's meetings

Name of Director	July 4, 2018	September 17, 2018	October 18, 2018	February 18, 2019	April 22, 2019
Ms. Shafqat Sultana	Present	Present	Present	Present	Present
Ms. Tara Uzra Dawood	Present	Present	Present	Present	Present
Ms. Charmaine Hidayatullah *	Absent	Present	Present	Present	Present
Mr. Mohammed Izqar Khan *	Absent	Present	Present	Resign	Resign
Mr. Tahir Mehmood	Present	Present	Present	Present	Present
Syed Farhan Abbas	Present	Present	Present	Present	Present
Syed Shabahat Hussain *	Present	Absent	Present	Present	Present
Ahmed Salman Munir **	-	-	Present	Present	Present

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

** SECP approved the appointment of Ahmed Salman Munir on September 19, 2018.



24 GENERAL

24.1 Non-Adjusting Event After the Reporting Date

The Management Company of the Fund amend the scheme of the Fund from "Income Scheme" to Islamic Income Scheme" along with change of name of the Fund from "Dawood Income Fund" to "786 Smart Fund" after obtaining prior approval of the Trustee through its letter no. MCBFSL/COM/0009/18 and approval of SECP through its letter no. SCD/AMCW/786IL/147/2018 dated October 29, 2018 and subsequently to year end the Trust Deed has been registered with the registrar.

24.2 Figures have been rounded off to the nearest rupee.

24.3 Certain prior year's figures have been reclassified for the purpose of comparison. However, there were no material reclassifications to report.

25 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the board of directors of the Management Company on 23 September 2019.

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

Chief Financial Officer

Chief Executive Officer

Director



PERFORMANCE TABLE / KEY FINANCIAL DATA

	Year					
	2019	2018	2017	2016	2015	2014
Net assets (Rs in million)	445.69	334.72	247.74	155.98	428.17	402.38
Net Asset Value per units (Rs.)	80.43	88.31	78.93	75.98	82.29	77.33
Offer price per unit	81.23	89.19	79.72	76.74	83.11	78.10
Redemption price per unit	80.43	88.31	78.93	75.98	82.29	77.33
Number of units	5,541,116	3,790,392	3,138,834	2,052,882	5,203,406	5,203,406
Net Profit / (loss) for the year (Rs in million)	50.43	35.11	35.00	38.20	27.50	22.77
<i>Income Distribution (Rs in million)</i>						
Final	80.54	-	26.87	31.97	24.77	20.50
Interim	-	-	-	-	-	-
<i>Average annual return (%)</i>	11.12%	11.89%	16.32%	32.68%	6.41%	6.18%



PROXY ISSUED BY THE FUND

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

The details of summarized proxies voted are as follows:

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

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


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