INVESTMENTS

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# 786 INVESTMENTS LIMITED

# 786 RISING STAR FUND
(FORMERLY: DAWOOD ISLAMIC FUND)

## ANNUAL REPORT
## 2019

786 INVESTMENTS

786 RISING STAR FUND

# CORPORATE INFORMATION

| | | |
|---|---|---|
| **Management Company** | 786 Investments Limited<br>G-3 Ground Floor, B.R.R. Tower, Hassan Ali Street,<br>Off I.I. Chundrigar Road, Karachi - 74000 Pakistan<br>Tel: (92-21) 32603751-54<br>Email: info@786investments.com<br>Website: www.786investments.com | |
| **Board of Directors** | Ms. Shafqat Sultana | Chairperson |
| | Miss Tara Uzra Dawood | Chief Executive Officer |
| | Ms. Charmaine Hidayatullah | Director |
| | Mr. Ahmed Salman Munir | Director |
| | Syed Shabahat Hussain | Director |
| | Mr. Tahir Mehmood | Director |
| | Syed Farhan Abbas | Director |
| **Chief Financial Officer & Company Secretary** | Mr. Talal Ismail Pasha | |
| **Audit Committee** | Syed Shabahat Hussain | Chairman |
| | Mr. Tahir Mehmood | Member |
| | Syed Farhan Abbas | Member |
| **Human Resource Commitee** | Ms. Shafqat Sultana | Chairperson |
| | Miss Tara Uzra Dawood | Member |
| | Mr. Tahir Mehmood | Member |
| **Trustee**: | Central Depository Company of Pakistan Limited<br>CDC House, 99-B, Block-B, S.M.C.H.S.<br>Main Shahra-e-Faisal, Karachi-74400<br>Ph: (92-21) 111-111-500 Fax: (92-21) 34326020-23 | |
| **Auditors** | Riaz Ahmad & Co.<br>Chartered Accountants | |
| **Legal Advisor** | Rauf & Ghaffar Law Associates (Advocates & Consultants)<br>Suite # 65, 5th Floor, Fareed Chamber,<br>Abdullah Haroon Road,<br>Saddar – Karachi, Pakistan. | |
| **Registrars** | F.D. Registrar Services (SMC-Pvt.) Ltd.<br>Office# 1705, 17th Floor Saima Trade Tower. A,<br>I.I. Chundrigar Road, Karachi-74000, Pakistan. | |
| **Banker:** | BankIslami Pakistan Limited<br>Habib Metropolitan Bank Limited | |
| **Rating:** | PACRA: 2 Star | |

## *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*

786 INVESTMENTS
786 RISING STAR FUND

# 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 Islamic 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.

**Stock Market Review:**

During the financial year 2018-19, the Pakistan Stock Market 100 Index underperformed by 19.11%. During the period under review, the market remained volatile, it reached the peak of 43,556 points on July 30 2018, then continued to go down, reaching its lowest level point of 33,167 on May 17 2019. The fiscal year 2019 started well with significant positive economic indicators, notably, a promising GDP growth, improved country perception, recognition of SMEs as the prime mover of country's economy and the continuity of the inflow of remittances by the Overseas Pakistanis. At the start of new calendar year 2019, the market gained momentum but during the close of financial years index closed at 33,902 points whereas market capitalization was PKR 6.88 trillion. The foreign investors offloaded securities worth PKR 43.61 billion during July 2018 - June 2019, which was absorbed by domestic individual investors, companies and insurance companies.

**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. 101.92 million as compared to Rs. 106.15 million as at June 30, 2018. Total operating loss for the year was Rs. 7.86 million as compared to income of Rs. 7.09 million for the same period last year. Total expenses during the year were Rs.4.12 million as compared to Rs. 4.72 million in last year. The net loss before distribution for the financial year 2018 was Rs.11.99 million, as compared to loss of Rs. 11.81 million last year. The Net Asset Value per unit was Rs. 104.38 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, Riaz Ahmed & Company 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**

Fund did not declare any dividend for the year ended June 30, 2019

**Sales and Redemption Units**

94,073 units worth PKR. 10.81 million were issued in the current year (2018: 197,437 units worth PKR. 33.53 million) and 24,337 units worth PKR. 2.78 were redeemed in the current year (2018: 67,549 units worth PKR. 18.40 million). As on June 30, 2019, the total number of outstanding units was 976,448 valued as PKR. 101.92 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 شباہت حسین جار مائین ہدایت اللہ کی جگہ آڈٹ کمیٹی میں شامل ہوئے۔

**غیر حاضری کی چھٹی دی گئی۔

### آڈیٹرز

موجودہ آڈیٹر، ہارون زکریا اینڈ کمپنی ریٹائر ہوگئے 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 آڈیٹر کی حیثیت سے تقرری کی سفارش کی ہے اور بورڈ نے اس کی منظوری دے دی ہے۔

### آڈیٹرز کی رپورٹ

آڈیٹر نے 30 جون 2019 کو ختم ہونے والے سال کے لئے کمپنی 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 ایڈوائزری لائسنس کی تجدید کی درخواست دی ہے لیکن ایکویٹی ریکوائرمنٹ میں کمی کے سبب کہا گیا ہے کہ جب تک انویسٹمنٹ ایڈوائزری لائسنس کی ایکویٹی ریکوائرمنٹ پوری نہیں ہوتیں اس وقت تک لائسنس زیر التوا رہے گا۔۔ تاہم، کمپنی کو کمیشن سے ایسٹ مینجمنٹ سروسز جاری رکھنے کے لائسنس کی تجدید وصول ہوگئی ہے۔ ایکوئٹی ریکوائرمنٹ کو پورا کرنے کے لئے انتظامیہ مختلف حکمت عملیوں پر غور کررہی ہے۔
- مالیاتی گوشواروں کے نوٹ 12.1 پر ہمارا جواب یہ ہے کہ کمپنی نے سال کے دوران ایکویٹی سیکیورٹیز کا ڈسپوزل کیا ہے، لیکن مارکیٹ میں اتار چڑھاؤ کی وجہ سے کمپنی نے SECP سے اجازت لی ہے دسمبر 2019 تک بقایہ شیئرز بیچنے کی۔

### منافع منقسمہ

30 جون 2019 کو ختم ہونے والے سال کے لئے کسی ڈیویڈینڈ کا اعلان نہیں کیا گیا ہے۔

### سیلز اینڈ ریڈیمپشن یونٹ۔

موجودہ سال میں 10.81 ملین روپے مالیت کے 94,073 یونٹ جاری ہوئے (2018: 197,437 یونٹ جسکی مالیت 33.53 ملین روپے) اور موجودہ سال میں 2.78 روپے مالیت کے 24,337 یونٹ واگزار کرائے گئے (2018: 67,549 یونٹس جس کی مالیت 18.40 ملین روپے)۔ 30 جون، 2019 کو، بقایا یونٹس کی کل تعداد 976,448 تھی جس کی مالیت 101.92 ملین روپے ہے۔

### اظہار تشکر

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز قابل قدر معاونت، مدد اور رہنمائی پر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج لمیٹڈ کی انتظامیہ کے شکر گزار ہیں۔ ڈائریکٹرز عزم، لگن اور محنت پر کمپنی کے ملازمین اور انتظامیہ کا اور کمپنی میں اعتماد پر شیئرز ہولڈرز کا بھی شکریہ ادا کرتے ہیں۔

شفقت سلطانہ
چیئرپرسن

ڈائریکٹر

کراچی: 23 ستمبر 2019ء

- فنڈ کے یونٹ میں کسی ڈائریکٹر، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری اوران کے زوج اوران 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۔
- ٹیکسز، ڈیوٹیز، لیویز اور بقایا چارجز کی مد میں کوئی قانونی ادائیگی نہیں ہے۔

ایک ڈائریکٹر نے ڈائریکٹر ٹریننگ پروگرام مکمل کرلیا ہے، باقی ڈائریکٹرز ڈائریکٹر ٹریننگ پروگرام میں شرکت کریں گے یا کمیشن سے ایگزیمپشن حاصل کرلیں گے۔

- سال کے دوران، انتخابات ہوئے اور حصص داران نے احمد سلمان 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۔ ہرایک ڈائریکٹر کی حاضری حسب ذیل ہے:

| نام | منعقدہ اجلاسوں کی تعداد | تعداد حاضری اجلاس | تعطیل |
|---|---|---|---|
| محترمہ شفقت سلطانہ | 5 | 5 | - |
| محترمہ تارہ عزرا داؤد | 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 شباہت حسین | 5 | 4 | - |
| احمد سلمان منیر* | 3 | 3 | - |

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

**غیر حاضری کی چھٹی دی گئی۔

## آڈٹ کمیٹی کا اجلاس

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

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

## مستقبل کا نقطۂ 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 دہائی کی بلندترین سطح پر 5.5 فیصد مجموعی مقامی مصنوعات (جی ڈی پی) کا اعلان کیا گیا۔ مالی سال 2019 کے لئے پروویژنل نمو کا تخمینہ 3.29 فیصد لگایا گیا ہے۔ تاہم، مالی سال 2020 کے لئے حکومت نے جی ڈی پی نمو کا تخمینہ 2.4 فی صد تک لگایا 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 ست کر سکتا ہے۔

غیر معمولی اقتصادی صورتحال کو دیکھتے ہوئے، جہاں 27 جون 2019 کو ملک کے غیر ملکی زرمبادلہ کے ذخائر دو ماہ سے کم عرصہ میں درآمد 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 کلیدی شرح سود میں تیزی سے اضافہ ہونے کی توقع ہے۔

## فنڈ کی کارکردگی

30 جون 2019 کو خالص اثاثے 101.92 ملین روپے ہیں جو 30 جون 2018 کو 106.15 ملین روپے تھے۔ گزشتہ سال کی اسی مدت میں 7.09 ملین روپے آمدنی کے مقابلے سال کے لئے کل آپریٹنگ نقصان 7.86 ملین روپے ہوا۔ سال کے دوران کل اخراجات 4.12 ملین روپے ہوئے جو گزشتہ سال میں 4.72 ملین روپے تھے۔ مالی سال 2019 کے لئے ڈسٹری بیوشن سے قبل خالص نقصان 11.99 ملین روپے ہوا جو کہ گزشتہ سال میں 11.81 ملین روپے تھا۔ 30 جون 2019 کو فی یونٹ خالص اثاثے کی قدر 104.38 روپے ہوگئی۔

## مستقبل کے منصوبے

کمپنی اپنی حکمت عملی پر نظرثانی کر رہی ہے اور کمپنی کی طرف متوجہ ہونے اور ایکویٹی برننگ کو کم کرنے کے لئے معیشت کی صورتحال اور کمپنی کے ہاں دستیاب وسائل کا تجزیہ کر رہی ہے۔ کمپنی نے مارکیٹ کی مسابقتی سطح پر رہتے ہوئے اپنے دو فنڈ ٹرسٹ ڈیڈز اور مرتبہ دستاویزات کو اپ ڈیٹ کیا ہے اور روایتی انکم فنڈ سے اسلامک انکم فنڈ کی کیٹگری میں تبدیلی کے ساتھ "داؤد انکم فنڈ" کا نام تبدیل کر کے "786 اسمارٹ فنڈ" رکھ لیا ہے اور "داؤد اسلامک فنڈ" کا نام بھی تبدیل کر کے "786 رائزنگ اسٹار فنڈ" کر دیا ہے۔ بورڈ آف ڈائریکٹرز نے 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) ٹرسٹی 786 Rising Star Fund and First Dawood Mutual Fund اور MCB Financial Services Ltd (MCBFSL) ٹرسٹی 786 Smart Fund، تینوں فنڈز کے یونٹ ہولڈرز سے منظوری اور SECP سے منظوری لی جائے۔

## کارپوریٹ گورننس اور مالیاتی رپورٹنگ کا دائرہ کار

ڈائریکٹرز بخوشی بیان کرتے ہیں کہ:

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

# مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

786 رائزنگ اسٹار فنڈ (داؤد اسلامک فنڈ) (786 یا دی کمپنی) مینجمنٹ کمپنی، 786 انویسٹمنٹ لمیٹڈ 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 ہوگئی، جو نو سال کی کم ترین سطح 3.3 فیصد پر پہنچ گیا اور 6.2 فیصد کا ہدف بھاری فرق سے کھو دیا۔ مالی سال 19-2018 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 بالترتیب 3.8 فیصد، 7.6 فیصد اور 6.5 فیصد کے سیکٹرل ترقیاتی تخمینوں پر مبنی تھا۔ اصل سیکٹرل 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 کی کمی کے چیلنجوں سے ہوا جس سے مالی سال 19 کے دوران تجارتی خسارے میں 31.7 فیصد کی کمی میں مدد ملی۔ بڑی فصلوں میں منفی نمو دیکھنے میں آئی جب کپاس، چاول اور گنے کی پیداوار میں بالترتیب 17.5 فیصد، 3.3 فیصد اور 19.4 فیصد کی کمی واقع ہوئی ہے۔ مثبت نمو ظاہر کرنے والی فصلوں میں گندم اور مکئی شامل ہیں جو بالترتیب 05. 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 سی پی آئی افراط زر میں اضافے کا سب سے بڑا سبب قرار دیا جارہا ہے۔ پاکستان کا مالی خسارہ جی ڈی پی کے 5 فیصد ہونے کا تخمینہ لگایا گیا ہے۔ اس مدت کے دوران اسٹیٹ بینک آف پاکستان نے 6 مانیٹری پالیسیوں کا اعلان کیا اور اس سال کے دوران مسلسل اضافہ دیکھا گیا جو 7 فیصد سے شروع اور 12.25 فیصد پر ختم ہوا۔ ڈسکاؤنٹ ریٹ میں اضافے کی بڑی وجوہات (i) حالیہ مہینہ بہ مہینہ 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) یوٹیلٹی کے نرخوں میں ممکنہ ایڈجسٹمنٹ۔

## منی مارکیٹ کا جائزہ:

اسٹیٹ بینک سے حکومت کے طرف سے بھاری قرض لینے، زرمبادلہ کی شرح میں کمی کے اثرات، گھریلو ایندھن کی قیمتوں میں اضافے اور اشیائے 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 یوٹیلٹی 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 مدنظر رکھتے ہوئے، اسٹیٹ بینک کو مالی سال 20 میں افراط زر کی اوسطاً شرح %12-%11 ہونے کی توقع ہے، جو گزشتہ توقع سے کہیں زیادہ ہے۔

ایس بی پی نے مالی سال 19 کے دوران چوبیس ٹریژری 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 جارہا ہے کہ 3 ماہ کی مدت میں قبولیت کل قابل قبول رقم کی 99.98 فیصد کی نمائندگی 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 3، 5 اور 10 سالوں کی پیداوار بالترتیب 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 اوسطاً کٹ آف ٹی بلز پلس 75 بیسس پوائنٹس (لاسٹ کٹ آف) پر محیط فلوٹنگ ریٹ بانڈز (FRB) پر مبنی سات نیلامیاں 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 جی او پی اجارہ سکک آکشن کا انعقاد نہیں کیا۔

## اسٹاک مارکیٹ کا جائزہ:

مالی سال 19-2018 کے دوران، پاکستان اسٹاک مارکیٹس 100 انڈیکس نے 19.11- فیصد ابتر کارکردگی کا مظاہرہ 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 جی ڈی پی نمو، بہتر ملک کے تصور، SME کی پہچان کے ساتھ آغاز ہوا کیونکہ ملک کی معیشت کی پرائم محرکات اور اوورسیز پاکستانیوں کی طرف سے ترسیل زر جاری ہوگیا۔ نئے کیلنڈر سال 2019 کے شروع میں ہی، مارکیٹ نے رفتار پکڑی 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 غیر ملکی سرمایہ کاروں نے 43.61 ملین 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:**

Islamic Asset Allocation Fund/Open end

**Fund Objective**

To provide an avenue to Unit Holders to invest their savings in a diversified portfolio based on Shariah Compliant Investments under supervision of its Shariah Advisor.

**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. 101.92 million as compared to Rs. 106.15 million as at June 30, 2018. Total operating loss for the year was Rs. 7.86 million as compared to income of Rs. 7.09 million for the same period last year. Total expenses during the year were Rs.4.12 million as compared to Rs. 4.72 million in last year. The net loss before distribution for the financial year 2018 was Rs.11.99 million, as compared to loss of Rs. 11.81 million last year. The Net Asset Value per unit was Rs. 104.38 as at June 30, 2019.

**Fund Return**

Fund Bench Mark KMI-30 Index + Avg 6 Months deposit rates of three A rated scheduled Islamic Banks on the basis of actual proportion held by the scheme.

| | YTD Return | YTD Bench Mark |
|---|---|---|
| FY 2018 | (11.73)% | (4.05)% |
| FY 2019 | (10.52)% | (6.74)% |

| Asset Allocation | |
|---|---|
| TFC / Sukuk | 25.83% |
| Equity Securities | 5.44% |
| Bank Balances | 57.21% |
| Others | 11.52% |

| Asset Quality 2018 | |
|---|---|
| AA+ | 1.24% |
| AA | 9.50% |
| AA- | 1.77% |
| A+ | 61.01% |
| A1+ | 9.52% |
| Unrated | 16.94% |

**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** | **Change in %** |
| **106,153,184** | **101,920,190** | **(3.99)%** | **117.07** | **104.38** | **(10.52)%** |

**INVESTMENT STRATEGY**

The investment strategy devised for the Fund seeks to provide investors with balanced exposure to Shariah based securities including stocks, debt securities and government securities. The Fund's strategy aims to not only preserve investors' capital but also to maximize the value of their investments while providing a stable stream of income.

The portfolio management team selects investments using various analytical disciplines such as top-down fundamental research and quantitative screens in the light of the country's macro indicators. In particular, the team seeks to include in its portfolios fundamentally strong sectors and companies, while dynamically rebalancing portfolios to benefit from predicted macro trends. Investments are diversified across a mix of sectors and investors are offered an optimized risk/return profile.

**DIVIDEND**

The Board of Directors has announced NIL cash dividend to unit holders.

**PATTERN OF UNIT HOLDING**

| Number Of Certificateholders | Certificate Holding From | | To | Number Of Certificates |
|---|---|---|---|---|
| 72 | 0.0001 | - | 9,999.9999 | 11,029 |
| 4 | 10000 | - | 49,999.9999 | 126,648 |
| 4 | 50000 | - | 99,999.9999 | 341,874 |
| 4 | 100000 | - | 499,999.9999 | 496,897 |
| **84** | | | | **976,448** |

**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.

**Stock Market Review:**

During the financial year 2018-19, the Pakistan Stock Market 100 Index underperformed by -19.11%. During the period under review, the market remained volatile, it reached the peak of 43,556 points on July 30 2018, then continued to go down, reaching its lowest level point of 33,167 on May 17 2019. The fiscal year 2019 started well with significant positive economic indicators, notably, a promising GDP growth, improved country perception, recognition of SMEs as the prime mover of country's economy and the continuity of the inflow of remittances by the Overseas Pakistanis. At the start of new calendar year 2019, the market gained momentum but during the close of financial years index closed at 33,902 points whereas market capitalization was PKR 6.88 trillion. The foreign investors offloaded securities worth PKR 43.61 billion during July 2018 - June 2019, which was absorbed by domestic individual investors, companies and insurance companies.

**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

| S. No. | Category | No of Unit Holders | Investment Amount | % of Total |
|---|---|---|---|---|
| 1 | Directors | 1 | 413,449 | 0.41% |
| 2 | Associated Companies | 3 | 34,639,708 | 33.99% |
| 3 | Individuals | 74 | 18,730,344 | 18.38% |
| 4 | Insurance | 3 | 32,347,060 | 31.74% |
| 5 | Others | 3 | 15,789,629 | 15.49% |
| | TOTAL | **84** | **101,920,190** | **100.00%** |

INVESTMENTS
786 RISING STAR FUND

# 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 | | | | |
| | Tahir Mehmood | 1 | 3,961 | 413,448 | 0.41% |
| 2 | Associated Companies | | | | |
| | DFTL | 3 | 309,901 | 32,347,053 | 31.74% |
| | BRRGM | 2 | 222,543 | 23,228,738 | 22.79% |
| | 786 IL | 1 | 109,323 | 11,410,962 | 11.20% |
| | FDIBL PF | 1 | 108,928 | 11,369,777 | 11.16% |
| | DFTL EPF | 1 | 42,102 | 4,394,588 | 4.31% |
| 3 | Individuals | 74 | 179,447 | 18,730,358 | 18.38% |
| 4 | Insurance | - | - | - | 0.00% |
| 5 | Banks/DFIs | - | - | - | 0.00% |
| 6 | Modarabas/Mutual Funds | - | - | - | 0.00% |
| 7 | Others | 1 | 242 | 25,262 | 0.02% |
| | | **84** | **976,448** | **101,920,190** | **100.00%** |

بِسۡمِ ٱللَّهِ ٱلرَّحۡمَٰنِ ٱلرَّحِيمِ

**Al-Hilal**
Shariah Advisors

August 30, 2019

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2019 comply with the provided Shariah guidelines. The charities accrued in the said period amount to Rs. 44,410 which shall be disbursed to the charitable institutions approved by the Shariah Advisor. Hence, it is resolved that investments in Dawood Islamic Fund (DIF-S) managed by 786 Investments are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

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

Mufti Irshad Ahmad Aijaz
Member Shariah Council

Faraz Younus Bandukda, CFA
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited

**CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED**
**Head Office**
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

## TRUSTEE REPORT TO THE UNIT HOLDERS

### 786 RISING STAR FUND
### (FORMERLY DAWOOD ISLAMIC FUND)

**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of 786 Rising Star Fund (Formerly Dawood Islamic Fund) (the Fund) are of the opinion that 786 Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 in accordance with the provisions of the following:

(i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;

(ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and

(iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 19, 2019

Riaz Ahmad & Company
Chartered Accountants

108-109, 1st Floor, Park Avenue
Block-6, P.E.C.H.S., Shahrah-e-Faisal
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# INDEPENDENT AUDITORS' REPORT

**To the Unit Holders of 786 Rising Star Fund (Formerly Dawood Islamic Fund)**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of 786 Rising Star Fund (Formerly Dawood Islamic Fund), {"the Fund"}, which comprise the statement of assets and liabilities as at 30 June 2019, and the income statement, statement of comprehensive income, statement of movements in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2019, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

Following is the key audit matter:

| S. No. | Key audit matter | How the matter was addressed in our audit |
|---|---|---|
| **1)** | **Existence and valuation of investments:** | |
| | Investment portfolio of the Fund makes up 31.27% of total assets and 32.23% of the net assets of the Fund. Investment portfolio of the Fund comprises of listed equity and debt securities and unlisted debt securities classified at fair value through profit or loss and fair value through other comprehensive income. For further information, refer to the following:<br><br>- Summary of significant accounting policies note 3 to the financial statements.<br>- Investments note 5 to the financial statements.<br><br>We have identified the existence, ownership and valuation of the Fund's investments as a key audit matter as the investment is a significant driver of the net assets value of the Fund and of its total return. | Our procedures over the existence and valuation of the Fund's investment portfolio included, but were not limited to:<br><br>i) walked through the valuation processes and understood the systems and controls implemented;<br><br>ii) evaluated the Fund's investment valuation policies with reference to the requirements of the applicable accounting and reporting standards;<br><br>iii) agreed holding of all investments from the Account Balance Report of Central Depository Company of Pakistan Limited;<br><br>iv) agreed the valuation of all listed equity securities from prices quoted on the Pakistan Stock Exchange Limited and the valuation of all debt securities from the rates published by Mutual Fund Association of Pakistan (MUFAP); and<br><br>v) evaluated the adequacy of provision held against non-performing debt securities. |

**Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Management Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Fund and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund for 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 material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements**

Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the NBFC Regulations, 2008 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the Management Company are responsible for overseeing the Fund's financial reporting process.

**Auditors' 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 auditors' 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 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 ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the Management Company 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 board of directors of the Management Company 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 board of directors of the Management Company, 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 auditors' 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**

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the 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 auditors' report is Muhammad Waqas.

Riaz Ahmad & Co.

**RIAZ AHMAD & COMPANY**
**Chartered Accountants**

**Karachi**

**Date:** 23 September 2019

786 INVESTMENTS
786 RISING STAR FUND

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

| | Note | 2019<br>Rupees | 2018<br>Rupees |
|---|---|---|---|
| **Assets** | | | |
| Bank Balances | 4 | **60,091,246** | 14,605,923 |
| Investments | 5 | **32,844,548** | 82,167,371 |
| Dividends and Other Receivables | 6 | **1,004,949** | 252,857 |
| Advance Income Tax | 14 | **7,923,448** | 7,923,448 |
| Receivable against Trading in Investments | | **43,400** | 2,161,517 |
| Deposit with National Clearing Company of Pakistan Limited | | **3,120,000** | 2,500,000 |
| **Total Assets** | | **105,027,591** | 109,611,116 |
| | | | |
| **Liabilities** | | | |
| Payable to 786 Investments Limited - Management Company | 7 | **317,373** | 325,476 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 8 | **65,005** | 65,005 |
| Payable to Securities and Exchange Commission of Pakistan - Annual Fee | 9 | **101,123** | 99,300 |
| Accrued Expenses and Other Liabilities | 10 | **2,623,900** | 2,968,151 |
| **Total Liabilities** | | **3,107,401** | 3,457,932 |
| | | | |
| **Net Assets** | | **101,920,190** | 106,153,184 |
| | | | |
| **Unit Holders' Fund (As per Statement Attached)** | | **101,920,190** | 106,153,184 |
| | | **Number** | |
| **Units in Issue** | 11 | **976,448** | 906,713 |
| | | **Rupees** | |
| **Net Assets Value per Unit** | | **104.38** | 117.07 |
| | | | |
| **Contingencies and Commitments** | 12 | **-** | - |

The annexed notes 1 to 22 form an integral part of these financial statements.

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

**Chief Financial Officer** | **Chief Executive Officer** | **Director**

786 INVESTMENTS
786 RISING STAR FUND

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

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| **Income** | | | |
| Income on Bank Balances | | **2,784,865** | 1,699,830 |
| Income on Sukuk Certificates | | **2,194,310** | 953,981 |
| Income on Commercial Paper | | **451,177** | - |
| Dividend Income | | **1,883,343** | 2,451,235 |
| Capital Loss on Sale of Investments | | **(14,123,096)** | (2,339,976) |
| Reversal of Provisions | | **143,154** | - |
| | | **(6,666,247)** | 2,765,070 |
| Net Unrealised Diminution in Fair Value of Investments Classified As 'At Fair Value Through Profit Or Loss' | 5.1 | **(1,203,419)** | (9,856,261) |
| **Total Loss** | | **(7,869,666)** | (7,091,191) |
| **Expenses** | | | |
| Remuneration to 786 Investments Limited - Management Company | 7.1 | **1,596,704** | 1,567,894 |
| Sindh Sales Tax on Remuneration to Management Company | 7.2 | **207,582** | 203,826 |
| Accounting and Operation Charges | 7.3 | **106,445** | 104,522 |
| Shariah Advisor Fee | | **145,402** | 194,503 |
| Remuneration to Central Depository Company of Pakistan Limited - Trustee | 8.1 | **700,000** | 700,000 |
| Sindh Sales Tax on Trustee Fee | 8.2 | **91,000** | 91,000 |
| Annual Fee to Securities and Exchange Commission of Pakistan | 9 | **101,123** | 99,300 |
| Auditors' Remuneration | 13 | **384,912** | 505,195 |
| Fees and Subscription | | **135,000** | 135,000 |
| Securities Transaction Cost | | **497,658** | 104,599 |
| Legal Charges | | **37,500** | - |
| Bank Charges | | **13,503** | 23,994 |
| Withholding Taxes | | **-** | 869,123 |
| Printing and Related Charges | | **67,280** | 101,770 |
| Charity Expense | | **44,410** | 26,453 |
| **Total Expenses** | | **4,128,519** | 4,727,179 |
| **Net Loss for the Year Before Taxation** | | **(11,998,185)** | (11,818,370) |
| Taxation | 14 | **-** | - |
| **Net Loss for the Year after Taxation** | | **(11,998,185)** | (11,818,370) |
| **Allocation of Net Income for the Year** | | | |
| Income Already Paid on Units Redeemed | | **(38,492)** | - |
| **Accounting Income Available for Distribution** | | | |
| - Relating to Capital Loss | | **-** | **(12,196,237)** |
| - Excluding Capital Loss | | **-** | **377,867** |
| | | **-** | **(11,818,370)** |

The annexed notes 1 to 22 form an integral part of these financial statements.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

786 INVESTMENTS
786 RISING STAR FUND

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

| | 2019<br>Rupees | 2018<br>Rupees |
|---|---|---|
| Net Loss for the Year after Taxation | **(11,998,185)** | (11,818,370) |
| **Other Comprehensive Income/(Loss)** | | |
| Items That are Or May be Reclassified Subsequently to Income Statement | | |
| Net Unrealised Appreciation/(Diminution) in Fair Value of Investments Classified as FVTOCI | **80,214** | (195,866) |
| **Total Comprehensive Loss for the Year** | **(11,917,971)** | (12,014,236) |

The annexed notes 1 to 22 form an integral part of these financial statements.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

# STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND
# FOR THE YEAR ENDED JUNE 30, 2019

| | 30 June 2019 | | | | 30 June 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Capital Value** | **Undistributed Income/(Accumulated Loss)** | **Unrealised Gain on Investments** | **Total** | Capital Value | Undistributed Income | Unrealised Gain on Investments | Total |
| | ------------------------- (Rupees) ------------------------- | | | | ------------------------- (Rupees) ------------------------- | | | |
| Net Assets at the Beginning of the Year | **103,426,000** | **2,517,008** | **210,176** | **106,153,184** | 88,289,543 | 14,335,378 | 406,042 | 103,030,963 |
| Issue of 94,073 Units (2018: 197,437 Units) | | | | | | | | |
| 91,441 Units in Cash | **10,265,562** | **-** | **-** | **10,265,562** | 33,538,802 | - | - | 33,538,802 |
| 2,631 Units against Distribution Reinvested | **305,909** | **-** | **-** | **305,909** | | | | |
| - Element of Income | **242,205** | | **-** | **242,205** | - | - | - | - |
| | **10,813,676** | **-** | **-** | **10,813,676** | 33,538,802 | - | - | 33,538,802 |
| Redemption of 24,337 Units (2018:67,549 Units) | | | | | | | | |
| - Capital Value | **(2,742,569)** | **-** | **-** | **(2,742,569)** | (18,402,345) | - | - | (18,402,345) |
| - Element of Income | **-** | **(38,492)** | **-** | **(38,492)** | - | - | - | - |
| | **(2,742,569)** | **(38,492)** | **-** | **(2,781,061)** | (18,402,345) | - | - | (18,402,345) |
| Total Comprehensive Loss for the Year | **-** | **(11,998,185)** | **80,214** | **(11,917,971)** | - | (11,818,370) | (195,866) | (12,014,236) |
| **Distributions** | | | | | | | | |
| Final Distributions for the year ended 30June 2018 at the rate of Rs. 03834 declared on 04 July 2018. | | **(347,638)** | **-** | **(347,638)** | - | - | - | - |
| **Net Assets At End of the Year** | **111,497,107** | **(9,867,307)** | **290,390** | **101,920,190** | 103,426,000 | 2,517,008 | 210,176 | 106,153,184 |

| | 2019 | 2018 |
|---|---|---|
| Undistributed Income Brought Forward | | |
| - Realised Gain | **16,019,121** | 20,170,494 |
| - Unrealised Loss | **(13,502,113)** | (5,835,116) |
| | **2,517,008** | 14,335,378 |
| Accounting Income Available for Distribution | | |
| - Relating to Capital Loss | **-** | (12,196,237) |
| - Excluding Capital Gains | **-** | 377,867 |
| | **-** | (11,818,370) |
| Net Loss | **(12,036,677)** | - |
| Distribution During the Year | **(347,638)** | - |
| (Accumulated Loss)/Undistributed Income Carried Forward | **(9,867,307)** | 2,517,008 |
| (Accumulated Loss)/Undistributed Income Carried Forward | | |
| - Realised (Loss)/Gain | **(7,746,306)** | 16,019,121 |
| - Unrealised Loss | **(2,121,001)** | (13,502,113) |
| | **(9,867,307)** | 2,517,008 |
| Net Assets Value Per Unit at the Beginning of the Year | **117.07** | 132.63 |
| Net Assets Value Per Unit at the End of the Year | **104.38** | 117.07 |

The annexed notes 1 to 22 form an integral part of these financial statements.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

786 INVESTMENTS
786 RISING STAR FUND

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

| | 2019 Rupees | 2018 Rupees |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net Loss for the Year Before Taxation | **(11,998,185)** | (11,818,370) |
| **Adjustments for Non-Cash Charges and Other Items:** | | |
| Net Unrealised Diminution in Fair Value of Investments Classified As 'At Fair Value Through Profit Or Loss' | **1,203,419** | 9,856,261 |
| Capital Loss on Sale of Investments | **14,123,096** | 2,339,976 |
| Withholding Taxes | **-** | 869,123 |
| | **3,328,330** | 1,246,990 |
| **Decrease/(Increase) in Assets** | | |
| Receivable against Trading in Investments | **2,118,117** | (2,161,517) |
| Investments | **34,076,522** | (29,509,751) |
| Dividends and Other Receivables | **(752,092)** | 218,281 |
| Deposit with National Clearing Company of Pakistan Limited | **(620,000)** | (2,500,000) |
| | **34,822,547** | (33,952,987) |
| **Decrease in Liabilities** | | |
| Payable against Trading in Investments | **-** | (972,582) |
| Payable to 786 Investments Limited - Management Company | **(8,103)** | (174,914) |
| Payable to Central Depository Company of Pakistan Limited - Trustee | **-** | (44,889) |
| Payable to Securities and Exchange Commission of Pakistan - Annual Fee | **1,823** | (2,046) |
| Accrued Expenses and Other Liabilities | **(344,251)** | (179,209) |
| | **(350,531)** | (1,373,640) |
| Taxes Paid/Withheld by Counter Parties | **-** | (58,900) |
| **Net Cash Generated From/(Used In) Operating Activities** | **37,800,346** | (34,138,537) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Receipts From Issuance of Units | **10,507,767** | 33,538,802 |
| Dividend Paid | **(41,729)** | - |
| Payments on Redemption of Units | **(2,781,061)** | (18,402,345) |
| **Net Cash Generated From Financing Activities** | **7,684,977** | 15,136,457 |
| Net Increase/(Decrease) in Cash and Cash Equivalents During the Year | **45,485,323** | (19,002,080) |
| Cash and Cash Equivalents at Beginning of the Year | **14,605,923** | 33,608,003 |
| **Cash and Cash Equivalents At End of the Year** | **60,091,246** | 14,605,923 |

The annexed notes 1 to 22 form an integral part of these financial statements.

**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** 786 Rising Star Fund (Formerly: Dawood Islamic Fund), 'the Fund', was established under the Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 (the NBFC Rules, 2003). The Fund was established under a Trust Deed executed on 13 September 2006 (subsequently modified and amended on 3 May 2019) between 786 Investments Limited as the Management Company and the Central Depository Fund of Pakistan Limited (CDCPL) as Trustee. The Securities and Exchange Commission of Pakistan (SECP) approved the appointment of Trustee and granted license to the Management Company of the Fund to act as Asset Management Company. The registered office of the Management Company is situated at G3, Ground floor, BRR Tower, Hassan Ali Street, I.I Chundrigarh Road, Karachi, Pakistan.

During the year, the name of Dawood Islamic Fund has been changed to 786 Rising Star Fund with the approval of SECP vide its letter number SCD/AMCW/786RSF/192/2018, dated 23 November 2018, in compliance of regulation 44(6) of the Non Banking Finance Companies and Notified Entities regulations 2008.

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

**1.3** The Fund is categorized as a "Shariah Compliant Asset Allocation Scheme" approved by the Board of Directors of the Management Company as per Circular 7 of 2009 issued by the SECP. The policy of the Fund is to invest in Shariah Compliant equity instruments and debt instruments with a minimum rating of "A-".

Titles to the assets of the Fund are held in the name of Central Depository Fund of Pakistan Limited as Trustee of the Fund.

**1.4** Regulation 54 Clause 3(a) of the NBFC Regulations, 2008 requires the minimum size of open end schemes to be Rupees 100 million at all times during the life of the scheme. As at 30 June 2019, size of the Fund is Rupees 101.92 million and the Management Company along with its certain connected persons/related parties hold up to 99.29% units of the Fund. Redemption of units of the Fund by the Management Company or any of its connected person/related party would result in size of the Fund reduced from the minimum required size of Rupees 100 million. In case of any such redemption, Management Company is committed to maintain minimum size of the Fund (as required under the NBFC Regulations, 2008) on its own.

**1.5** The Pakistan Credit Rating Agency Limited (PACRA) vide its press release dated 28 June 2019, has assigned an asset manager rating of 'AM3' to the Management Company, and has assigned performance ranking of "2 star" to the Fund vide its press release dated 28 February 2019 based on performance review of 12 months for the period ended 31 December 2018.

**1.6** In continuation of onsite and offsite inspections carried out in prior years, SECP conducted offsite examination of the Management Company and Funds under its management during the current year. Based on the inspection and examination SECP highlighted various non-compliances with NBFC Rules and NBFC Regulations in its latest letter to the Management Company dated 02 May 2019. These non-compliances mainly pertain to information security and information technology, compliance and risk management system, updating of policies and procedures and fund management. The Management Company vide its letters to SECP dated 16 May 2019 ensured that most of the non-compliances have been complied whereas for rest of the non-compliances, the Management Company is fully committed to ensure compliance with such rules and regulations in due course.

**1.7** PSX vide its letter number KSE/N-6174 dated 5 December 2014 placed the Management Company on its defaulter segment and suspended the trading of its shares. PSX vide its letter number no. PSX/N C-848-2945 dated 27 June 2018 considered Management Company`s request for shifting name of the Management Company from Defaulters' Segment to normal counter and resumption of trading in shares of the Management Company on full and final payment against outstanding dues and fulfillment of other conditions.

During the year, the Management Company paid the dues of PSX and fulfilled the other conditions. Upon payment of the dues and fulfillment of the conditions, PSX through its notice dated 30 August 2018 announced the shifting of name of the Management Company to Normal Counter and resumption of trading in shares of the Management Company from 03 September 2018.

**1.8** The Management Company applied for renewal of its license to undertake Asset Management Services which was approved by the SECP on 28 May 2019 and accordingly issued license no. AMCW/08/786IL/AMS/03/2019 to carry out Asset Management Services.

**2 BASIS OF PREPARATION**

**2.1 Statement of Compliance**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.2 Accounting Convention**

These financial statements have been prepared under the historical cost convention except for the certain financial instruments carried at fair value. These financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

**2.3 Critical Accounting Estimates and Judgments**

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgments were exercised in application of accounting policies are as follows:

**Financial Instruments – Fair Value**

The Management Company has determined fair value of listed equity securities, term finance certificates and sukuk certificates by using quotations from Pakistan Stock Exchange Limited and Mutual Funds Association of Pakistan respectively. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

**Allowance for Expected Credit Losses**

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include experience and historical collection rates.

**Other Assets**

Judgment is also involved in assessing the realization of the assets' balances.

**2.4 Functional and Presentation Currency**

This financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund.

**2.5 Standards, interpretations and amendments to published approved accounting standards that are effective in current year and are relevant to the Fund**

Following standards, interpretations and amendments to published approved accounting standards are mandatory for the Company’s accounting periods beginning on or after 01 July 2018:

- IFRS 9 ‘Financial Instruments’
- Annual Improvements to IFRSs: 2014 – 2016 Cycle

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 9. These are disclosed in note 3.1. Other amendment listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

**2.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Fund**

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Fund’s accounting periods beginning on or after 01 July 2019 or later periods:

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest (‘SPPI’) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Fund’s financial statements.

Amendments to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

**2.7 Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Fund**

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Fund's financial statements and are therefore not detailed in these financial statements.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**3.1 Change in Accounting Policy**

The Fund has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Fund makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Fund's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Fund. New impairment requirements use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Fund has adopted IFRS 9 without restating the prior year results. Key changes in accounting policies resulting from application of IFRS 9 are as follows:

**(i) Recognition of Financial Instruments**

The Fund initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

**(ii) Classification and Measurement of Financial Instruments**

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

**Investments and Other Financial Assets**

**a) Classification**

From 01 July 2018, the Fund classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- Those to be measured at amortized cost.

The classification depends on the Fund's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in income statement or statement of comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Fund reclassifies debt investments when and only when its business model for managing those assets changes.

**b) Measurement**

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**Debt Instruments**

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Fund classifies its debt instruments:

**Amortized Cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in income statement. Impairment losses are presented as separate line item in income statement.

**Fair Value through Other Comprehensive Income (FVTOCI)**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairement losses), interest income and foreign exchange gains and losses which are recognised in income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement. Interest income from these financial assets is calculated using the effective interest rate method. Foreign exchange gains and losses are presented in other income/(other expenses) and impairment losses are presented as separate line item in the income statement.

**Fair Value Through Profit or Loss**

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in income statement.

**Equity Instruments**

The Fund subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

**Fair Value Through Other Comprehensive Income (FVTOCI)**

Where the Fund's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to income statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

**Fair Value Through Profit or Loss**

Changes in the fair value of equity investments at fair value through profit or loss are recognised in income statement.

Dividends from such investments continue to be recognised in income statement as other income when the Fund's right to receive payments is established.

**Financial Liabilities**

**Classification and Measurement**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income statement. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in income statement. Any gain or loss on de-recognition is also included in income statement.

**(iii) Impairment of Financial Assets**

From 01 July 2018, the Fund assesses on a forward looking basis the expected credit losses associated with its financial instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables, the Fund applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**(iv) De-Recognition**

**a) Financial Assets**

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Fund is recognized as a separate asset or liability.

**b) Financial Liabilities**

The Fund derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

**(v) Offsetting of Financial Instruments**

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Fund intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

**(vi) Hedge Accounting**

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Fund during the year ended 30 June 2019.

**Reclassifications of Financial Instruments on Adoption of IFRS 9**

The Fund has not presented initial transitional disclosures by comparing the closing statement of assets and liabilities at 30 June 2018 (under IAS 39) to the opening statement of assets and liabilities at 01 July 2018 (under IFRS 9) on account of the fact that the transition has not effected the measurement of its financial assets and financial liabilities except for the change of classification categories as stated below:

| | Category as per | | Effect on Opening Undistributed Income |
|---|---|---|---|
| | **IAS 39** | **IFRS 9** | **Rupees** |
| **Financial Assets** | | | |
| Bank Balances | Loans and receivables | Amortized cost | - |
| Investments | Fair value through profit or loss - Held for trading | Fair value through profit or loss | - |
| Dividends and Other Receivables | Loans and receivables | Amortized cost | - |
| Receivable against Trading in Investments | Loans and receivables | Amortized cost | - |
| Deposit with National Clearing Company of Pakistan Limited | Loans and receivables | Amortized cost | - |

| | Category as per | | Effect on Opening Undistributed Income |
|---|---|---|---|
| | **IAS 39** | **IFRS 9** | **Rupees** |
| **Financial Liabilities** | | | |
| Payable to 786 Investments Limited - Management Company | Other financial liabilities | Amortized cost | - |
| Payable to Central Depository Company of Pakistan Limited - Trustee | Other financial liabilities | Amortized cost | - |
| Payable to Securities and Exchange Commission of Pakistan - Annual Fee | Other financial liabilities | Amortized cost | - |
| Accrued Expenses and Other Liabilities | Other financial liabilities | Amortized cost | - |

**3.2 Fair Value Measurement Orinciples**

The fair value of financial instrument is determined as follows:

**Basis of Valuation of Debt Securities**

The fair value of debt securities (other than government securities) is based on the value determined and announced by MUFAP in accordance with criteria laid down in Circular No.1 of 2009 and Circular No.33 of 2012 issued by the SECP. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorizes 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.

Provisions are recognized when there is objective evidence that a financial asset or group of financial assets are non-performing, in accordance with the circular and subsequent clarification thereon. Additional provision may be recognized when there is objective evidence of the continuity of non-performing. Further the reversal of provisions is also made in accordance with the said circulars and subsequent clarifications.

**Basis of Valuation of Quoted Equity Securities**

The fair value of shares of listed companies, derivatives and financial instruments sold on deferred settlement basis is based on their price quoted on the Pakistan Stock Exchange at the reporting date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair value.

**3.3 Unit Holders' Fund**

Unit holders' fund representing the units issued by the Fund, is carried at the net asset value representing the investors' right to a residual interest in the Fund assets.

**3.4 Issue and Redemption of Units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable on units for which the distributors receive redemption applications during business hours on that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

**3.5 Element of Income/(Loss) and Capital Gains/(Losses) included in Prices of Units Issued Less those in Units Redeemed**

The Fund has followed the requirements of SRO 756 (I) 2017 dated 3 August 2017 read with NBFC regulations, 2008 in the preparation of these financial statements as follows:

- element of income has been determined as the difference between net assets value on the issuance or redemption date, as the case maybe, of units and the net asset value at the beginning of the accounting period;

- presented distributable income in statement of movement In unit holders' fund ; and

- presented allocation of net income available for distribution relating to capital gains and excluding capital gains in statement of movement In unit holders' fund.

**3.6 Provisions**

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

**3.7 Net Assets Value per Unit**

The net assets value per unit as disclosed on 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.

**3.8 Taxation**

**Current**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income of that year, as reduced by capital gains whether realized or unrealized is distributed amongst the unit holders of collective investment scheme.

**Deferred**

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilized tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed to its unit holders every year.

**3.9 Income Recognition**

a) Gains/(losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

b) Income on sukuk and term finance certificates, term deposit receipts and government securities is recognised on a time proportionate basis using effective yield method, except for the securities which are classified as non-performing asset under Circular No. 33 of 2012 issued by the SECP for which the profits are recorded on cash basis.

c) Unrealized gains/(losses) arising on valuation of investments classified as fair value through profit or loss' and derivatives are included in the Income Statement in the period in which they arise.

d) Unrealized gains/(losses) arising on valuation of investments classified as 'at fair value through other comprehensive income' are included in the Statement of comprehensive income in the period in which they arise.

e) Dividend income is recognised when the right to receive the dividend is established.

f) Profit on saving accounts is recognised on time proportion basis using effective interest rate method.

**3.10 Expenses**

All expenses including Management fee, Trustee fee and Securities Exchange Commission of Pakistan fee are recognised in the Income Statement on accrual basis.

**3.11 Cash and Cash Equivalents**

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

**3.12 Dividend Distributions and Appropriations**

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

| | | Note | **2019** | 2018 |
|---|---|---|---|---|
| **4** | **BANK BALANCES** | | **Rupees** | Rupees |
| | - Current Account | | **1,305,896** | 1,152,689 |
| | - Savings Accounts | 4.1 | **58,785,350** | 13,453,234 |
| | | | **60,091,246** | 14,605,923 |

**4.1** Profit rates on saving accounts range from 1.73% to 11% (30 June 2018: 1.73% to 6.5%) per annum.

| | | | | |
|---|---|---|---|---|
| **5** | **INVESTMENTS** | | | |
| | **At Fair Value Through Profit or Loss** | | | |
| | Listed Equity Securities | 5.1 | **5,714,158** | 64,381,195 |
| | **At fair Value Through Other comprehensive Income** | | | |
| | Listed Debt Securities - Sukuk Certificates | 5.2 | **1,854,260** | 2,617,216 |
| | Unlisted Debt Securities - Sukuk Certificates | 5.3 | **25,276,130** | 15,168,960 |
| | | | **27,130,390** | 17,786,176 |
| | | | **32,844,548** | 82,167,371 |

5.1 **Listed Equity Securities - at Fair Value Through Profit or Loss**

Shares/units of listed companies/trust are fully paid (rupees 10 each) unless stated otherwise.

| Name of the Investee Company | Number of Shares/Units | | | | | Balance as at 30 June 2019 | | | Market Value | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1 July 2018 | Purchased during the Year | Bonus/ Right Issue | Sold/Matured/ Settled during the Year | As at 30 June 2019 | Carrying Value | Market Value | Appreciation/( Diminution) during the Year | As a Percentage of Total Investments | As a Percentage of Net Assets |
| | | | | | | ------------ (Rupees) ------------ | | | | |
| **REAL ESTATE INVESTMENT AND SERVICES** | | | | | | | | | | |
| Dolmen City REIT | 50,000 | - | - | 50,000 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **CEMENT** | | | | | | | | | | |
| Fauji Cement Company Limited | 69,000 | 23,000 | - | 92,000 | - | - | - | - | - | - |
| Cherat Cement Company Limited | - | 10,000 | - | 10,000 | - | - | | - | - | - |
| Lucky Cement Limited | 15,900 | 14,900 | - | 30,800 | - | - | - | - | - | - |
| Maple Leaf Cement Factory Limited | 46,044 | - | - | 46,044 | - | - | - | - | - | - |
| Power Cement Limited | 10,000 | 500 | - | 10,500 | - | - | - | - | - | - |
| Bestway Cement Limited | 5,000 | 18,000 | - | 23,000 | - | - | - | - | - | - |
| Pioneer Cement Limited | 4,500 | 10,500 | - | 15,000 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **REFINERY** | | | | | | | | | | |
| Attock Refinery Limited | 3,200 | 500 | 300 | 4,000 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **POWER GENERATION AND DISTRIBUTION** | | | | | | | | | | |
| Hub Power Company Limited | 27,000 | 7,500 | 3,691 | 32,191 | 6,000 | 545,743 | 472,500 | (73,243) | 1.44% | 0.46% |
| K-Electric Limited* | 212,500 | 82,500 | - | 132,500 | 162,500 | 923,580 | 713,375 | (210,205) | 2.17% | 0.70% |
| | | | | | | | | | 3.61% | |
| **OIL AND GAS MARKETING COMPANIES** | | | | | | | | | | |
| Sui Southern Gas Company Limited | 15,000 | 1,500 | - | 16,500 | - | - | - | - | - | - |
| Hascol Petroleum Limited | 5,700 | 4,100 | 2,872 | 12,672 | - | - | - | - | - | - |
| Sui Northern Gas Pipelines Limited | 33,000 | 18,000 | - | 51,000 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **OIL AND GAS EXPLORATION COMPANIES** | | | | | | | | | | |
| Oil and Gas Development Company Limited** | 26,900 | 11,600 | - | 29,500 | 9,000 | 1,350,391 | 1,183,410 | (166,981) | 3.60% | 1.16% |
| Pakistan Oil Field Limited | 6,750 | 4,650 | 1,520 | 12,920 | - | - | - | - | - | - |
| Pakistan Petroleum Limited | 7,300 | 12,300 | 1,890 | 21,490 | - | - | - | - | - | - |
| | | | | | | | | | 3.60% | |
| **AUTOMOBILE PARTS AND ACCESSORIES** | | | | | | | | | | |
| The General Tyre and Rubber Company of Pakistan Limited | 10,000 | 7,600 | 1,050 | 18,650 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **ENGINEERING** | | | | | | | | | | |
| Amreli Steels Limited | 16,000 | 19,000 | - | 35,000 | - | - | - | - | - | - |
| Crescent Steels and Allied Products Limited | 3,500 | - | - | 3,500 | - | - | - | - | - | - |
| International Industries Limited | 7,700 | 3,900 | - | 11,600 | - | - | - | - | - | - |
| International Steel Limited | 16,100 | 21,000 | - | 37,100 | - | - | - | - | - | - |
| Mughal Iron and Steel Industries Limited | 26,000 | 6,000 | - | 32,000 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **AUTOMOBILE ASSEMBLER** | | | | | | | | | | |
| Ghandhara Nissan Limited | 3,620 | 2,500 | - | 6,120 | - | - | - | - | - | - |
| Millat Tractors Limited | - | 200 | - | 200 | - | - | - | - | - | - |
| Pak Suzuki Motor Company Limited | - | 1,500 | - | 1,500 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **SYNTHETIC & RAYON** | | | | | | | | | | |
| Tri-star Ployester Limited | 5,000 | 11,000 | - | 16,000 | - | - | | - | - | - |
| | | | | | | | | | - | |
| **CABLE AND ELECTRICAL GOODS** | | | | | | | | | | |
| Pak Elektron Limited | 45,000 | 2,000 | - | 47,000 | - | - | - | - | - | - |
| Pakistan Cables Limited | 700 | 175 | - | 875 | - | - | - | - | - | - |
| Pakistan Cables Limited - R | 175 | - | - | 175 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **TRANSPORT** | | | | | | | | | | |
| Pakistan Int Bulk Terminal Limited | - | 6,000 | - | 6,000 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **FERTILIZER** | | | | | | | | | | |
| Engro Fertilizers Limited | - | 24,500 | - | 24,500 | - | - | - | - | - | - |
| Engro Corporation Limited | 15,800 | 4,400 | - | 20,200 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **PHARMACEUTICALS** | | | | | | | | | | |
| GlaxoSmith Kline Pakistan Limited | 36,400 | - | - | 29,400 | 7,000 | 1,162,000 | 667,310 | (494,690) | 2.03% | 0.65% |
| GlaxoSmithkline Consumer Healthcare Pakistan Limited | 1,760 | - | - | 1,760 | - | - | - | - | - | - |
| The Searle Company Limited | 16,400 | 17,700 | 2,685 | 36,785 | - | - | - | - | - | - |
| | | | | | | | | | 2.03% | |

| Name of the Investee Company | Number of Shares/Units | | | | | Balance as at 30 June 2019 | | | Market Value | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1 July 2018 | Purchased during the Year | Bonus/ Right Issue | Sold/Matured/ Settled during the Year | As at 30 June 2019 | Carrying Value | Market Value | Appreciation/( Diminution) during the Year | As a Percentage of Total Investments | As a Percentage of Net Assets |
| | | | | | | ------------------------ (Rupees) ------------------------ | | | | |
| **CHEMICAL** | | | | | | | | | | |
| Archroma Pakistan Limited | 5,000 | - | - | 5,000 | - | - | - | - | - | - |
| Ghani Gases Limited | 20,500 | - | 375 | 20,875 | - | - | - | - | - | - |
| Pakistan oxygen Limited (Linde Pakistan Ltd) | 1,070 | - | - | 1,070 | - | - | - | - | - | - |
| Lotte Chemical Pakistan Limited | 26,500 | - | - | 26,500 | - | - | - | - | - | - |
| Engro Polymer & Chemicals Limited | - | 14,000 | - | 14,000 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **LEATHER AND TANNERIES** | | | | | | | | | | |
| Service Industries Limited | 450 | - | - | 450 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **GLASS AND CERAMICS** | | | | | | | | | | |
| Tariq Glass Industries Limited | - | 20,300 | - | 20,300 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **TEXTILE COMPOSITE** | | | | | | | | | | |
| Nishat Mills Limited | - | 1,500 | - | 1,500 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **TECHNOLOGY AND COMMUNICATION** | | | | | | | | | | |
| NetSol Technologies Limited | - | 26,000 | - | 26,000 | - | - | - | - | - | - |
| Systems Limited | - | 31,500 | 2,900 | 6,500 | 27,900 | 2,935,863 | 2,677,563 | (258,300) | 8.15% | 2.63% |
| | | | | | | | | | 8.15% | |
| **Total as at 30 June 2019** | | | | | | 6,917,577 | 5,714,158 | (1,203,419) | | |

* These have a face value of Rs. 3.5 per share.

** Investments as at 30 June 2019 include 8,500 (30 June 2018: Nil) shares of Oil and Gas Development Company Limited with market value of Rupees 1.118 million (30 June 2018: Nil), which have been pledged against Exposure Margin by CDC-Trustee 786 Rising Star Fund (Formerly: Dawood Islamic Fund) holding CM Id 10496 in favour of National Clearing Company of Pakistan Limited.

**Listed Equity Securities - At Fair Value Through Profit and Loss'**

Shares/Units of Listed Companies/Trust are Fully Paid (Rupees 10 Each) Unless Stated Otherwise.

| Name of the Investee Company | Number of Shares/Units | | | | | Balance as at 30 June 2018 | | | Market Value | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1 July 2017 | Purchased during the Year | Bonus/ Right Issue | Sold/Matured/settled during the Year | As at 30 June 2018 | Carrying Value | Market Value | Appreciation/( Diminution) during the Year | As a Percentage of Total Investments | As a Percentage of Net Assets |
| | | | | | | ------------------------ (Rupees) ------------------------ | | | | |
| **REAL ESTATE INVESTMENT AND SERVICES** | | | | | | | | | | |
| Dolmen City REIT | - | 50,000 | - | - | 50,000 | 549,700 | 645,000 | 95,300 | 0.78% | 0.61% |
| | | | | | | | | | 0.78% | |
| **CEMENT** | | | | | | | | | | |
| Fauji Cement Company Limited | 35,000 | 44,000 | - | 10,000 | 69,000 | 2,168,675 | 1,576,650 | (592,025) | 1.92% | 1.49% |
| Lucky Cement Limited | 5,000 | 18,400 | - | 7,500 | 15,900 | 9,818,140 | 8,076,087 | (1,742,053) | 9.83% | 7.61% |
| Maple Leaf Cement Factory Limited | - | 20,500 | - | 16,000 | 4,500 | 288,962 | 228,330 | (60,632) | 0.28% | 0.22% |
| Power Cement Limited | 65,544 | 30,000 | - | 49,500 | 46,044 | 572,073 | 384,467 | (187,606) | 0.47% | 0.36% |
| Bestway Cement Limited | 10,000 | - | - | - | 10,000 | 2,191,200 | 1,309,900 | (881,300) | 1.59% | 1.23% |
| Pioneer Cement Limited | - | 21,000 | - | 16,000 | 5,000 | 262,485 | 234,300 | (28,185) | 0.29% | 0.22% |
| | | | | | | | | | 14.37% | |
| **REFINERY** | | | | | | | | | | |
| Attock Refinery Limited | 5,000 | 27,200 | - | 29,000 | 3,200 | 1,054,892 | 688,992 | (365,900) | 0.84% | 0.65% |
| National Refinery Limited | - | 1,500 | - | 1,500 | - | - | - | - | - | - |
| | | | | | | | | | 0.84% | |
| **POWER GENERATION AND DISTRIBUTION** | | | | | | | | | | |
| Hub Power Company Limited | 25,000 | 2,000 | - | - | 27,000 | 3,126,305 | 2,488,320 | (637,985) | 3.03% | 2.34% |
| K-Electric Limited* | 237,500 | - | - | 25,000 | 212,500 | 1,466,250 | 1,207,000 | (259,250) | 1.47% | 1.14% |
| | | | | | | | | | 4.50% | |
| **OIL AND GAS MARKETING COMPANIES** | | | | | | | | | | |
| Sui Southern Gas Company Limited | - | 50,000 | - | 35,000 | 15,000 | 582,017 | 492,300 | (89,717) | 0.60% | 0.46% |
| Hascol Petroleum Limited | 1,500 | 12,100 | - | 7,900 | 5,700 | 1,548,061 | 1,788,432 | 240,371 | 2.18% | 1.68% |
| Sui Northern Gas Pipelines Limited | 25,000 | 233,500 | - | 225,500 | 33,000 | 3,899,593 | 3,307,260 | (592,333) | 4.03% | 3.12% |
| | | | | | | | | | 6.80% | |
| **OIL AND GAS EXPLORATION COMPANIES** | | | | | | | | | | |
| Oil and Gas Development Company Limited | 20,000 | 18,900 | - | 12,000 | 26,900 | 4,166,415 | 4,186,178 | 19,763 | 5.09% | 3.94% |
| Pakistan Oil Field Limited | 2,500 | 10,750 | - | 6,500 | 6,750 | 4,072,371 | 4,534,583 | 462,212 | 5.52% | 4.27% |
| Pakistan Petroleum Limited | - | 10,000 | - | 2,700 | 7,300 | 1,491,407 | 1,568,770 | 77,363 | 1.91% | 1.48% |
| | | | | | | | | | 12.52% | |

786 INVESTMENTS

**786 RISING STAR FUND**

| Name of the Investee Company | Number of Shares/Units | | | | | Balance as at 30 June 2018 | | | Market Value | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1 July 2017 | Purchased during the Year | Bonus/ Right Issue | Sold/Matured/settled during the Year | As at 30 June 2018 | Carrying Value | Market Value | Appreciation/(Diminution) during the Year | As a Percentage of Total Investments | As a Percentage of Net Assets |
| | | | | | | ------------------------ (Rupees) ------------------------ | | | | |
| **AUTOMOBILE PARTS AND ACCESSORIES** | | | | | | | | | | |
| The General Tyre and Rubber Company of Pakistan Limited | 2,500 | 13,800 | - | 6,300 | 10,000 | 2,062,349 | 1,662,000 | (400,349) | 2.02% | 1.57% |
| | | | | | | | | | 2.02% | |
| **ENGINEERING** | | | | | | | | | | |
| Amreli Steels Limited | 5,000 | 13,500 | - | 2,500 | 16,000 | 1,408,340 | 1,128,800 | (279,540) | 1.37% | 1.06% |
| Crescent Steels and Allied Products Limited | 2,000 | 1,500 | - | - | 3,500 | 656,765 | 319,095 | (337,670) | 0.39% | 0.30% |
| International Industries Limited | - | 7,700 | - | - | 7,700 | 1,853,564 | 1,788,633 | (64,931) | 2.18% | 1.68% |
| International Steel Limited | - | 17,600 | - | 1,500 | 16,100 | 1,938,234 | 1,637,370 | (300,864) | 1.99% | 1.54% |
| Mughal Iron and Steel Industries Limited | 30,000 | 13,500 | - | 17,500 | 26,000 | 2,018,447 | 1,596,920 | (421,527) | 1.94% | 1.50% |
| | | | | | | | | | 7.88% | |
| **AUTOMOBILE ASSEMBLER** | | | | | | | | | | |
| Al-Ghazi Tractors Limited | 1,000 | - | - | 1,000 | - | - | - | - | - | - |
| Ghandhara Nissan Limited | - | 4,500 | - | 3,200 | 1,300 | 268,484 | 233,571 | (34,913) | 0.28% | 0.22% |
| Ghandhara Nissan Limited - R | - | 2,320 | - | - | 2,320 | 373,383 | 416,834 | 43,451 | 0.51% | 0.39% |
| Honda Atlas Cars Pakistan Limited | - | 800 | - | 800 | - | - | - | - | - | - |
| | | | | | | | | | 0.79% | |
| **SYNTHETIC & RAYON** | | | | | | | | | | |
| Tri-star Ployester Ltd | - | 5,000 | - | - | 5,000 | 101,200 | 83,050 | (18,150) | 0.10% | 0.08% |
| | | | | | | | | | 0.10% | |
| **CABLE AND ELECTRICAL GOODS** | | | | | | | | | | |
| Pak Elektron Limited | - | 93,500 | - | 48,500 | 45,000 | 2,456,234 | 1,595,700 | (860,534) | 1.94% | 1.50% |
| Pakistan Cables Limited | 500 | 1,000 | - | 800 | 700 | 201,017 | 130,865 | (70,152) | 0.16% | 0.12% |
| Pakistan Cables Limited - R | - | 175 | - | - | 175 | 28,000 | 7,271 | (20,729) | 0.01% | 0.01% |
| | | | | | | | | | 2.11% | |
| **FERTILIZER** | | | | | | | | | | |
| Engro Fertilizers Limited | 20,000 | - | - | 20,000 | - | - | - | - | - | - |
| Engro Corporation Limited | 12,500 | 6,900 | - | 3,600 | 15,800 | 5,001,283 | 4,958,988 | (42,295) | 6.04% | 4.67% |
| | | | | | | | | | 6.04% | |
| **PHARMACEUTICALS** | | | | | | | | | | |
| GlaxoSmith Kline Pakistan Limited | 38,200 | - | - | 1,800 | 36,400 | 7,167,888 | 6,042,400 | (1,125,488) | 7.35% | 5.69% |
| GlaxoSmithkline Consumer Healthcare Pakistan Limited | 2,760 | 700 | - | 1,700 | 1,760 | 473,660 | 712,888 | 239,228 | 0.87% | 0.67% |
| The Searle Company Limited | 3,000 | 14,200 | 1,000 | 1,800 | 16,400 | 5,810,305 | 5,567,800 | (242,505) | 6.78% | 5.25% |
| | | | | | | | | | 15.00% | |
| **CHEMICAL** | | | | | | | | | | |
| Archroma Pakistan Limited | 5,000 | - | - | - | 5,000 | 3,563,950 | 2,525,000 | (1,038,950) | 3.07% | 2.38% |
| Ghani Gases Limited | - | 20,500 | - | - | 20,500 | 470,475 | 330,460 | (140,015) | 0.40% | 0.31% |
| Pakistan oxygen Limited (Linde Pakistan Ltd) | 4,000 | 1,000 | - | 3,930 | 1,070 | 264,093 | 256,800 | (7,293) | 0.31% | 0.24% |
| Lotte Chemical Pakistan Limited | 25,000 | 50,000 | - | 48,500 | 26,500 | 240,657 | 316,940 | 76,283 | 0.39% | 0.30% |
| | | | | | | | | | 4.17% | |
| **LEATHER AND TANNERIES** | | | | | | | | | | |
| Service Industries Limited | 4,000 | - | - | 3,550 | 450 | 620,582 | 353,241 | (267,341) | 0.43% | 0.33% |
| | | | | | | | | | 0.43% | |
| **FOOD AND PERSONAL CARE PRODUCTS** | | | | | | | | | | |
| Al- Shaheer Corporation Limited | 25,000 | - | - | 25,000 | - | - | - | - | - | - |
| Engro Foods Limited | 5,000 | 6,000 | - | 11,000 | - | - | - | - | - | - |
| Fauji Foods Limited | - | 40,000 | - | 40,000 | - | - | - | - | - | - |
| Treet Corporation Limited | 10,000 | - | - | 10,000 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **TECHNOLOGY AND COMMUNICATION** | | | | | | | | | | |
| NetSol Technologies Limited | - | 2,500 | - | 2,500 | - | - | - | - | - | - |
| | | | | | | | | | - | |
| **Total as at 30 June 2018** | | | | | | 74,237,456 | 64,381,195 | (9,856,261) | | |

* These have a face value of Rs. 3.5 per share.

**5.2 Listed Debt Securities - Sukuk Certificates**

Certificates have a face value of Rupees 5,000 each

| Name of the Investee Company | Note | Number of Certificates: As at 1 July 2018 | Purchased during the Year | Sold/Matured/Settled during the Year | As at 30 June 2019 | Balance as at 30 June 2019: Carrying Value/ Carrying Cost | Market Value | Dimunition during the Year | Market Value: As a Percentage of Total Investment | As a Percentage of Net Assets |
|---|---|---|---|---|---|---|---|---|---|---|
| | | ---------------------- Units ---------------------- | | | | ---------------- Rupees ---------------- | | | | |
| **Chemicals** | | | | | | | | | | |
| Fatima Fertilizer Company Limited | 5.2.1 | 736 | - | - | 736 | 1,881,216 | 1,854,260 | (26,956) | 5.65% | 1.82% |
| **Total as at 30 June 2019** | | | | | | 1,881,216 | 1,854,260 | (26,956) | | |

| Name of the Investee Company | Number of Certificates: As at 1 July 2017 | Purchased during the Year | Sold/Matured/Settled during the Year | As at 30 June 2018 | Balance as at 30 June 2018: Carrying Value/ Carrying Cost | Market Value | Dimunition during the Year | Market Value: As a Percentage of Total Investment | As a Percentage of Net Assets |
|---|---|---|---|---|---|---|---|---|---|
| | ---------------------- Units ---------------------- | | | | ---------------- Rupees ---------------- | | | | |
| **Chemicals** | | | | | | | | | |
| Fatima Fertilizer Company Limited | - | 736 | - | 736 | 2,724,792 | 2,617,216 | (107,576) | 3.19% | 2.47% |
| Total as at 30 June 2018 | | | | | 2,724,792 | 2,617,216 | (107,576) | | |

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

**5.3 Unlisted Debt Securities - Sukuk Certificates**

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

| Name of the Investee Company | Note | Number of certificates: As at 1 July 2018 | Purchased during the Year | Sold/Matured/Settled during the Year | As at 30 June 2019 | Balance as at 30 June 2019: Carrying Value | Market Value | Appreciation/(Diminution) during the Year | Market Value: As a Percentage of Total Investment | As a Percentage of Net Assets |
|---|---|---|---|---|---|---|---|---|---|---|
| | | ---------------------- Units ---------------------- | | | | ---------------- Rupees ---------------- | | | | |
| **Cable and Electrical Goods** | | | | | | | | | | |
| New Allied Electronics Industries * (Private) Limited | 5.3.1 | 1,000 | - | - | 1,000 | - | - | - | - | - |
| TPL Corporation Limited ** | 5.3.2 | 5 | - | - | 5 | 5,162,500 | 5,296,130 | 133,630 | 16.12% | 5.20% |
| **Fertilizers** | | | | | | | | | | |
| Dawood Hercules Corporation Limited *** | 5.3.3 | 100 | - | - | 100 | 10,006,460 | 9,980,000 | (26,460) | 30.39% | 9.79% |
| **Power Generation & Distribution** | | | | | | | | | | |
| Hub Power Company Limtied | 5.3.4 | - | 2,000 | - | 2,000 | 10,000,000 | 10,000,000 | - | 30.45% | 9.81% |
| **Total as at 30 June 2019** | | | | | | 25,168,960 | 25,276,130 | 107,170 | | |

| Name of the Investee Company | Number of certificates: As at 1 July 2017 | Purchased during the Year | Sold/Matured/Settled during the Year | As at 30 June 2018 | Balance as at 30 June 2018: Carrying Value | Market Value | Appreciation/(Diminution) during the Year | Market Value: As a Percentage of Total Investment | As a Percentage of Net Assets |
|---|---|---|---|---|---|---|---|---|---|
| | -------------------------- Units -------------------------- | | | | ---------------- Rupees ---------------- | | | | |
| **Cable and Electrical Goods** | | | | | | | | | |
| New Allied Electronics Industries* (Private) Limited | 1,000 | - | - | 1,000 | - | - | - | - | - |
| TPL Corporation Limited** | 5 | - | - | 5 | 5,257,250 | 5,162,500 | (94,750) | 6.28% | 4.86% |
| **Fertilizers** | | | | | | | | | |
| Dawood Hercules Corporation Limited *** | - | 100 | - | 100 | 10,000,000 | 10,006,460 | 6,460 | 12.18% | 9.43% |
| Total as at 30 June 2018 | | | | | 15,257,250 | 15,168,960 | (88,290) | | |

*These TFCs certificates are non performing and are fully provided (note: 5.1.2), therefore these are not subject to mark to market.

** These have a face value of Rs. 1,000,000 per certificate.

*** These have a face value of Rs. 100,000 per certificate.

**5.3.1** New Allied Electronics Industries (Private) Limited defaulted on its payment of principal and mark-up due on 27 October 2008. Consequently, the security was classified as non-performing by MUFAP on 9 January 2009 and accrual on the same was suspended. Management has recognised full provision there against and the accrual of income has been suspended in line with provisioning policy of the Fund duly approved by the Board as per applicable SECP provisioning circulars.

**5.3.2** These 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 instalments of Rupees 0.25 million per certificate each commencing from October 2019. These Sukuk certificates are secured by hypothecation charge over the hypothecated assets of Rupees 625 million and pledge of shares of TPL Properties Limited in favour of the Trustee of the issuer for the benefit of the certificate holders.

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

**5.3.4** These sukuk certificates carry profit equal to 3 month KIBOR plus 1% receivable quarterly in arrears and will mature in November 2019.

**5.4 Details of non-compliant investment with the investment criteria as specified by Securities and Exchange Commission of Pakistan**

**5.4.1** In accordance with clause (v) of the investment criteria laid down for "Shariah Compliant Asset Allocation Scheme" in Circular no. 7 of 2009 issued by the SECP, the Fund is required to invest in any security having rating not lower than 'A-'. However, as at 30 June 2019, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates. The Fund holds 100% provision against such investment as enumerated below:

| Name of Non-Compliant Investment | Type of Investment | Value of Investment before Provision | Provision Held | Value of Investment after Provision | Percentage of Net Assets | Percentage of Gross Assets |
|---|---|---|---|---|---|---|
| | | ------------------- (Rupees) ------------------- | | | % | % |
| New Allied Electronics Industries (Private) Limited | Sukuk | 5,027,500 | 5,027,500 | - | - | - |

| 6 | DIVIDENDS AND OTHER RECEIVABLES | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|---|
| | Dividend Income Receivable | | **105,450** | - |
| | Accrued Profit on Savings Accounts | | **492,750** | 60,984 |
| | Accrued Profit on Investments | | **406,749** | 191,873 |
| | | | **1,004,949** | 252,857 |

**7 PAYABLE TO 786 INVESTMENTS LIMITED - MANAGEMENT COMPANY**

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| On Account of | | | |
| Management Remuneration | 7.1 | **125,250** | 134,129 |
| Sindh Sales Tax | 7.2 | **85,678** | 86,821 |
| Accounting and Operation Charges | 7.3 | **106,445** | 104,526 |
| | | **317,373** | 325,476 |

**7.1** In accordance with Regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to receive a remuneration at the rate not exceeding 2% of the average annual net assets of the Fund. The Management Company has charged its remuneration at rate of 1.5% per annum of the average annual net assets of the Fund. The fee is payable to the Management Company on monthly basis in arrears.

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

**7.3** In accordance with the provisions of the NBFC Regulations, 2008 as amended vide SRO 1160(1)/2015 dated 25 November 2015, the Management Company of the Fund was entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund upto a maximum of 0.1% of the average annual net assets of the scheme or actual whichever was less. However, during the year SECP vide its SRO 639(1)/2019 amended the basis of recognizing the fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund by removing maximum cap of 0.1% of the average annual net assets of the scheme . The Management Company aims to recognize the aforesaid fees on the basis of the amended regulation in the subsequent years.

## 8 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Trustee Remuneration Payable | 8.1 | **57,528** | 57,527 |
| Sindh Sales Tax Payable on Trustee Remuneration | 8.2 | **7,477** | 7,478 |
| | | **65,005** | 65,005 |

| Amount of Funds under Management (Average Net Asset Value) | Tariff per annum |
|---|---|
| Up to Rupees 1 Billion | Rupees. 0.7 million or 0.20% per annum of Net Asset Value, whichever is higher |
| Over Rupees 1 Billion | Rupees. 2 million plus 0.10% per annum of Net Asset value |

**8.2** A notification (SRB-3-4/TP/01/2015/86554 dated 13 June 2015) was issued by Sindh Revenue Board (SRB), which introduced amendments in Sindh Sales Tax on Services Act, 2011. As a result of these amendments, the Fund recognised sales tax on trustee fee at the rate of 13% (30 June 2018: 13%).

## 9 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE

Under the provisions of Regulation 62 of the NBFC Regulations 2008, the Fund is required to pay an annual fee to SECP, an amount equal to 0.095% of the average daily net assets of the Fund.

## 10 ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | 2019 Rupees | 2018 Rupees |
|---|---|---|---|
| Federal Excise Duty on Remuneration | 10.1 | **475,723** | 475,723 |
| Sindh Workers' Welfare Fund | 10.2 | **895,173** | 895,173 |
| Audit Fee Payable | | **264,000** | 469,843 |
| Other Liabilities | | **989,004** | 1,075,091 |
| Withholding Tax and Zakat Payable | 10.3 | **-** | 52,321 |
| | | **2,623,900** | 2,968,151 |

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

On 4 September 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

The SHC while disposing the Constitutional Petition relating to levy of FED on mutual funds has declared the said provisions to be ultra vires and as a result no FED is payable with effect from 1 July 2011 (i.e. the date on which Sindh Sales Tax on Services Act, 2011 came into force). In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan. Thereafter, during the pendency of the present civil petition, the Supreme Court has suspended the operation of the impugned judgement of the SHC. The matter is still pending adjudication. With effect from 1 July 2016, FED on services provided or rendered on non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of Management Company with effect from 1 July 2016. However, as a matter of abundant caution the provision made for FED for the period from 13 June 2013 till 30 June 2016 aggregating to Rupees 0.475 million (30 June 2018: Rupees 0.475 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision of FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at 30 June 2019 would have been higher by Rupee 0.49 per unit (30 June 2018: Rupee 0.52 per unit).

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

MUFAP has also taken a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. 21 May 2015. Accordingly, on 12 January 2017, MUFAP as an abundant caution, has decided to provide for SWWF with effect from 21 May 2015, while the efforts to exclude mutual funds from SWWF continue. The Management Company has recognised SWWF charge for the period from 21 May 2015 to 30 June 2019, amounting to Rupees 0.895 million (June 2018: Rupees 0.895 million). Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rupee 0.92 (June 2018: Rupees 0.99).

**10.3** This represents tax and zakat deducted at source from dividend payable and re-invested units issued to the unit holders of the Fund following the distribution of income.

| **11 NUMBER OF UNITS IN ISSUE** | **2019 Numbers** | 2018 Numbers |
|---|---|---|
| Total Outstanding as of July 01 | **906,713** | 776,825 |
| Issued During the Year | **91,441** | 197,437 |
| Issued Against Dividend Reinvested | **2,631** | - |
| Redemption During the Year | **(24,337)** | (67,549) |
| Total Outstanding as of June 30 | **976,448** | 906,713 |

**12 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at 30 June 2019 (30 June 2018:Nil).

| **13 AUDITORS' REMUNERATION** | **2019 Rupees** | 2018 Rupees |
|---|---|---|
| Annual Audit Fee | **234,000** | 234,000 |
| Half Yearly Review | **88,400** | 88,400 |
| Certification Fee | **-** | 25,000 |
| Out of Pocket Expenses | **34,000** | 115,369 |
| | **356,400** | 462,769 |
| Sales Tax | **28,512** | 42,426 |
| | **384,912** | 505,195 |

**14 TAXATION**

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

**14.2** The Management Company has filed return of income of the Fund for the years ended 30 June 2013, 2014 and 2015 claiming exemption from taxation on income under clause 99 of Part 1 to the Second Schedule of the Income Tax Ordinance, 2001 (the Ordinance). The Additional Commissioner Inland Revenue (CIR) initially raised notices and then ordered to pay tax for the above referred years by making certain addition to income of the Fund and claiming that exemption under clause 99 is available to only those collective investment schemes, which distribute not less than 90% of its accounting income of that year amongst unit holders on year to year basis. Further, an amount of Rupees 7.9 million has been withheld by tax department from the bank account of the Fund which is included in advance income tax on the statement of asset and liabilities. The Management Company of the Fund filed an appeal to Commissioner Inland Revenue (Appeals) (CIR Appeals) claiming that the additions made to the income by the Commissioner were erroneous and the Fund has distributed more than 90% of its income for each of the three years after finalization of financial statements of the Fund after removal of suspension of the operations of the Fund. The CIR Appeals decided the appeal in favour of Management Company and remanded back the case to CIR on the grounds that income tax officer has passed impugned orders in haste without objective appreciation of relevant provisions of law and drew adverse inference on irrelevant assertions and claim of exemption has nothing to do with timely or late filing of the return of income and directed CIR to re-examine the case after giving appellant opportunity of being heard.

During the year ended 30 June 2018 amended tax orders under section 124(1) of the Income Tax Ordinance, 2001, for the tax years 2013, 2014 and 2015 respectively were issued by the Commissioner Inland Revenue raising Nil tax demand in respect of said years. However, the orders further stated that separate proceedings will be conducted for late filing of return and levying of penalty for respective tax years under Section 182 of the Income Tax Ordinance, 2001. No such proceedings have been initiated by the taxation authorities and hence, no provision has been recorded with respect to late filing of income tax returns for respective tax years by the Fund as the management will contest any such proceeding which will be initiated by the taxation authorities. Further, the management is pursuing the relevant authorities for the recovery of the aforementioned seized amount of Rupees 7.9 million.

**15 LOSS PER UNIT**

Loss per unit has not been disclosed as in the opinion of the management determination of weighted average number of units for its calculation is not practicable.

**16 TOTAL EXPENSE RATIO**

Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016 required that Collective Investment Scheme (CIS) to disclose Total Expense Ratio (TER) in the periodic financial statements of the Fund. TER of the Fund for the year ended 30 June 2019 is 3.88% which includes 0.39% representing government levy and SECP fee. The ratio is within the maximum limit of 4.5% prescribed under the S.R.O 639 (I)/2019 dated June 20, 2019 for a collective investment scheme categorised as "Shariah compliant asset allocation fund".

## 17 TRANSACTIONS WITH CONNECTED PERSONS

Related parties/connected persons of the Fund include 786 Investments limited, being management company ,other collective investment schemes managed by Management Company, Central Depository Company of Pakistan Limited (CDC) , being the trustee of the Fund , Directors and officers of the Management Company, other associated undertakings and unit holders holding more than 10% units in the Fund or any of their connected person.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

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

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

### 17.1 Details of Transactions with Connected Persons/Related Parties are as Follows:

| | **2019 Rupees** | 2018 Rupees |
|---|---|---|
| **786 Investments Limited - Management Company** | | |
| Remuneration (Including Indirect Taxes) | **1,804,286** | 1,771,720 |
| Accounting and Operations Charges | **106,445** | 104,522 |
| Issue of 68,526 Units (2018: 40,680 Units) | **7,983,968** | 5,000,000 |
| Issue of 117 Units (2018: Nil Units) against Dividend Reinvested | **13,257** | - |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Remuneration (Including Indirect Taxes) | **791,000** | 791,000 |
| CDS Charges | **14,632** | 13,348 |
| **First Dawood Investment Bank Limited-Employees Contributory Provident Fund - Connected Person due to Holding 10% or More** | | |
| Issue of 368 Units (2018: Nil Units) against Dividend Reinvested | **41,622** | - |
| **Dawood Family Takaful Limited - Associate of Management Company** | | |
| Issue of 802 Units (2018: Nil Units) against Dividend Reinvested | **90,598** | - |
| **B.R.R Guardian Modaraba - Connected Person due to Holding More Than 10% Units** | | |
| Issue of 640 Units (2018: Nil Units) against Dividend Reinvested | **72,316** | - |
| Redemption of 35,400 Units (2018: 83,412 Units) | **4,000,000** | 10,305,922 |
| **Dawood Family Takaful Limited - Employees' Contributory Provident Fund - Associate of Management Compnay** | | |
| Issue of 142 Units (2018: Nil Units) against Dividend Reinvested | **16,088** | - |
| **Directors and Executive of the Management Company** | | |
| Issue of Nil Units (2018: 3,949 Units) | **-** | 450,000 |
| Issue of 12 Units (2018: Nil Units) against Dividend Reinvested | **1,325** | - |
| **Other Connected Persons/Related Parties** | | |
| Issue of Nil Units (2018: 87,814 Units) | **-** | 10,000,000 |
| Issue of 511 Units (2018: Nil Units) against Dividend Reinvested | **57,782** | - |

| 17.2 Amounts Outstanding as at Year End | 2019 Rupees | 2018 Rupees |
|---|---|---|
| **786 Investments Limited - Management Company** | | |
| Remuneration Payable | **317,373** | 325,476 |
| Units Held 109,323 (June 2018: 40,680 Units) | **11,411,126** | 4,762,552 |
| **Central Depository Company of Pakistan Limited-Trustee** | | |
| Remuneration payable | **65,005** | 65,005 |
| **B.R.R Guardian Modaraba - Connected Person Due to Holding More Than 10% Units** | | |
| Units Held 222,543 (June 2018: 140,988 Units) | **23,229,027** | 16,506,184 |
| **First Dawood Investment Bank - Employees Provident Fund-Connected Person Due to Holding More Than 10% Units** | | |
| Units Held 108,928 (June 2018: 108,560 Units) | **11,369,940** | 12,709,621 |
| **Dawood Family Takaful Limited - Connected Person Due to Holding More Than 10% Units** | | |
| Units Held 309,901 (June 2018: 309,010 Units) | **32,347,518** | 36,177,253 |
| **Dawood Family Takaful Limited - Employees' Contributory Provident Fund - Associate of Management Company** | | |
| Units Held 42,102 (June 2018: 41,960 Units) | **4,394,644** | 4,912,458 |
| **Directors and Executive of the Management Company** | | |
| Units Held 3,961 (2018: 3,949 Units) | **413,449** | 462,366 |
| **Other Connected Persons/Related Parties** | | |
| Units Held 172,748 (June 2018: 172,237 Units) | **18,031,453** | 20,164,561 |

## 18 FINANCIAL RISK MANAGEMENT

The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

The Fund primarily invests in shariah compliant securities or instruments including high quality liquid shares listed on stock exchanges with an objective of optimizing the return to unit holders.

The Fund's activities expose it to a variety of financial risks which are:

### 18.1 Market Risk

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate as a result of changes in market prices, such as interest rates, equity prices and foreign exchange rates. The objective of market risk management is to manage market risk exposure within acceptable parameters, while optimising the return.

The Management Company manages market risk by monitoring exposure on marketable securities by following the restrictions specified in applicable regulations and directives, if any issued by the Securities and Exchange Commission of Pakistan (SECP).

Market risk comprises of three types of risk: currency risk, other price risk and interest rate risk.

### (i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as all transactions are carried out in Pakistani Rupees. Moreover, no transactions were carried out in any foreign currency during the year.

Sensitivity analysis of functional currency at reporting date is not required due to nil foreign currency nominated financial assets and liabilities at the reporting date.

**(ii) Other Price Risk**

Other price risk is the risk that the fair value or fututre cashflow of the financial instrument will fluctuate as a result of change in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the parameters provided in its Constitutive Document and circulars issued by the Securities and Exchange Commission of Pakistan. As per NBFC Regulations 2008, Shariah Compliant Fund is allowed to invest maximum of 15% of the net assets or issued capital of the investee company in any single security and also restricts sector exposure to a limit of 35% of the net assets of the Fund. As at 30 June 2019, the Fund is expecting minimal price fluctation on its investment in debt securities for change in factors other than those arising from interest rate or currency risk.

**Sensitivity Analysis**

A 5% increase/decrease in share prices of respective equity securities at year end would have increased/decreased total loss of the Fund by Rupees 0.286 million (30 June 2018: Rupees 3.219 million) reported in income statement with correspionding effect on the net assets of the Fund. This represents management best estimate of reasonable possible shift in the respective price of equity instruments.

The composition of the Fund`s investment portfoilo and the correlation thereof to the quoted equity price, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2019 is not necessarily indicative of the effect on the Fund`s net assets of future movements in the level of quoted prices of respective investment at reporting date.

**(iiii) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in the market interest rates. The Fund holds fixed as well as floating rate debt securities that exposes the Fund to cash flow and fair value interest rate risk due to fluctuation in prevailing levels of market interest rate.

As at 30 June 2019, the investment in debt securities exposed to interest rate risk is detailed in note 5.2 to these financial statements.

**Sensitive Analysis**

**Cash Flow Interest Rate Risk**

The fund's interest rate risk arises from the balance in saving accounts and investment in debt securities. At 30 June 2019, if there had been increase/decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the fund for the year then ended would have been higher/lower by Rupees 0.859 million (30 June 2018: Rupees 0.312 million) mainly as a result of finance income.

The composition of the Fund's investment portfolio and KIBOR rates is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

**Fair Value Interest Rate Risk**

Since the Fund does not have investment in fixed rate security, therefore, is not exposed to fair value interest rate risk.

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 financial instruments is based on the settlement date.

| | 30 June 2019 | | | | | |
|---|---|---|---|---|---|---|
| | | Exposed to Yield/Interest Rate Risk | | | | |
| | Effective Yeild/Interest Rate | Upto Three Months | More than Three Months and Upto One Year | More than One Year | Not Exposed to Yield/Interest Rate Risk | Total |
| | | ……Rupees…… | | | | |
| **On-Balance Sheet Financial Instruments** | | | | | | |
| **Financial Assets** | | | | | | |
| Bank Balances | 1.73% to 11% | 58,785,350 | - | - | 1,305,896 | 60,091,246 |
| Investment-'At Fair Value Through | | | | | | |
| - Profit or Loss | - | - | - | - | 5,714,158 | 5,714,158 |
| - Other Comprehensive Income | Kibor+3%,6 month Kibor+1.1% and 3 months Kibor +1% | 19,980,000 | 1,854,260 | 5,296,130 | - | 27,130,390 |
| Dividends and Other Receivables | | - | - | - | 1,004,949 | 1,004,949 |
| Receivable Against Trading in Investments | | - | - | - | 43,400 | 43,400 |
| Deposit with National Clearing Company of Pakistan Limited | | - | - | - | 3,120,000 | 3,120,000 |
| | | 78,765,350 | 1,854,260 | 5,296,130 | 11,188,403 | 97,104,143 |

**30 June 2019**

| | Effective Yeild/Interest Rate | Exposed to Yield/Interest Rate Risk: Upto Three Months | More than Three Months and Upto One Year | More than One Year | Not Exposed to Yield/Interest Rate Risk | Total |
|---|---|---|---|---|---|---|
| | | ……Rupees…… | | | | |
| **Financial Liabilities** | | | | | | |
| Payable to 786 Investments Ltd.- Management Company | | - | - | - | 317,373 | 317,373 |
| Payable to Central Depository Company of Pakistan Limited (CDC)-Trustee | | - | - | - | 65,005 | 65,005 |
| Accrued Expenses and Other Liabilities | | - | - | - | 1,253,004 | 1,253,004 |
| | | - | - | - | 1,635,382 | 1,635,382 |
| **On-Balance Sheet Gap** | | 78,765,350 | 1,854,260 | 5,296,130 | 9,553,021 | 95,468,761 |
| **Off-Balance Sheet Financial Instruments** | | - | - | - | - | - |
| **Off-Balance Sheet Gap** | | - | - | - | - | - |
| **Total Interest Rate Sensitivity Gap** | | 78,765,350 | 1,854,260 | 5,296,130 | | |
| **Cumulative Interest Rate Sensitivity Gap** | | 78,765,350 | 80,619,610 | 85,915,740 | | |

30 June 2018

| | Effective Yeild/Interest Rate | Exposed to Yield/Interest Rate Risk: Upto Three Months | More than Three Months and Upto One Year | More than One Year | Not Exposed to Yield/Interest Rate Risk | Total |
|---|---|---|---|---|---|---|
| | | ……Rupees…… | | | | |
| **On-Balance Sheet Financial Instruments** | | | | | | |
| **Financial Assets** | | | | | | |
| Bank Balances | 1.73% to 6.5% | 13,453,234 | - | - | 1,152,689 | 14,605,923 |
| Investment-'At Fair Value Through | | | | | | |
| - Profit or Loss' | | - | - | - | 64,381,195 | 64,381,195 |
| - Other Comprehensive Income | Kibor+3%,6 month Kibor+1.1% and 3 months Kibor +1% | 10,006,460 | 2,617,216 | 5,162,500 | - | 17,786,176 |
| Dividends and Other Receivables | | - | - | - | 252,857 | 252,857 |
| Receivable Against Trading In Investments | | - | - | - | 2,161,517 | 2,161,517 |
| Deposit with National Clearing Company of Pakistan Limited | | - | - | - | 2,500,000 | 2,500,000 |
| | | 23,459,694 | 2,617,216 | 5,162,500 | 70,448,258 | 101,687,668 |
| **Financial Liabilities** | | | | | | |
| Payable to 786 Investments Ltd.- Management Company | | - | - | - | 325,476 | 325,476 |
| Payable to Central Depository Company Of Pakistan Limited (CDC)-Trustee | | - | - | - | 65,005 | 65,005 |
| Accrued Expenses and Other Liabilities | | - | - | - | 1,544,934 | 1,544,934 |
| | | - | - | - | 1,935,415 | 1,935,415 |
| **On-Balance Sheet Gap** | | 23,459,694 | 2,617,216 | 5,162,500 | 68,512,843 | 99,752,253 |
| **Off-Balance Sheet Financial Instruments** | | - | - | - | - | - |
| **Off-Balance Sheet Gap** | | - | - | - | - | - |
| **Total Interest Rate Sensitivity Gap** | | 23,459,694 | 2,617,216 | 5,162,500 | | |
| **Cumulative Interest Rate Sensitivity Gap** | | 23,459,694 | 26,076,910 | 31,239,410 | | |

**18.2 Credit Risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted.

Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of investment in debt securities, profit receivables on debt securities, profit receivable on saving account and dividend receivable on equity securities.

The maximum exposure to credit risk as at 30 June 2019 along with comparative is tabulated below:

| | 2019 | 2018 |
|---|---|---|
| | **Rupees** | Rupees |
| **Financial Assets Exposed to Credit Risk** | | |
| Bank Balances | **60,091,246** | 14,605,923 |
| Investments | **32,844,548** | 82,167,371 |
| Dividends and Other Receivables | **1,004,949** | 252,857 |
| Receivable against Trading in Investments | **43,400** | 2,161,517 |
| Deposit with National Clearing Company of Pakistan Limited | **3,120,000** | 2,500,000 |
| | **97,104,143** | 101,687,668 |

The Fund does not have any collateral against any of the aforementioned assets. The issuer of the sukuk, however, pledge security to the investment agent in trust for the benefit of sukuk holders.

Due to the Fund's long standing business relationships with these counterparties and after giving due consideration on their strong financial standing, the fund does not expect non-performance by these counter parties on their obligations to the fund except for disclosed in note 5.4.

Credit Rating wise analysis of balance with bank of the Fund are tabulated below:

| **Banks** | **Rating** | | | **2019** | 2018 |
|---|---|---|---|---|---|
| | **Short Term** | **Long Term** | **Agency** | **Rupees** | Rupees |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | **1,305,896** | 1,152,689 |
| Dubai Islamic Bank Limited | A-1 | AA | JCR-VIS | **-** | 224,099 |
| Al baraka Bank Limited | A1 | A | PACRA | **-** | 3,821 |
| Bank Islami Pakistan Limited | A1 | A+ | PACRA | **58,785,350** | 13,225,314 |
| | | | | **60,091,246** | 14,605,923 |

Credit Rating wise analysis of investment in debt securities of the Fund are tabulated below:

| | **Rating** | | **2019** | 2018 |
|---|---|---|---|---|
| | **Grade** | **Agency** | **Rupees** | Rupees |
| Fatima Fertilizer Company Limited | AA- | PACRA | **1,854,260** | 2,617,216 |
| TPL Corporation Limited | A+ | PACRA | **5,296,130** | 5,162,500 |
| Dawood Hercules Corporation Limited | AA | PACRA | **9,980,000** | 10,006,460 |
| Hub Power Company Limtied | AA+ | PACRA | **10,000,000** | - |
| | | | **17,130,390** | 17,786,176 |

Fund has made investment in sukuk certificates of Fatima Fertilizer Company Limited, TPL Corporation Limited, Dawood Hercules Limited and Hub Power Company Limited having good credit standing. Currently the instruments are rated AA-, A+, AA and AA+ hence, Management does not anticipate impairment there against. The Fund had also invested in certain instruments which are subsequently classified as non-performing by MUFAP as disclosed in Note 5.4 to these financial statements. The Fund holds 100% provision against its exposure as more detailed in that note.

Credit risk on debt investments is mitigated by investing primarily in investment grade rated investments and purchase certificate of investments or make placements with financial institutions having sound credit rating. Where the investment is considered doubtful/becomes non-performing as per the criteria specified in applicable Circular for non performing exposure issued by SECP, a provision is recognized as per the criteria specified therein and also in accordance with provisioning policy of the Fund approved by Board of Directors of the Management Company. The management does not take into account the collateral value while considering investment for impairment testing. Hence the collateral held is assumed to have zero financial effect in mitigating credit risk. The management regards the credit worthiness of the borrower more important than the value of collateral and would be used as force majeure in extremely difficult situation where recovery appears to be unlikely from customary measures like restructuring or negotiation.

There are certain deposits which are placed with National Clearing Company of Pakistan Limited (NCCPL) for the purpose of effecting transactions and settlement of listed securities. It is expected that all securities deposited with NCCPL will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. Credit risk on dividend receivable is minimal due to statutory protection. Further, all transactions in securities are executed through approved brokers and in case of equity, transactions settled through National Clearing Company of Pakistan (NCCPL), thus the risk of default is considered to be minimal. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by Trustee of the Fund minimize the credit risk. In accordance with the risk management policy for the Fund, the Fund manager monitors the credit position on a daily basis which is reviewed by the Board of Directors on a quarterly basis.

**Concentration of Credit Risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

None of the financial assets and financial liabilities are offset in the Statement of Assets and Liabilities except where the settlement is done through central clearing system.

**Settlement Risk**

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal due to the short settlement period and also the Fund uses brokers with high creditworthiness. Further, the transactions in equity securities are settled or paid for, only upon delivery using central clearing system of National Clearing Company of Pakistan Limited.

**Past Due and Impaired Assets**

Details are provided in note 5.4 to these financial statements.

**18.3 Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations arising from its financial liabilities that are settled by delivering cash or other financial assets or that such obligations will have to be settled in a manner disadvantageous to the Fund. Liquidity risk also 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 units on a regular basis. Units are redeemable at the holder's option based on the Fund's applicable redemption price calculated in accordance with the Fund's constitutive documents and guidelines laid down by SECP. Hence, unit holders' fund appearing in Statement of Assets and Liabilities represents the continuous obligation of the Fund for redemption by its holders.

**Management of Liquidity Risk**

The Fund's policy to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units as and when due, without incurring undue losses or risking damage to the Fund's reputation.

In accordance with regulation 58(1)(k) of the NBFC Regulation 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extend of fifteen per cent of the net assets which amount to Rupees 15.288 million as on 30 June 2019 (30 June 2018: Rupees 15.923 million). However, no such borrowing has been obtained during the year.

Further, in order to manage the Fund's overall liquidity, the Fund has the ability to withhold redemption requests in excess of ten percent of the units in issue and such request would be treated as redemption qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemptions come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemption during the year.

The table below analyses the Fund's financial liabilities other than redemption of units obligation into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date.

| | 30 June 2019 | | | |
|---|---|---|---|---|
| | **Up to Three Months** | **More than Three Months and Up to One Year** | **More than one Year** | **Total** |
| | ------------------------ (Rupees) ------------------------ | | | |
| Payable to Management Company | **317,373** | **-** | **-** | **317,373** |
| Payable to Trustee | **65,005** | **-** | **-** | **65,005** |
| Accrued Expenses and Other Liabilities | **1,253,004** | **-** | **-** | **1,253,004** |
| Total Liabilities | **1,635,382** | **-** | **-** | **1,635,382** |

| | 30 June 2018 | | | |
|---|---|---|---|---|
| | Up to Three Months | More Than Three Months and Up to One Year | More than One Year | Total |
| | ------------------------ (Rupees) ------------------------ | | | |
| Payable to Management Company | 325,476 | - | - | 325,476 |
| Payable to Trustee | 65,005 | - | - | 65,005 |
| Accrued Expenses and Other Liabilities | 1,544,934 | - | - | 1,544,934 |
| | 1,935,415 | - | - | 1,935,415 |

The table above shows the undiscounted cash flows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity or settlement.

**18.4 Unit Holders' Fund Risk Management**

The unitholders' fund is represented by redeemable units. These units are entitled to distribution and payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unitholders' Fund.

The Fund has no restrictions on the subscription and redemption of units.

The Fund's objective when managing unitholders fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unitholders and to maintain a strong base of assets under management.

The Fund meets the requirement of sub-regulation 54(3)(a) of NBFC Regulation 2008, which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme.

In accordance with the risk management policies as disclosed in these financial statements, the Fund endeavors to invest the subscriptions received in appropriate investments with maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

**19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of underlying financial assets are determined based on requirements of Regulation 66 of the NBFC Regulations, 2008 and directives if any, issued by the SECP. The Fund has an established control framework with respect to the measurement of fair values.

The fair value of financial assets that are traded in active market are based on prices obtained directly from an exchange on which the investments are traded. For unlisted debt securities and debt securities listed but not traded regularly on stock exchange valued in the manner specified by SECP.

The Fund measures fair value using the following fair value hierarchy that reflects the significance of the input in making the measurements.

Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3 - Valuation techniques (for which the lowest input that is significant to the fair value measurement is unobservable).

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy to which the fair value measurement is categorized.

| 30 June 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | | Fair value | | | |
| **On-balance sheet financial instruments** | **At fair value through profit or loss** | **At fair value through other comprehensive income** | **At amortized cost** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets measured at fair value** | (Rupees) | | | | (Rupees) | | | |
| Investments | | | | | | | | |
| - Equity Securities - listed | 5,714,158 | - | - | 5,714,158 | 5,714,158 | - | - | 5,714,158 |
| - Sukuk Certificates - listed | - | 1,854,260 | - | 1,854,260 | - | 1,854,260 | - | 1,854,260 |
| - Sukuk Certificates - unlisted | - | 25,276,130 | - | 25,276,130 | - | 25,276,130 | - | 25,276,130 |
| | 5,714,158 | 27,130,390 | - | 32,844,548 | 5,714,158 | 27,130,390 | - | 32,844,548 |
| **Financial assets not measured at fair value** | | | | | | | | |
| Balances with banks | - | - | 60,091,246 | 60,091,246 | | | | |
| Dividends and other receivables | - | - | 1,004,949 | 1,004,949 | | | | |
| Receivable against trading in investment | - | - | 43,400 | 43,400 | | | | |
| Deposit with National Clearing Company of Pakistan Limited | - | - | 3,120,000 | 3,120,000 | | | | |
| | | - | 64,259,595 | 64,259,595 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Payable to Management Company | - | - | 317,373 | 317,373 | | | | |
| Payable to Trustee | - | - | 65,005 | 65,005 | | | | |
| Accrued expenses and other liabilities | - | - | 1,253,004 | 1,253,004 | | | | |
| | - | - | 1,635,382 | 1,635,382 | | | | |

| 30 June 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | | Fair value | | | |
| On-balance sheet financial instruments | At fair value through profit or loss | At fair value through other comprehensive income | At amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets measured at fair value** | (Rupees) | | | | (Rupees) | | | |
| Investments | | | | | | | | |
| - Equity Securities - listed | 64,381,195 | - | - | 64,381,195 | 64,381,195 | - | - | 64,381,195 |
| - Sukuk Certificates - listed | - | 2,617,216 | - | 2,617,216 | - | 2,617,216 | - | 2,617,216 |
| - Sukuk Certificates - unlisted | - | 15,168,960 | - | 15,168,960 | - | 15,168,960 | - | 15,168,960 |
| | 64,381,195 | 17,786,176 | - | 82,167,371 | 64,381,195 | 17,786,176 | - | 82,167,371 |
| **Financial assets not measured at fair value** | | | | | | | | |
| Balances with banks | - | - | 14,605,923 | 14,605,923 | | | | |
| Dividends and other receivables | - | - | 252,857 | 252,857 | | | | |
| Receivable against trading in investment | - | - | 2,161,517 | 2,161,517 | | | | |
| Deposit with National Clearing Company of Pakistan Limited | - | - | 2,500,000 | 2,500,000 | | | | |
| | - | - | 19,520,297 | 19,520,297 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Payable to Management Company | - | - | 325,476 | 325,476 | | | | |
| Payable to Trustee | - | - | 65,005 | 65,005 | | | | |
| Accrued expenses and other liabilities | - | - | 1,544,934 | 1,544,934 | | | | |
| | - | - | 1,935,415 | 1,935,415 | | | | |

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

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

| Reconciliation of recurring fair value measurements categorised within Level 2 of the fair value hierarchy | 2019 Rupees | 2018 Rupees |
|---|---|---|
| **Unlisted and listed sukuk certificates** | | |
| **Opening balance** | **17,786,176** | 8,718,042 |
| Sukuk certificate purchased | **10,000,000** | 10,000,000 |
| Principle redeemed | **(736,000)** | (736,000) |
| Net unrealised appreciation / (diminution) recognised in statement of other comprehensive income | **80,214** | (195,866) |
| **Closing balance** | **27,130,390** | 17,786,176 |

20 SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding pattern of unit holding, list of top ten brokers, attendance at the meetings of the Board of Directors of the Management Company and members of the Investment Committee are as follows:

20.1 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 | **69** | **699,169** | **0.69%** | 69 | 9,564,402 | 9.01% |
| Associated Companies, Undertakings and Related Parties | **13** | **100,782,311** | **98.88%** | 13 | 96,068,632 | 90.50% |
| Directors | **1** | **413,448** | **0.41%** | 1 | 477,689 | 0.45% |
| Others | **1** | **25,262** | **0.02%** | 1 | 42,461 | 0.04% |
| | **84** | **101,920,190** | **100%** | 84 | 106,153,184 | 100% |

**20.2 Top ten brokers / dealers by percentage of commission paid**

| | | 2019 |
|---|---|---|
| **1** | **Dawood Equities Limited** | **21.53%** |
| **2** | **Axis Global Limited** | **13.00%** |
| **3** | **Foundation Securities (Private) Limited** | **8.25%** |
| **4** | **Alfalah Securities (Private) Limited** | **6.75%** |
| **5** | **Habib Metropolitan Financial Services Limited** | **5.96%** |
| **6** | **Adam Securities Limited** | **7.88%** |
| **7** | **Pearl Securities (Private) Limited** | **14.23%** |
| **8** | **BIPL Securities Limited** | **10.34%** |
| **9** | **First Capital securities** | **3.34%** |
| **10** | **Summit Capital Limited** | **7.07%** |

| | | 2018 |
|---|---|---|
| 1 | Dawood Equities Limited | 13.02% |
| 2 | IGI Finex Securities Limited | 11.60% |
| 3 | Pearl Securities (Private) Limited | 11.92% |
| 4 | Ghani Osman Securities (Private) Limited | 9.91% |
| 5 | Alfalah Securities (Private) Limited | 10.39% |
| 6 | Adam Securities Limited | 10.30% |
| 7 | Axis Global Limited | 12.00% |
| 8 | Habib Metropolitan Financial Services Limited | 11.42% |
| 9 | Foundation Securities (Private) Limited | 8.23% |
| 10 | BIPL Securities Limited | 1.21% |

**20.3 Attendance at Meetings of Board of Directors**

During the year, five board meetings were held on 04 July 2018, 17 September 2018, 18 October 2018, 18 February 2019 and 22 April 2019. Information in respect of attendance by Directors in the meetings is given below:

| Name of Director | 04 July 2018 | 17 September 2018 | 18 October 2018 | 18 February 2019 | 22 April 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 | Resign | Resign | 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 during the year.
** SECP approved the appointment of Ahmed Salman Munir on September 19, 2018.

**20.4 Particulars of Investment Committee and Fund Manager**

Details of members of the Investment Committee of the Fund are as follows:

| 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/Finance Manager | M COM & MBA | 26 years |
| Mr. Talal Ismail Pasha | Chief Financial Officer and Company Secretary | ACMA, MBA | 15 years |
| Mr. Muhammad Abbas | AVP Finance | MBA Finance | 19 years |
| Mr. Shaheryar Ali ** | Risk Officer/Acting Fund Manager | BS Acturial Science | 2 year |

* Mr. Tauqir Shamshad resigned on 31 March 2019.
** Mr. Shaheryar Ali resigned on 30 June 2019.

**21 DATE OF AUTHORISATION FOR ISSUE**

These financial statements have been approved and authorized for issue in the meeting of the Board of Directors of the Management Company held on 23 September 2019.

**22 GENERAL**

**22.1** No significant reclassification or re-arrangement of the corresponding figures has been made in these financial statements except for the reclassification as described in note 3.1.

**22.2** Figures have been rounded off to the nearest Rupee, unless otherwise stated.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

## PERFOMANCE TABLE / KEY FINANCIAL DATA

| | Year | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Net assets (Rs in million) | 101.92 | 106.15 | 103.03 | 87.92 | 64.14 | 60.32 |
| Net Asset Value per units (Rs.) | 104.38 | 117.07 | 132.63 | 124.90 | 261.61 | 246.01 |
| Offer price per unit | 105.95 | 118.83 | 134.62 | 126.78 | 265.53 | 249.70 |
| Redemption price per unit | 104.38 | 117.07 | 132.63 | 124.90 | 261.61 | 246.01 |
| Number of units | 976,448 | 906,713 | 776,825 | 703,869 | 703,869 | 245,176 |
| Net (Loss) / Profit for the year (Rs in million) | (12.00) | (11.82) | 9.50 | 34.99 | 3.82 | 6.69 |
| | | | | | | |
| *Income Distribution (Rs in million)* | | | | | | |
| Final | 0.35 | - | 4.13 | 30.58 | 3.44 | 6.02 |
| Interim | - | - | - | - | - | - |
| | | | | | | |
| | | | | | | |
| *Average annual return (%)* | -10.52% | -11.73% | 10.60% | 19.27% | 6.10% | 12.48% |

## PROXY ISSUED BY THE FUND

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

The details of summarized proxies voted are as follows:

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

BOOK POST

If undelivered, please return to:
**786 RISING STAR FUND**
**(FORMERLY: DAWOOD ISLAMIC FUND)**
G-3 Ground Floor, B.R.R. Tower, Hassan Ali Street,
Off I.I. Chundrigar Road, Karachi - 74000 Pakistan

**Managed By:**
**786 Investments Limited**

DAWOOD

**Trustee: Central Depository Company of Pakistan Limited**


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