



INVESTMENTS

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786 INVESTMENTS LIMITED

**ANNUAL REPORT
2021**



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CORPORATE INFORMATION

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. Naveed Ahmed	Director (Subject to SECP approval)
	Syed Musharaf Ali	Director (Subject to SECP approval)
Chief Financial Officer & Company Secretary		
	Mr. Noman Shakir	
Audit Committee		
	Syed Shabahat Hussain	Chairman
	Mr. Naveed Ahmed	Member (Subject to SECP approval)
	Syed Musharaf Ali	Member (Subject to SECP approval)
Human Resource Committee		
	Ms. Shafqat Sultana	Chairperson
	Miss Tara Uzra Dawood	Member
	Mr. Naveed Ahmed	Member (Subject to SECP approval)
Legal Advisor		
	Rauf & Ghaffar Law Associates (Advocates & Consultants) Suite # 65, 5th Floor, Fareed Chamber, Abdullah Haroon Road, Saddar – Karachi, Pakistan.	
Registrars		
	F.D. Registrar Services (SMC-Pvt.) Ltd. Office# 1705, 17th Floor Saima Trade Tower. A, I.I. Chundrigar Road, Karachi-74000, Pakistan.	
Banker:		
	Habib Metropolitan Bank Limited JS Bank Limited Al Baraka Bank (Pakistan) Limited	
Rating:		
	PACRA: AM3	



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.



BUILDING RESILIENT COMPANIES

By T. U. Dawood

When I launched 786 Investments Ltd. in 2003, then known as Dawood Capital Management Ltd., from the start, the plan was to build a legacy company: One to last generations, as others have in our First Dawood Group, as well as to serve the community with top notch money management and personalized customer service. After a five-year honeymoon period, the global financial crisis of 2008 made clear that intent was meaningless without not just solid foundations, but built-in business resilience, sustainability checks and balances, as well as ensuring that while obstacles, market distress and unpredictable disrupters can arise at any moment, at all times, we could safeguard people and assets while maintaining continuous business operations. As a publicly listed company - the first publicly listed asset management company in Pakistan - we had the added responsibility of protecting and managing shareholders' interests in the company.

In 2008, when the industry decided to suspend equity funds, we had an immediate massive run of over 90% of our PKR 6.9 billion Dawood Money Market Fund in redemptions. The SECP immediately suspended redemptions, fearing how could we pay off so many people at once, and decided that until we could redeem everyone, we could not redeem anyone. As a relatively young company, just 5 years old, we had no experience with such a crisis, nor could we find solid precedent for what to do, but knew that our clients' money was their money, and they had a right to it at all times. Our Board had also made the decision that unlike so many of our colleagues in the industry, we did not want to give a haircut to our investors. We had to be resourceful, think outside the box and come up with a solution. I thought back to an old black and white movie I loved, "It's a Wonderful Life" (1939) starring Jimmy Stewart. The way that financial institution saved itself was calling upon friends in the community to be patient and flexible in other ways of claiming their funds. We had some liquidity and we had some term finance certificates so we called up our bigger investors and asked them if they would take equivalent amounts of the redemption they required as instrument instead. They graciously agreed. Now that we had proven we could redeem all clients who had filed for redemption, the SECP whose responsibility it is to protect the investors, added another condition, we had to do all redemptions the same day! With the wonderful support of the business community and our amazing clients, we were able to fulfill all redemptions, without any haircuts, take all losses ourselves as an asset management company. But then, what? How do we begin again and how to build this time stronger.

As the 2008 crisis was a crippling one, it was a slow journey upward, and there have been numerous obstacles, disruptors and even technological changes along with way, but the most amazing thing was how much these war wounds prepared us to be resilient for COVID-19, so that we could embrace change and stress-test our resilience very mindfully.

So, when I started getting hints of coronavirus incapacitating Italy early 2020 and then slowly many Western countries beginning lockdowns, and seeing the panic on the faces of many of our retail clients, we started contingency plans, strengthened our back-up office, virtual office drills, and so forth. The goal was to safeguard our people - our greatest assets - as well as our clients and their monetary assets, while maintaining continuous business operations. It was also to test and see how efficiently we could operate, given any obstacle, whether a pandemic, terrorist threat (sadly the PSX incident came a couple of months after) or even financial meltdown. Once the government announced lockdown, it was clear daily wage workers, restaurants, malls, etc. would lose their income, but that was only the start of an economic decline. One thing we were now experts with at 786 Investments Ltd. was economic declines. We were determined to be braced and ride the wave of this one, rather than be drowned by it.

Mindful business resilience strategy can mitigate the impacts of a disruption and facilitate your company to continue to function or to return to normal more quickly, and ideally improve overall performance.

So many people have asked me to share my top 5 tips for building a resilient business, so here goes:

Tip #1: Understand Disruption Inside and Out

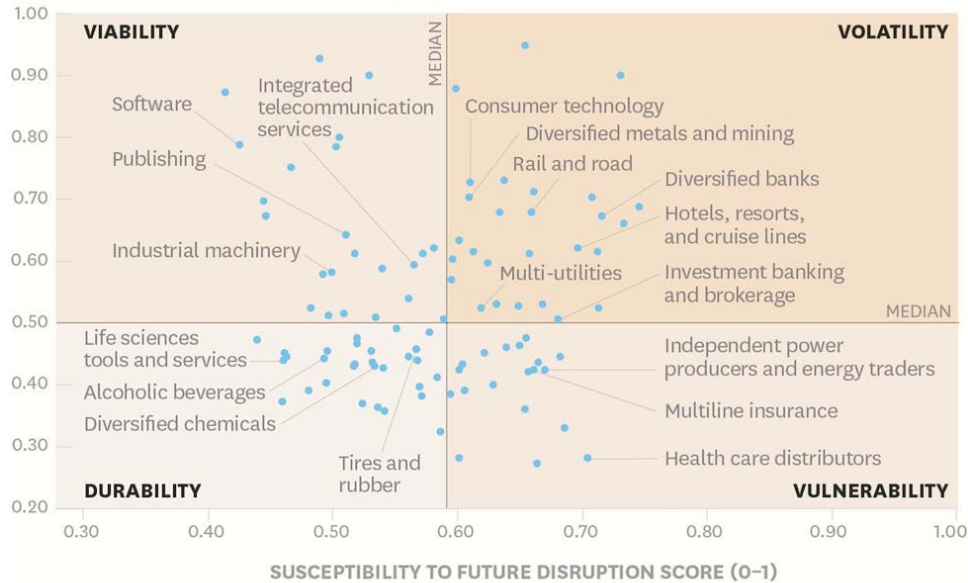
Accenture developed a Disruptability Index to help business leaders better understand industry disruption, which positioned 20 industry sectors - and 98 segments within those sectors - against those a measure of an industry's current level of disruption as well as its susceptibility to future disruption. According to a Harvard Business Review article, "for the former, [they] examined the presence and market penetration of disruptor companies; we also considered incumbents' financial performance. For the latter, [they] measured incumbents' operational efficiency, commitment to innovation, and defenses against attack. They then used the median scores as dividing points to highlight four distinct states of disruption: durability, vulnerability, volatility and viability."



The Four States of Disruption

How susceptible is your industry?

CURRENT LEVEL OF DISRUPTION SCORE (0-1)



SOURCE ACCENTURE RESEARCH'S DISRUPTABILITY INDEX, SEPTEMBER 2017

© HBR.ORG

It's not a question of if our industry will be disrupted, but when and how often! Studying about and mastering disruption is a must these days.

Tip #2: Welcome Disruption

Whether it is a market crisis, a technological development or a pandemic, ultimately disruptions are going to happen so embrace them, be vigilant for them and welcome them as opportunities for upgrading your model and at all times, putting your customer needs first. I remembered well Shahid Ghaffar, who was MD of NIT, which had a 10% stake in 786 Investments Ltd., once telling me, "If you put your customers first, everything else will fall into place." So, we ensured that we wrote to each and every investor prior to any government enforced lockdowns to 1) share COVID-19 health tips and safety guidelines 2) how safely to interact with us during this period 3) to let them know we were on top of things 4) to inform them that we cared about them, their health and safety and the protection of their assets. We also shared with them how we were protecting our own team members, recognizing that purpose-driven, good citizen businesses are a big priority for clients in 2020.

Tip #3: Cut Out The Fat

While many resilience strategies talk about product diversification and spreading risk across products, markets, services, and investments, we've found a lean, streamlined approach can be more powerful, as you focus your energy and talent in what you do best. Tightening your ship not only reduces costs, but cuts out a lot of fat. In this age of technology, COVID-19 has taught us how little needs to be done in person and how much more work can be achieved, if you are not wasting time with commute, tea breaks, and so forth. So, not only are our team meetings on Zoom, but so are our board meetings, client meetings, audit meetings, discussions with regulators, and so forth. However, cutting out the fat refers to much more than just video conferencing. Cash flow, HR, communications, product offerings, all must be examined from a lens of adaptability and redundancy.

Tip #4: Gear Your Team for Disruption

It goes without saying that it's not enough for senior management or C-level to be trained in disruption, your entire company should be mentally aware and prepared. That's why we had virtual office drills in the two weeks prior to lockdown. Disruption is even more significant in Pakistan as we have such a young population, who are entering the workforce having grown up more connected than any previous generation. Their expectations and



demands with regard to speed of communication and ease of access to information can be overwhelming to and put a lot of pressure on traditional enterprises to adopt a more digital culture. For example, if a junior team member had a complaint ten years back, it would go through proper chains of review. Now, it comes often as a whatsapp group message demanding an immediate response. So, build flexibility, openness and evolution into your culture and then when external disruptions come, you will also be geared and your team more prepared for such changes, or at least more prepared than a company with a rigid corporate culture.

Tip #5: Ride the Wave, Rather Than Fight It

Several companies and colleagues in the business community viewed the pandemic and lockdowns as quick, one offs, and were eager to get back to day to day. We didn't. We remained vigilant, alert and eager to understand what was happen holistically, realizing there was a larger shift taking place, not only in how business would be done, but in how day to day life would be run. Jahangir Siddiqui once shared with me how one of the keys to his success was vigilance and quick exits. So, rather than fighting the growing signs of COVID-19 being a game changer, I started observing its impact on our corporate community, both in terms of clients as well as in terms of team members, regulators, colleagues, et al. We decided to make each decision one step at a time, being calm and open, prepared for more unexpected, not denying that change was happening. This choice to ride the wave, rather than fight it, was one of the best decisions we made, as not only did it ensure no hasty mistakes at the time, but it helped protect the mental health of our team and clients, which is vital to a long-term strategy for any company.

T. U. Dawood is CEO and Founder of 786 Investments Ltd., one of Pakistan's oldest asset management companies, launched in 2003. It is publicly listed on the Pakistani Stock Exchange. She also sits on the boards of Pakistan State Oil, Pakistan Refinery Ltd. and is an incoming Director of the Mutual Funds Association of Pakistan.

Note: This article was originally published in the Mutual Funds Association of Pakistan 2020 yearbook.



NOTICE OF ANNUAL GENERAL MEETING (AGM XXX)

Notice is hereby given that the 29th Annual General Meeting of the shareholders of the Company will be held on Monday, October 26, 2021, at 08:45, am via zoom video, keeping in mind COVID-19 to transact the following business:

Ordinary Business

- 1- To confirm the Minutes of the Extraordinary Annual General Meeting on dated July 30, 2021.
- 2- To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2021 together with Directors and Auditors Reports thereon.
- 3- To appoint the Auditors and fix their remuneration.
- 4- Any other Business with the permission of the Chair.

By Order of the Board

September 28, 2021
Karachi

Noman Shakir
Company Secretary

Notes:

1 Book Closure

The share transfer books of 786 Investments Ltd. will remain closed from October 15, 2021, to October 22, 2021 (both days inclusive). The transfers received in order by our share registrar, FD Registrar Services (Pvt) Ltd situated on the 17th floor, Saima Trade Tower A, I.I. Chundrigar Road, Karachi by the close of business on October 14, 2021, will be considered in time to attend and vote at the meeting.

In light of the COVID-19 situation, the Securities and Exchange Commission of Pakistan ("SECP"), in terms of its Circular No.5 dated March 17, 2020, and Circular No. 25 dated August 31, 2020, has advised companies to modify their usual planning for general meetings for the safety and wellbeing of shareholders and the public at large with minimal physical interaction. Hence, the proceedings of the meeting will be carried out through a video-link facility. In this regard, special arrangements have been made for the AGM which are as under:

- a) AGM will be held through Zoom application - a video link facility.
- b) Shareholders requested to attend the AGM through Zoom application it is requested to get themselves registered with FD Registrar Services situated on the 17th floor, Saima Trade Tower A, I.I. Chundrigar Road, Karachi (Video Conferencing Service Provider) at least 48 hours before the time of AGM at (info@fdregistrar.com) by providing the following details:

Folio/ AC no	Company	Name of Shareholder	CNIC number	Cell number	Email Address
	786 Investments Limited				



A video-link for the meeting will be sent to members at their provided email addresses enabling them to attend the meeting on the given date and time.

The login facility will be opened fifteen (15) minutes before the meeting time to enable the participants to join the meeting after the identification process. Shareholders will be able to log in and participate in the AGM proceedings through their devices after completing all the formalities required for the identification and verification of the shareholders.

- c) Shareholders are encouraged to participate in the AGM to consolidate their attendance and participation through proxies.

2 Appointment of Proxy

- a) A member entitled to attend the meeting may appoint any other member as his/her proxy to attend the meeting through video-link. A proxy form is enclosed.
- b) A member entitled to attend and vote at Annual General Meeting shall be entitled to appoint another member, as a proxy to attend and vote on his/her behalf. The proxies in order to be effective must be received to FD Registrar not less than forty-eight (48) hours before the meeting.
- c) Members are requested to notify changes immediately, if any, in their registered addresses to FD Registrar.

3 For Appointment of Proxy

The shareholders will further have to follow the under mentioned guidelines:

- a) In case of individuals having physical shareholding or the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form accordingly.
- b) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
- c) Notarized copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- d) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

4 Submission of copy of CNIC/NTN (Mandatory):

Individual members who have not yet submitted photocopy of their valid CNIC to the Company/Share Registrar, are once again requested to send their CNIC (copy) at the earliest directly to FD Registrar. Corporate Entities are requested to provide their National Tax Number (NTN). Please also give Folio Number with the copy of CNIC/NTN details.

5 Availability of Annual Audited Financial Statements on the Company's website:

In terms of Securities and Exchange Commission of Pakistan's (SECP) S.R.O. 634 (1)/ 2014, the Annual Report for the year ended 30 June 2020 will also be placed on 786 Investments Ltd. website www.786investments.com and is readily accessible to the shareholders.



6 Transmission of Financial Statements to the Members through e-mail:

As per the directives issued by the Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O.787(1)2014 dated 08 September 2014 and in pursuance of Circular No. 10 dated April 1, 2020, respectively regarding Regulatory Relief to dilute the impact of Corona Virus (COVID 19) for Corporate Sector companies are allowed the circulation of Audited Financial Statements along with Notice of Annual General Meeting to their shareholders through email to those shareholders whose emails addresses are present in the records of Share Registrar/database of CDC. The shareholders who wish to receive the Annual Report via email in the future are requested to fill the consent form to FD Registrar.

In case any shareholder who has provided consent to receive Audited Financial Statements and Notice through email subsequently requests for a hard copy for Audited Financial Statements the same shall be provided free of cost within seven days of receipt of such request, but due to health and safety concerns in these COVID-19 times and our sustainable policy to be as paperless and plastic-free as possible, we request shareholders to view the annual report as pdf.

7 Deposit of Physical Certificates in CDC Account

As per Section 72 of the Companies Acts, 2017, every AMC shall be required to replace its physical certificate with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act.

The AMC having physical shareholders are encouraged to open the CDC sub-account with any of the brokers or investor Account directly with CDC to place their physical certificate into scrip less form.



FINANCIAL HIGHLIGHTS

	2021	2020	2019	2018	2017	2016
	Rupees In Million					
Authorized Capital	200.0000	200.0000	200.00	200.00	200.00	200.00
Paid-Up Capital	149.7375	149.7375	149.74	149.74	149.74	149.74
Shareholders' Equity	230.1301	208.7028	200.38	245.45	270.89	210.53
Total Assets	248.8764	227.8785	219.07	264.07	287.20	231.65
Short-Term Investment in Securities	22.1386	22.4283	10.07	8.63	7.65	2.43
Income From Investments	4.6185	0.2696	(1.35)	0.04	-	-
Management Fee	8.8368	9.5667	12.02	11.50	10.01	14.07
Other Income	3.7407	2.8357	3.74	0.56	0.67	1.56
Impairment Loss on Investment	-	-	-	(0.15)	(0.57)	(1.73)
Profit/(Loss) Before Taxation	5.1396	4.3370	(39.96)	(24.84)	64.81	(24.86)
Taxation	1.8708	1.5122	3.25	1.58	9.66	0.16
Profit/(Loss) After Taxation	3.2688	2.8247	(43.21)	(26.42)	55.14	(25.02)
Book Value Per Share	15.3689	13.9379	13.38	16.39	18.09	14.06
Earnings Per Share	0.22	0.1886	(2.89)	(1.76)	3.68	(1.67)



CHAIRMAN'S REPORT

During the year, all Directors of 786 Investments Ltd performed their due job with professionalism, demonstrable skills, and determination to support management turning around the company. I wish to record my appreciation to the Board Members.

The Company got the approval of SECP with regard the license to carry out "Investment Advisory Services" has been successfully renewed vide its letter No. SCD/AMCW/786IL/2020-109 dated November 12, 2020 with effect from May 26, 2019 and valid till May 25, 2022. License shall further be renewable by the Commission for next three years, subject to the compliance of the NBFC Rules and the NBFC Regulations.

The Company has revisited its strategy, keenly observed, and analyzed the situation of the economy during the pandemic COVID-(19). During these bad lights on the economy and continuous lockdowns in the city, Karachi. Company managed to improve the position of the fund with the available resources with the company and turned it into profits.

On behalf of the Company, I would like to express my gratitude to the Securities and Exchange Commission of Pakistan, the management of the Pakistan Stock Exchange Limited for their continued support and cooperation and all other stakeholders who are contributing in our success.

Shafqat Sultana
Chairperson

Date: September 28, 2021
Karachi



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of 786 Investments Limited. ("786" or the "Company") is pleased to present the annual report and the audited financial statements of the Company for the year ended June 30, 2021.

Principle Business:

786 Investments Ltd is a public listed company incorporated in Pakistan. The Company is registered as NBFC under the NBFC Rules, 2003. The Company has obtained the license to carry out Asset Management Services and in process of obtaining the license of Investment Advisory Services and under the NBFC Rules, 2003, and NBFC Regulation, 2008.

Company Performance Review:

	June 30, 2021	June 30, 2020
	 Rupees.....	
Management Fees	8,836,778	9,566,707
Other Operating Income	1,111,112	1,111,111
Gross Revenue	3,740,722	2,835,672
Other operating charges	18,307,124	21,157,029
Administration and Operating Expenses		
Financial Charges	(23,456,960)	(25,709,479)
Total Expenses	(1,650,044)	(6,874)
Share of Associates' Profit/(Loss)	(25,107,004)	(25,716,353)
Impairment Loss on Investments	8,322,872	10,007,405
(Loss)/Profit Before Taxation	5,139,649	5,448,081
(Loss)/Profit After Taxation	3,268,830	3,935,840

The Company recorded a Profit of PKR 2.82 million during the period ended June 30, 2020, as compared to a loss of (PKR (43.20) million FY19. The Company Income which comprised of Management Fees decreased by PKR 2.45 million representing a 20.39% decreased in Management Fees. But Simultaneously the administrative and operating expenses decreased by PKR 6.25 million representing a 19.55% decrease in administrative and operating expenses. Other income also contributed to turning around the company losses into profits. Further Share of Associates' shows a profit of PKR 10.00 million as compared to the loss of (PKR (10.92) million FY19).

The earnings per share (EPS) of the Company for the period ended June 30, 2020, was PKR 0.19 as compared to PKR (2.88) per share as of June 30, 2019.

The Board of Directors of the Company has a responsibility to ensure that the internal financial control system of the company is adequate and is operating effectively.

The Company got approval from the Securities & Exchange Commission of Pakistan (SECP) through its vide letter having reference No: SCD/AMCW/786IL/153/2019, on dated December 02, 2019, for the merger of three funds.

The effective date merger was announced by the Board of Directors as of December 20, 2019, and successfully executed and completed. The Merging Schemes stood merged with and into the surviving scheme 786 Smart Fund on the basis of swap ratio calculated on the basis of Net Asset Values (NAV) of the Merging and the Surviving



The Company recorded a Profit of PKR 3.26 million during the period ended June 30, 2021, as compared to a profit of PKR 3.93 million FY20. The Company Income which comprised of Management Fees decreased by PKR 0.73 million representing a 7.63% decreased in Management Fees. But simultaneously the administrative and operating expenses decreased by PKR 0.609 million representing a 2.37% decrease in administrative and operating expenses. Other income also contributed to sustain the profits. Further Share of Associates' shows a profit of PKR 8.32 million as compared to the profit of PKR 10 million FY20.

The earnings per share (EPS) of the Company for the period ended June 30, 2021, was PKR 0.22 as compared to PKR 0.26 per share as of June 30, 2020.

The Board of Directors of the Company has a responsibility to ensure that the internal financial control system of the company is adequate and is operating effectively.

The license to carry out "Investment Advisory Services" has been successfully renewed vide its letter No. SCD/AMCW/786IL/2020-109 dated November 12, 2020 with effect from May 26, 2019 and valid till May 25, 2022. License shall further be renewable by the Commission for next three years, subject to the compliance of the NBFC Rules and the NBFC Regulations.

The Company focused is to grow Assets Under Management (AUMs). The Company is maintaining one fund which categorized into Islamic Income Fund which is the surviving fund called 786 Smart Fund having AUM of PKR 746 million as of the year ended June 30, 2021 during the year the AUM, increased by 19.12%.

Future Plans:

The Company is revisiting its strategy and analyzing the situation of the economy and the resources available with the company. Also planned the process to significantly modify the financial and operational aspects of the company as business was faced with financial pressures last year.

The company also planned to restructures its operations to develop a strategy to cut costs ineffective way to turn around the company. Our objective for the year is to grow Asset under Management (AUM) through the formation effective sales strategy.

Economic & Money Market Review:

Pakistan's economy has recovered from the effects of the Corona Virus epidemic, as has the rest of the world. The government's stability efforts resulted in an increase in macroeconomic statistics, with the economy growing by 3.94 percent in fiscal year 2021, compared to 0.48 percent in fiscal year 2020. In the financial year 2021, the SBP maintained its policy rate of 7.00 percent. The government created the Roshan Digital Account (RDA) for Pakistanis living abroad, which has brought in more than USD 1.50 billion in the current fiscal year.

As a result of the government's actions, Pakistan's current account had a surplus of USD 153 million as of May 31, 2021, compared to a deficit of USD 4.33 billion the previous year. However, due to increasing economic activity, the entire trade deficit grew to USD 29.99 billion in 11 months this fiscal year, up from USD 27 billion the previous year.

Stock Market Review:

The benchmark KSE-100 index rose 37.60 percent this year, closing at 47,356 points after adding 12,934 points. Due to monetary easing and improved macroeconomic data, the market maintained a bullish trend throughout the



year. Amnesty in the construction industry sparked a rally throughout the sector and its related sectors. On June 14, 2021, the benchmark index reached a high of 48,986.94 points. In the fiscal year 2021, the average daily traded volume reached an all-time high of 528 million shares.

Asset Management Industry Overview

Mutual Funds (open end funds) have Assets Under Management (AUMs) of PKR 1,056.44 billion as of June 30, 2021, up 36.68 percent from PKR 772.93 billion as of June 30, 2020. Traditional money market funds climbed by 56.98%, while income funds increased by 42.48%. Income funds that follow Shariah law have risen by 142.15 percent. Traditional stock funds fell by 3.23 percent, while Shariah compliant equity funds grew by only 0.39 percent.

The Company's Asset under Management (AUM) as at June 30, 2021 was 746 million which was increased by 19.12% as compared to three merged fund June 30, 2020 (PKR 626.50 million).

Corporate Social Responsibility and Impact on Environment

During the year, 786 Investments Ltd managed CSR activities, and followed Pakistan's Health and Safety protocol during the worldwide spread of the Novel Coronavirus which causes COVID-19. These were unprecedented times that called for prudence and not panic. All our policies are sustainable and environmentally friendly. We held facebook live at Sindh Governor House a small, socially distant awards ceremony for women front-line workers (doctors and nurses) who had risked their lives to save the lives of others.

786 Investments Ltd is always proactive with best SOP practices. As the situation continues to unfold, we will adapt our business hours and preventative measures based on the guidance from the Government of Sindh Public Health.

Our team members also volunteered for 1) educating girls vocationally, 2) distributing food rations 3) LADIESFUND awards. Our approach and commitment are to you, our clients, our shareholders, our employees, and the community.

Principle Risk & Uncertainties

The Asset Management industry size increase during the year by 36.68% Traditional money market funds climbed by 56.98%, while income funds increased by 42.48%. Income funds that follow Shariah law have risen by 142.15 percent. Traditional stock funds fell by 3.23 percent, while Shariah compliant equity funds grew by only 0.39 percent.

The Company is maintaining one fund which categorized into Islamic Income Fund which is called 786 Smart Fund, The fund most value being invested in the Commercial banks to counter the risk of market but they were influenced by the macroeconomic, and political factors which impact the Company's performance due to Covid -19. Some of the value invested in different Sukuk works unanimously well for the company.

The Company's risk management policies and procedures ensure that risks are effectively identified, evaluated, monitored and managed. Risk management is a dynamic function and management must continuously monitor its internal risk procedures and practices in order to reduce earnings variability.

Board Evaluation

Listed Companies (Code of Corporate Governance) Regulation, 2019 require evaluation of the Board of Directors as a whole and its committees. In this regard, a comprehensive range of self-evaluation survey were conducted in the Company with respect to the performance of its Board of Directors and Board Committee. Feedback from all the Board members was solicited on areas of strategic clarity & beliefs, direction of business plan and functional adequacy of its role.



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.

The Company has complied with the requirement of the Regulation and LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 in the following manner.

The total number of directors are seven (7) as per the following:

- a) Male: 4
- b) Female: 3



The Composition of board is as follows:

Category	Names	Designation
Independent Directors	Ms. Shafqat Sultana	Chairperson
	Ms. Charmaine Hidayatullah	Director
	Syed Shabahat Hussain	Director
	Mr. Ahmed Salman Munir	Director
Executive Director	Ms. Tara Uzra Dawood	Chief Executive Officer
Non-Executive Directors	Syed Musharaf Ali	Director
	Mr. Naveed Ahmed	Director
Female Directors	Ms. Shafqat Sultana	Chairperson
	Ms. Tara Uzra Dawood	Chief Executive Officer
	Ms. Charmaine Hidayatullah	Director

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	4	4	-
Ms. Tara Uzra Dawood	4	4	-
Ms. Charmaine Hidayatullah	4	2	2**
Mr. Tahir Mehmood	4	4	-
Syed Farhan Abbas	4	4	-
Syed Shabahat Hussain	4	4	-
Ahmed Salman Munir	4	4	-

**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	4	-
Mr. Tahir Mehmood	4	4	-
Syed Farhan Abbas	4	4	-

**Leave of absence was granted.

Directors Remuneration

The remuneration of the Non-Executive Directors, Independent Directors and Chief Executive Officer for attending Board and its Committees meetings is determined by the Company in the General Meeting. The remuneration of the Directors is determined on the basis of prevailing industry trends and business practices. The details of remuneration paid to the Chief Executive Officer and Directors are available in note 30 to the financial statements.

Auditors' Appointment

The present Auditor, Reanda Haroon Zakaria & Co. Chartered Accountants are retiring after Completing 5 years. M/s Grant Thornton Anjum Rahman have consented to act as Auditor of the Company. The Board Audit Committee have recommended their re-appointment as statutory auditors for the year ending June 30, 2022 and the Board have endorsed the communication, subject to appointment in Annual General Meeting.

Auditors' Report

The Auditors have given their unmodified opinion on the financial statements of the Company for the year ended June 30, 2021.

Statement of Ethics and Business Practices

The Board of Directors of Company has adopted a Statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

Dividend

Based on the above, the Board of Directors of the Company has decided not to distribute any dividend to the shareholders for the year.

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of "AM3", to the Company.

Trading in shares of the Company

During the year no transaction in shares were carried out by the Directors, Chief Executive Officer, Chief Financial Officer & Company Secretary and their spouses of minor children.



Transaction with Connected Persons/Related Parties

Transactions between the Fund and its connected persons as disclosed in notes to the financial statements are carried out on an arm's length basis.

Pattern of Share Holding as on June 30, 2021

The pattern of shareholding holding as on June 30, 2021 is annexed to these financial statements.

Key Financial Highlights

Key financial highlights are summarized and annexed to these financial statements.

Staff Retirement Benefits

786 operates a provident fund scheme for all permanent employees' details are included in these financial statements.

Events after the Balance Sheet Date

There was no subsequent event after the Balance sheet date but only the election of directors taken place as of July 30, 2021. As a result of the election, the following Directors have been elected which is subject to commission approval.

Category	Names	Designation
Independent Directors	Ms. Shafqat Sultana	Chairperson
	Syed Shabaha Hussain	Director
	Mr. Ahmed Salman Munir	Director
Executive Director	Ms. Tara Uzra Dawood	Chief Executive Officer
Non-Executive Directors	Syed Farhan Abbas	Director
	Mr. Naveed Ahmed	Director
	Mr. Tahir Mehmood	
Female Directors	Ms. Shafqat Sultana	Chairperson
	Ms. Tara Uzra Dawood	Chief Executive Officer

However, the following Directors have resigned from their position as directors' Syed Farhan Abbas & Mr. Tahir Mehmood and in the occurrence of a casual vacancy, the following name has been appointed as director of the company Ms. Charmaine Hidayatullah & Syed Musharaf Ali as on dated September 21, 2021.

According to section 158, the subsequent Directors are not yet approved by the SECP. So in that connection, Directors so retiring shall continue to perform their functions until their successors elected in EOGM endorsed and approved by the SECP.



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 28, 2021
Karachi.

30 جون 2021 کو پونٹ ہولڈنگ کا نمونہ ان مالی گوشواروں سے منسلک کر دیا گیا ہے۔

اہم مالیاتی جھلکیاں

کلیدی مالیاتی جھلکیوں کا خلاصہ ان مالیاتی گوشواروں کے ساتھ منسلک کر دیا گیا ہے۔

اسٹاف کوریٹا رینٹ کے فوائد

786 تمام مستقل ملازمین کے لئے ایک پراویڈنٹ فنڈ اسکیم چلا رہی ہے جس کی تفصیلات ان مالیاتی گوشواروں میں شامل ہے۔

بعد از نیلنس شیٹ واقعات

نیلنس شیٹ کی تاریخ کے بعد، کوئی واقعہ رونما نہیں ہوا، لیکن صرف 30 جولائی 2021 کو ڈائریکٹرز کے انتخابات منعقد ہوئے۔ انتخابات کے نتیجے میں، درج ذیل ڈائریکٹرز منتخب ہوئے جو کہ کمیشن کی منظوری سے شروط ہے:

کمیٹری	نام	عہدہ
آزاد ڈائریکٹر	محترمہ شفقت سلطانہ سید شہباز حسین جناب احمد سلمان منیر	چیئر پرسن ڈائریکٹر ڈائریکٹر
ایگزیکٹو ڈائریکٹر	محترمہ تارا عزیز راداد	چیف ایگزیکٹو آفیسر
نان ایگزیکٹو ڈائریکٹر	سید فرحان عباس جناب نوید احمد جناب طاہر محمود	ڈائریکٹر ڈائریکٹر ڈائریکٹر
خاتون ڈائریکٹر	محترمہ شفقت سلطانہ محترمہ تارا عزیز راداد	چیئر پرسن چیف ایگزیکٹو آفیسر

تاہم، درج ذیل ڈائریکٹرز سید فرحان عباس اور جناب طاہر محمود اپنی ڈائریکٹر کے عہدہ سے مستعفی ہو گئے ہیں اور ان کی خالی آسامی پر مورخہ 21 ستمبر 2021 کو درج ذیل نامی محترمہ چارمان

ہدایت اللہ اور سید شرف علی کو بطور ڈائریکٹر مقرر کیا گیا ہے۔

اظہار تشکر

منجنت 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۔ ڈائریکٹر زعم، لگن اور محنت پر کمپنی کے ملازمین اور انتظامیہ کا اور کمپنی میں اعتماد پر شیئر ہولڈرز کا بھی شکریہ ادا کرتے ہیں۔

شفقت سلطانہ

چیئر پرسن

ڈائریکٹر

کراچی: 28 ستمبر 2021ء

آڈٹ کمیٹی کا اجلاس

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

نام	منعقدہ اجلاسوں کی تعداد	تعداد حاضری اجلاس	تعطیل
جناب سید شہت حسین	4	4	-
جناب طاہر محمود	4	4	-
سید فرحان عباس	4	4	-

** غیر حاضری کی چھٹی دی گئی۔

ڈائریکٹر کا مشاہرہ

بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے لئے نان ایگزیکٹو ڈائریکٹر، آزاد ڈائریکٹر اور چیف ایگزیکٹو آفیسر کے مشاہرہ کا تعین کمیٹی اجلاس عام میں کرتی ہے۔ ڈائریکٹر کا مشاہرہ موجودہ انڈسٹری رجحانات اور کاروباری پیکسز کی بنیاد پر معین کیا جاتا ہے۔ چیف ایگزیکٹو آفیسر اور ڈائریکٹر کو ادا کئے جانے والے مشاہرہ کی تفصیلات مالی حسابات کے نوٹ 30 میں دستیاب ہیں۔

آڈیٹرز

موجودہ آڈیٹر، Reanda ہارون زکریا اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس 5 سال مکمل کرنے کے بعد ریٹائر ہو گئے ہیں۔ میسرز گرانٹ تھارٹن انجمن رحمان نے کمپنی کے آڈیٹر کی حیثیت سے کام کرنے کی رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2022 کو ختم ہونے والے سال کے لئے قانونی آڈیٹر کی حیثیت سے ان کی تقرری کی سفارش کی ہے اور بورڈ نے سالانہ اجلاس عام میں منظوری کے حوالہ سے توثیق کی ہے۔

آڈیٹر کی رپورٹ

آڈیٹر نے 30 جون 2021 کو ختم ہونے والے سال کے لئے کمپنی کے مالی گوشواروں پر اپنی غیر نظر ثانی شدہ رائے دی ہے۔

اخلاقیات اور کاروباری طریقوں کا بیان

کمپنی کے بورڈ آف ڈائریکٹرز نے اخلاقیات اور کاروباری طریقوں پر عمل کیا ہے۔ تمام ملازمین کو اس بیان بارے میں مطلع کیا گیا ہے اور کاروباری قواعد و ضوابط کے سلسلے میں ان اصولوں پر عمل کرنا ضروری قرار دیا گیا ہے۔

ڈیویڈنڈ

مذکورہ بالا کی بنیاد پر، کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے لئے شیئرز ہولڈرز کو کوئی ڈیویڈنڈ آمدنی تقسیم نہ کرنے کا فیصلہ کیا ہے۔

کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے کمپنی کو "AM3" کی ایسٹ فیچر ریٹنگ تفویض کی ہے۔

کمپنی کے حصص میں تجارت

سال کے دوران ڈائریکٹر، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر اور کمپنی سیکرٹری، ان کے زوج اور نابالغ بچوں کی طرف سے حصص کی کوئی تجارت نہیں کی گئی ہے۔

منسلک افراد / متعلقہ پارٹیوں کے ساتھ لین دین

فڈ اور اس سے متعلقہ افراد کے درمیان لین دین جیسا کہ مالی گوشواروں میں انکشاف کیا گیا، قابل رسائی بنیاد پر کیا جاتا ہے۔

30 جون 2021 کو پونٹ ہولڈنگ کا نمونہ

بورڈ کی ترتیب درج ذیل ہے:

کیٹگری	نام	عہدہ
آزاد ڈائریکٹر	محترمہ شفقت سلطانہ مس چارما ن ہدایت اللہ سید شاہت حسین جناب احمد سلمان منیر	چیئر پرسن ڈائریکٹر ڈائریکٹر ڈائریکٹر
ایگزیکٹو ڈائریکٹر	محترمہ تارا عزیز راداد	چیف ایگزیکٹو آفیسر
نان ایگزیکٹو ڈائریکٹر	سید شرف علی جناب نوید احمد	ڈائریکٹر ڈائریکٹر
خاتون ڈائریکٹر	محترمہ شفقت سلطانہ محترمہ تارا عزیز راداد محترمہ چارما ن ہدایت اللہ	چیئر پرسن چیف ایگزیکٹو آفیسر ڈائریکٹر

بورڈ آف ڈائریکٹرز کے اجلاس

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

نام	منعقدہ اجلاسوں کی تعداد	تعداد حاضری اجلاس	تعطیل
محترمہ شفقت سلطانہ	4	4	-
محترمہ تارا عزیز راداد	4	4	-
محترمہ چارما ن ہدایت اللہ	4	2	2**
جناب طاہر محمود	4	4	-
سید فرحان عباس	4	4	-
سید شاہت حسین	4	4	-
احمد سلمان منیر	4	4	-

** غیر حاضری کی جھٹی دی گئی۔

اصل خطرہ اور بے یقینی

ایسٹ مینجمنٹ انڈسٹری کا سائز سال کے دوران 36.68 فیصد تک بڑھ گیا۔ روایتی منی مارکیٹ فنڈز 56.98% تک پہنچ گئے، جبکہ اکم فنڈز میں 42.48% کا اضافہ ہوا۔ اکم فنڈ جو شرعی قوانین کی پیروی کرتے ہیں 142.15 فیصد تک بڑھے۔ روایتی اسٹاک فنڈز 3.23 فیصد تک گر گئے، جبکہ شریعہ کمپلیٹ فنڈز میں صرف 0.39 فیصد کمی ہوئی۔

کمپنی ایک اسلامی اکم فنڈ برقرار رکھے ہوئے ہے، جسے 1786 سارٹ فنڈ کہا جاتا ہے، مارکیٹ کے خطرے کا مقابلہ کرنے کے لئے فنڈ کی زیادہ تر قیمت تجارتی بینکوں میں لگائی جا رہی ہے لیکن وہ معاشی، اور سیاسی عوامل سے متاثر ہونے کو ویڈ-19 کی وجہ سے کمپنی کی کارکردگی بھی متاثر ہوئی۔ مختلف سکوک میں کچھ سرمایہ کاری کی گئی جس نے مجموعی طور پر کمپنی کے لئے اچھی کارکردگی کا مظاہرہ کیا۔ کمپنی کی رسک مینجمنٹ پالیسیاں اور پروسیجرز یقینی بناتے ہیں کہ رسک کی موثر طریقہ سے شناخت، تشخیص، نگرانی اور انتظام کیا گیا ہے۔ رسک مینجمنٹ ایک متحرک فنکشن ہے اور مینجمنٹ آمدنی میں تغیر کو کم کرنے کے لئے اپنے داخلی رسک پروسیجرز اور عوامل کی مسلسل نگرانی لازمی بناتی ہے۔

بورڈ کی تفصیلات

سلیکیٹیز (کارپوریٹ گورننس کا ضابطہ) ریگولیشن، 2019 کے تحت تمام بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تفصیلات ضروری ہوتی ہے۔ اس سلسلے میں، کمپنی کے بورڈ آف ڈائریکٹرز اور بورڈ کمیٹی کی کارکردگی کا جائزہ لینے کے لئے کمپنی میں اویلیو ایٹن سروے کی ایک وسیع رینج منعقد کی گئی تھیں۔ بورڈ کے تمام ارکان کے تاثرات اسٹریٹجک وضاحت اور عقائد، کاروباری منصوبہ کی سمت اور اس کے کردار کی فعال کفایت کے شعبوں پر تلی پیش تھے۔

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 ایکٹیوٹی 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 انشیدانہ 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 گورننگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- کارپوریٹ گورننس کے بہترین عمل سے کوئی مادی انحراف نہیں کیا گیا ہے سوائے جن مالی گوشواروں کے ساتھ منسلک تعمیلی بیان میں انکشاف کیا گیا۔
- فنڈ کے پونٹ میں کسی ڈائریکٹر، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری اور ان کے زوج اور ان کے نابالغ بچوں کی طرف سے سال کے دوران کوئی تجارت نہیں کی گئی سوائے جن کا مالی گوشواروں سے متعلقہ نوٹس میں انکشاف کیا گیا۔

- ٹیکسز، ڈیوٹیز، لیویز اور بھتیا چارجز کی مد میں کوئی قانونی ادائیگی نہیں ہے۔

کمپنی نے درج ذیل انداز میں سلیکیٹیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور ریگولیشن کے تقاضوں کی تعمیل کی ہے۔

ڈائریکٹرز کی کل تعداد سات (7) درج ذیل کے مطابق ہے:

4	(a) - مرد
3	(b) - خاتون

اقتصادی جائزہ

پاکستان کی معیشت پوری دنیا کی طرح کورونا وائرس کی وبا کے اثرات سے نکل چکی ہے۔ حکومت کی انتظامیہ کی کوششوں کے نتیجے میں معاشی اعداد و شمار میں اضافہ ہوا، مالی سال 2020 میں 0.48 فیصد کے مقابلے میں مالی سال 2021 میں معیشت کی نمو 3.94 فیصد ہوئی۔ مالی سال 2021 میں، اسٹیٹ بینک پاکستان نے اپنی پالیسی شرح 7.00 فیصد برقرار رکھی۔ حکومت نے بیرون ملک مقیم پاکستانیوں کے لیے روشن ڈیجیٹل اکاؤنٹ (آر ڈی اے) قائم کیا، جس سے رواں مالی سال میں 1.50 بلین ڈالر سے زائد کی آمدنی ہوئی ہے۔ حکومتی اقدامات کے نتیجے میں، پاکستان کے کرنٹ اکاؤنٹ میں 31 مئی، 2020 تک 153 بلین امریکی ڈالر کا سرپلس تھا، جبکہ پچھلے سال 4.33 بلین ڈالر کا خسارہ تھا۔ تاہم، بڑھتی ہوئی معاشی سرگرمیوں کی وجہ سے، رواں مالی سال کے 11 ماہ میں تمام تجارتی خسارہ بڑھ کر 29.99 بلین امریکی ڈالر ہو گیا جو کہ پچھلے سال 27 بلین ڈالر تھا۔ اسٹاک مارکیٹ کا جائزہ:

ہیڈ مارک KSE-100 انڈیکس اس سال 37.60 فیصد بڑھ کر، 12,934 پوائنٹس کے اضافے کے بعد 47,356 پوائنٹس پر بند ہوا۔ مائیکرو، میڈیم اور بہتر معاشی اعداد و شمار کی وجہ سے، مارکیٹ نے سال بھر میں تیزی کارخانہ برقرار رکھا۔ تعمیراتی صنعت میں ایندھن نے پورے شعبے اور اس سے متعلقہ شعبوں میں ایک تحریک کو جنم دیا۔ 14 جون، 2021 کو، ہیڈ مارک انڈیکس 48,986.94 پوائنٹس کی بلند ترین سطح پر پہنچ گیا۔ مالی سال 2021 میں، یومیہ اوسط تجارت کا حجم 528 ملین حصص کی بلند ترین سطح پر پہنچ گیا۔

ایسٹ پیجمنٹ انڈسٹری کا جائزہ

30 جون 2021 کو میوچل فنڈز (اوپن اینڈ فنڈز) کے ایسٹ انڈر مینجمنٹ (AUM) کی مالیت 30 جون 2020 772.93 بلین روپے سے 36.68 فیصد بڑھ کر 1,056.44 بلین روپے ہو گئی۔ روایتی معنی مارکیٹ فنڈز 56.98% تک پہنچ گئے، جبکہ انکم فنڈز میں 42.48% اضافہ ہوا۔ انکم فنڈز جو شری قوانین کی پیروی کرتے ہیں 142.15 فیصد تک بڑھے۔ روایتی اسٹاک فنڈز 3.23 فیصد تک گر گئے، جبکہ ٹریڈ کپلینٹ فنڈز میں صرف 0.39 فیصد کی نمو ہوئی۔

30 جون 2021 تک کمپنی کے ایسٹ انڈر مینجمنٹ (AUM) کی مالیت 746 بلین تک پہنچ گئی جو 30 جون 2020 کو تین اضعاف شدہ فنڈز کی مالیت (626.50 بلین روپے) کے مقابلے میں 19.12 فیصد کا اضافہ ظاہر کر رہا ہے۔

کارپوریٹ سماجی ذمہ داری اور ماحول پر اثرات:

سال کے دوران، 786 انویسٹمنٹ لمیٹڈ نے CSR سرگرمیاں منظم کیں، ہم نے COVID-19 کے باعث نول کورونا وائرس کے پوری دنیا میں پھیلاؤ کے دوران پاکستان کے صحت اور حفاظتی پروڈکٹوں پر عملدرآمد کیا۔ یہ غیر معمولی اوقات جو گھبرانے کی نہیں، تدبیر کا مطالبہ کرتے ہیں۔ ہماری تمام پالیسیاں منظم اور ماحول دوستانہ ہیں۔

ہم نے سندھ گورنر ہاؤس میں خواتین فرنٹ لائن ورکرز (ڈاکٹروں اور نرسوں) جنہوں نے دوسروں کی زندگیاں بچانے کے لیے اپنی جانوں کو خطرے میں ڈال دیا کے لیے ایک چھوٹی سی، سماجی فاصلے پر ایوارڈ تقریب فیس بک لائیو کا انعقاد کیا۔

786 انویسٹمنٹ لمیٹڈ ہمیشہ بہترین SOP طریقوں پر فعال ہوتا ہے اور بہت زیادہ احتیاط برتتا ہے۔ جب صورتحال بدستور کشیدہ ہو، ہم عملی طور پر پورے کاروباری اوقات میں کام کریں گے اور حکومت سندھ کی صحت عامہ کی ہدایت پر اپنی حفاظتی اقدامات کو یقینی بنائیں گے۔

ہماری ٹیم کے اراکان نے (1) لڑکیوں کو پیشہ ورانہ تعلیم دینا، (2) فوڈ راشن تقسیم کرنے کے لئے رضا کارانہ خدمات انجام دیں (3) لیڈیز فنڈ ایوارڈ۔ ہمارا نقطہ نظر ہمارا عزم آپ، ہمارے کلائنٹس، ہمارے حصص داران، ہمارے ملازمین اور کمیونٹی سے ہے۔



میٹجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

786 انویسٹمنٹ لمیٹڈ (786 پبلیک کمپنی) کے بورڈ آف ڈائریکٹرز 30 جون 2021 کو ختم ہونے والے سال کی سالانہ رپورٹ اور نظر ثانی شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

اصل کاروبار

786 انویسٹمنٹ لمیٹڈ ایک پبلک لمیٹڈ کمپنی جو پاکستان میں قائم ہے۔ کمپنی این بی ایف سی قواعد، 2003 کے تحت این بی ایف کے طور پر رجسٹرڈ ہے۔ کمپنی نے این بی ایف سی قواعد، 2003 اور این بی ایف سی ریگولیشن، 2008 کے تحت سرمایہ کاری مشاورتی خدمات اور ایسٹ میٹجمنٹ سروسز سرانجام دینے کا لائسنس حاصل کر رکھا ہے۔

کمپنی کی کارکردگی کا جائزہ

30 جون 2021 (روپے)	30 جون 2020 (روپے)	
8,836,778	9,566,707	میٹجمنٹ فیس
1,111,112	1,111,111	دیگر آپریٹنگ آمدنی
3,740,722	2,835,672	مجموعی آمدنی
18,307,124	21,157,029	دیگر آپریٹنگ چارجز
		انتظامی اور آپریٹنگ اخراجات
(23,456,960)	(25,709,479)	مالی چارجز
(1,650,044)	(6,874)	کل اخراجات
(25,107,004)	(25,716,353)	شیئرز آف ایسویٹس (نقصان)
8,322,872	10,007,405	سرمایہ کاری پر امپیر مشن نقصان
5,139,649	5,448,081	ٹیکس سے قبل (نقصان) / نفع
3,268,830	3,935,840	ٹیکس کے بعد (نقصان) / نفع

کمپنی نے 30 جون 2020 کو ختم ہونے والی مدت کے دوران 3.26 ملین روپے کا منافع جبکہ مالی سال 20 میں 3.93 ملین روپے کا منافع درج کرایا تھا۔ کمپنی کی آمدنی جو بنیادی طور پر میٹجمنٹ فیس پر مشتمل ہے 0.73 ملین روپے تک کم ہوئی جو میٹجمنٹ فیس میں 7.63 فیصد کمی ظاہر کر رہی ہے۔ لیکن بالترتیب انتظامی اور آپریٹنگ اخراجات 0.609 ملین روپے تک کم ہو گئے جو انتظامی اور آپریٹنگ اخراجات میں 2.37 فیصد کمی ظاہر کر رہے ہیں۔ دیگر آمدنی نے بھی کمپنی کے مستحکم منافع میں حصہ شامل کیا۔ اس کے علاوہ ایسویٹس کی شیئرز مالی سال 20 میں 10 ملین روپے منافع کے مقابلے میں 8.32 ملین روپے کا منافع ظاہر کرتا ہے۔

30 جون 2021 کو ختم ہونے والی مدت کے لئے کمپنی کی فی شیئر آمدنی (ای پی ایس) 0.22 روپے فی شیئر تھی جو 30 جون 2020 کو 0.26 روپے فی شیئر تھی۔

کمپنی کے ڈائریکٹرز کی یہ ذمہ داری ہے کہ اس بات کو یقینی بنائیں کہ کمپنی کا داخلی مالی کنٹرول سسٹم کافی اور موثر طریقے سے کام کر رہا ہے۔

"انویسٹمنٹ ایڈوائزری سروسز" کے لائسنس کی بروئے مراسلہ نمبر SCD/AMCW/786IL/2020-109 مورخہ 12 مئی، 2020 کے ذریعے 26 مئی 2019 سے مؤثر اور 25 مئی 2022 تک کارآمد کامیابی سے تجدید کر رہی ہے۔ این بی ایف سی کے قواعد و ضوابط کی تعمیل سے مشروط، اگلے تین سالوں کے لئے لائسنس کمیشن کی طرف سے قابل تجدید ہوگا۔

کمپنی کی توجہ زیر انتظام اثاثوں (AUMs) کو بڑھانے پر مرکوز کر رہی ہے۔ کمپنی ایک فنڈ کو منظم کرتی ہے جس کو اسلامی انکم فنڈ کا درجہ دیا گیا ہے، جو سرونیک فنڈ ہے، 786 اسارٹ فنڈ کہلاتا ہے، جس میں 30 جون 2021 کو ختم ہونے والے سال تک 746 ملین روپے کی AUM ہے۔ مالی سال کے دوران، AUM میں 19.12 فیصد اضافہ واقع ہوا ہے۔

مستقبل کے منصوبے

کمپنی اپنی حکمت عملی پر نظر ثانی اور معیشت کی صورت حال اور کمپنی کے ہاں دستیاب وسائل کا تجزیہ کر رہی ہے۔ کمپنی کے مالی اور آپریٹنگ پیلوؤں کو نمایاں طور پر تبدیل کرنے کے عمل کی منصوبہ بندی بھی کی گئی کیونکہ گزشتہ سال کاروبار کو مالی دباؤ کا سامنا کرنا پڑا تھا۔

کمپنی نے اخراجات کو موثر طریقے سے کم کرنے کی حکمت عملی تیار کرنے کے لئے اپنے کاموں کی تنظیم نو کرنے کا بھی منصوبہ بنایا ہے تاکہ کمپنی کا رخ موثر اجاڑ سکے۔ سال کے لئے ہمارا مقصد مؤثر فروخت حکمت عملی کی تشکیل کے ذریعے اثاثہ زنجیر (AUM) کو فروغ دینا ہے۔

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF 786 INVESTMENTS LIMITED**

Review Report on the Statement of Compliance contained in listed companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **786 Investments Limited** (the company) for the year ended June 30, 2021 in accordance with the requirement of regulation 36 of the Regulation.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon the recommendations of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2021.


Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Date: 28 SEP 2021

**SATATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF
CORPORATE GOVERNANANCE) REGULATIONS, 2019
FOR THE YEAR ENDED JUNE 30, 2018.**

The Company has complied with the requirement of the Regulation in the following manner:

1. The total number of directors are seven (7) as per the following:
 - a) Male: 04
 - b) Female: 03
2. The Composition of board is as follows:

Category	Names	Designation
Independent Directors	Ms. Shafqat Sultana Ms. Charmaine Hidayatullah Syed Shabahat Hussain Mr. Ahmed Salman Munir	Chairperson Director Director Director
Executive Director	Ms. Tara Uzra Dawood	Chief Executive Officer
Non-Executive Director	Syed Farhan Abbas Mr. Tahir Mehmood	Director Director
Female Directors	Ms. Shafqat Sultana Ms. Tara Uzra Dawood Ms. Charmaine Hidayatullah	Chairperson Chief Executive Officer Director

3. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
4. The Management Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The board has developed a Vision/Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirement of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. The directors of the Company are experienced and seasoned corporate professionals and are well-conversant with the relevant laws applicable to the Company, its policies and procedures, and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The Chief Executive Officer as

a Director in the Board has Completed their Training Program from Pakistan Institute of Corporate Governance from the Directors Training Program under the criteria specified in Clause (xi) of the Code. Four directors of the Company, Ms. Shafqat Sultana, Syed Shabaha Hussain, Mr. Ahmed Salman Munir & Ms. Charmaine Hidayatullah are exempted from the Training Program from Pakistan Institute of Corporate Governance and appears in the data bank of Pakistan Institute of Corporate Governance.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirement of the Regulations. The company Secretary and chief Financial officer is the same person, However duties of both positions are distinct and clearly spelled out. Since long both these positions are handled by one person who has in-depth knowledge required by both positions and the Company is very much satisfied. Further, it has less financial burden on the Company.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed following committees comprising of members given below:

Category	Names	Committees	Designation
Independent Directors	Syed Shabaha Hussain	Audit Committee	Chairman Audit Committee
Non-Executive Director	Syed Farhan Abbas		Member
Non-Executive Director	Mr. Tahir Mehmood		Member
Independent Directors	Ms. Shafqat Sultana	Human Resource & Remuneration Committee	Chairperson HR&RC
Executive Director	Ms. Tara Uzra Dawood		Member
Non-Executive Director	Mr. Tahir Mehmood		Member

13. The terms of reference of the aforesaid committees have committee have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
 - a) Audit Committee : 04 meeting were held during the FY 2019-2021
 - b) HR & Remuneration Committee: 01 meeting were held during the FY 2019-2021

Events after the Balance Sheet Date

There was no subsequent event after the Balance sheet date but only the election of directors taken place as of July 30, 2021. As a result of the election, the following Directors have been elected which is subject to commission approval.

Category	Names	Designation
Independent Directors	Ms. Shafqat Sultana	Chairperson
	Syed Shabaha Hussain	Director
	Mr. Ahmed Salman Munir	Director
Executive Director	Ms. Tara Uzra Dawood	Chief Executive Officer
Non-Executive Directors	Syed Farhan Abbas	Director
	Mr. Naveed Ahmed	Director
	Mr. Tahir Mehmood	
Female Directors	Ms. Shafqat Sultana	Chairperson
	Ms. Tara Uzra Dawood	Chief Executive Officer

However, the following Directors have resigned from their position as directors' Syed Farhan Abbas & Mr. Tahir Mehmood and in the occurrence of a casual vacancy, the following name has been appointed as director of the company Ms. Charmaine Hidayatullah & Syed Musharaf Ali as on dated September 21, 2021.

According to section 158, the subsequent Directors are not yet approved by the SECP. So in that connection, Directors so retiring shall continue to perform their functions until their successors elected in EOGM endorsed and approved by the SECP.

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied.

Shafqat Sultana
Chairperson

Karachi: _____

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF 786 INVESTMENTS LIMITED
REPORT ON THE AUDIT OF FINANCIAL STATEMENTS**

Opinion

We have audited the annexed financial statements of **786 Investments Limited** which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit, other comprehensive profit, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter(s)

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 are the Key audit matter(s):

S. No.	Key audit matter(s)	How the matter was addressed in our audit
1)	Transactions with the related parties As referred in note 8 and 32 to the financial statements, 786 Investments Limited is the Fund Manager of 786 Smart Fund, as well as investment advisor of Dawood Family Takaful Limited. Transactions with these related parties are considered to be a key audit matter. With the above related parties, transactions are undertaken in the normal course of business, the fee charged mechanism adopted which involves the determination of profit margins to be included in the management fee on a daily basis, and fee charged for investment advisory fee as per the terms of agreement with the related party may potentially impact the operating results of the Company in a significant manner. We have Considered these to be a key audit matters due to their materiality, nature and significance in terms of judgments involved.	Our key audit procedures with respect to related party sales transactions included: i) Examination of the service agreement which sets out the terms and conditions of such transactions and also fee mechanism to be followed for the same ii) Obtaining confirmation from related parties for transactions and balances, approval of the said agreements and pricing policies by the Board of Directors of the respective Fund/Company and compliance with the relevant requirements of the companies Act 2017 and Code of Corporate Governance with respect to such related party transactions. iii) We also evaluated the appropriateness of the disclosures of such related party transactions in accordance with the requirements of the applicable financial reporting standards. In doing so, we considered the adequacy and relevance of the information disclosed in the financial statements to comply with the requirements of "IAS 24 – Related Party Disclosure.
2)	Valuation of Investments The value of investment comprising long and short term is Rs. 215.246 million as at June 30, 2020 (2020: Rs. 192.006 million) held by the company at the year end is considered to be a key audit matter due to significance of amount and use of judgement in assessing impairment. Refer to note 3.3 for the accounting policy on investments and details of the investments are disclosed in note 8 and 11.	i) Test of detail are performed on investments held by the company including inspecting source documents and evaluating quoted market rates and fair values where applicable. ii) Further valuation of investment has been substantiated in accordance with appropriate and relevant accounting standards.

<i>S. No.</i>	<i>Key audit matter(s)</i>	<i>How the matter was addressed in our audit</i>
3)	<i>Loan from director</i>	
	As explained in note 19, interest bearing loan from director Rs. 22 million is classified as subordinated loan by the Management of the Company, is considered to be a key audit matter due to the significance of amount and classification as per the NBFC Rules.	Following test of details are performed for the verification and classification of subordinated loan: i) Performed test of details and obtained confirmation for the verification of loan, ii) Reviewed loan agreements for terms and conditions of loan, iii) Reviewed NBFC Rules for the definition of "equity" which specifically includes, interest free subordinated loan, & iv) Examine and evaluate approval from SECP.

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

Management is responsible for the other information. The Other Information comprises the information included in the Company's Annual Report does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management 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 Companies Act, 2017(XIX of 2017) 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 is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 the board of directors 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 the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

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

Reanda Haroon Zakaria & Co
Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: 28 SEP 2021



STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees (Restated)	2019 Rupees (Restated)
<u>ASSETS</u>				
Non-Current Assets				
Property and equipment	6	2,052,245	3,621,242	5,569,923
Intangible asset	7	969,570	1,108,080	1,246,590
Long term investments	8	193,108,093	169,578,338	181,475,932
Long term deposits and Prepayments	9	36,300	536,300	1,036,300
Deferred tax assets	10	-	-	-
		196,166,208	174,843,960	189,328,745
Current Assets				
Short term investments	11	22,138,642	22,428,330	10,071,630
Loans and advances	12	-	22,003	39,667
Prepayments and other receivable	13	7,579,509	7,609,372	7,401,153
Trade receivable	14	1,938,496	4,108,583	3,087,149
Accrued markup	15	2,431,517	2,804,667	153,119
Tax refund due from government	16	6,664,825	5,819,256	5,046,837
Cash at bank	17	11,957,163	12,042,370	4,539,920
		52,710,153	54,834,581	30,339,475
Total Assets		248,876,361	229,678,541	219,668,220
<u>EQUITY AND LIABILITIES</u>				
Share Capital and Reserves				
Authorised capital				
20,000,000 (2020: 20,000,000)				
Ordinary shares of Rs. 10 each		200,000,000	200,000,000	200,000,000
Issued, subscribed and paid up capital				
14,973,750 (2020: 14,973,750)				
Ordinary shares of Rs. 10 each	18	149,737,500	149,737,500	149,737,500
General reserves		33,630,264	33,630,264	33,630,264
Surplus on revaluation of investments - At FV through OCI		-	5,454,357	(13,777)
Share of unrealised gain on remeasurement of investments in associates)		182,232	236,114	210,748
Director loan		22,000,000	-	-
Unappropriated profit		24,580,088	21,311,258	17,375,418
		230,130,084	210,369,493	200,940,153
Current Liabilities				
Trade and other payables	20	17,747,535	18,310,306	17,729,325
Unclaimed dividend	21	998,742	998,742	998,742
		18,746,277	19,309,048	18,728,067
Contingencies and Commitments				
22				
Total Equities and Liabilities		248,876,361	229,678,541	219,668,220

The annexed notes from 1 to 39 form an integral part of these financial statements.

**786 Investments Limited
(Management Company)**

Chief Financial Officer

Director

Chief Executive Officer



STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2021

	<i>Note</i>	<i>2021 Rupees</i>	<i>2020 Rupees (Restated)</i>
Income			
Remuneration from funds under management	23	8,836,778	9,566,707
Advisory fee		1,111,112	1,111,111
Capital gain on sale of investment		-	269,631
Income on TFC's		2,467,742	3,635,148
Gain on Redemption of Units of Associates' Investment		-	2,068,124
Income on Pakistan Investment Bond		<u>2,150,770</u>	<u>1,670,636</u>
		14,566,402	18,321,357
Reclassification of Surplus on Investments	36	5,454,357	-
Deficit on Revaluation of Investments - At FVP&L		<u>(1,837,701)</u>	<u>-</u>
		3,616,656	-
Expenses			
Administrative and operating expenses	24	<u>(23,456,960)</u>	<u>(25,709,479)</u>
Financial charges	25	<u>(1,650,044)</u>	<u>(6,874)</u>
		<u>(25,107,004)</u>	<u>(25,716,353)</u>
Operating loss		(6,923,946)	(7,394,996)
Other operating income	26	3,740,722	2,835,672
Share of associates' profit	27	<u>8,322,872</u>	<u>10,007,405</u>
Profit before taxation		5,139,649	5,448,081
Taxation	28	<u>(1,870,819)</u>	<u>(1,512,241)</u>
Net Profit for the year		<u>3,268,830</u>	<u>3,935,840</u>
Earnings per share - basic and diluted	29	<u>0.22</u>	<u>0.26</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

786 Investments Limited
(Management Company)

Chief Financial Officer

Director

Chief Executive Officer



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2021

	<i>2021</i> <i>Rupees</i>	<i>2020</i> <i>Rupees</i> <i>(Restated)</i>
Net profit for the year	3,268,830	3,935,840
Other Comprehensive Income / (loss)		
Surplus on revaluation of investments - At fair value through other comprehensive income	-	5,468,134
Share of unrealised (loss) / gain from associates on remeasurement of investments	(53,882)	25,366
Reclassification of Surplus on Investments	(5,454,357)	-
Total comprehensive (Loss) / Income for the year	<u>(2,239,409)</u>	<u>9,429,340</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

786 Investments Limited
(Management Company)

Chief Financial Officer

Director

Chief Executive Officer



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

	2021 Rupees	2020 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,139,649	5,448,081
Adjustments for items not involving movement of funds:		
Depreciation on property and equipment	1,826,947	2,006,890
Amortization	138,510	138,510
Financial charges	1,650,044	6,874
Mark up earned on saving account	(1,431,241)	(1,290,040)
Loss on sale of investment	-	(269,631)
Gain on Redemption of Units of Associates' Investment	-	(2,068,124)
Revaluation gain on investment FVTPL	(3,616,656)	-
Income on Pakistan Investment Bond	(2,150,770)	-
Liabilities written back	(2,306,682)	-
Bank Balances written off	123,737	-
Share of profit from associates'	(8,322,872)	(10,007,405)
	(14,088,983)	(11,482,926)
Operating cash out flows before working capital changes	(8,949,334)	(7,145,956)
Decrease / (increase) in current assets		
Loans and advances	22,003	17,664
Trade receivable	2,170,087	178,566
Prepayments and other receivable	29,863	(208,219)
	2,221,953	(11,989)
(Decrease) / Increase in current liabilities		
Trade and other payables	(21,623)	492,092
	(6,749,004)	(6,665,853)
Income taxes paid - net	(1,530,166)	(2,284,660)
Net cash used in operating activities	(8,279,171)	(8,950,513)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - net	(18,000,000)	17,379,554
TFC Redeemed	5,000	-
Long-Term Deposits and Prepayments	500,000	500,000
Receipt of mark up on savings account	1,955,160	(1,361,509)
Income received on PIBs	2,000,000	-
Capital expenditure incurred	(257,950)	(58,209)
Net cash (used in) / generated from investing activities	(13,797,790)	16,459,836
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Sub Ordinated Loan From Director	22,000,000	-
Financial charges paid	(8,247)	(6,874)
Net Cash Generated from / (used in) Financing Activities	21,991,754	(6,874)
Net (decrease) / increase in cash and cash equivalents	(85,207)	7,502,450
Cash and cash equivalents at beginning of the year	12,042,370	4,539,920
Cash and cash equivalents at end of the year	11,957,163	12,042,370

The annexed notes from 1 to 39 form an integral part of these financial statements.

786 Investments Limited
(Management Company)

Chief Financial Officer

Director

Chief Executive Officer



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2021

	Share capital		Reserves				
	Capital	Capital	Revenue				
	Issued, subscribed and paid-up capital	General reserve	Sub ordinated loan from Director reserve	Surplus on measurement of available for sale investments	Share of unrealised gain on remeasurement of associates'	Unappropriated profit	Total
Note	----- Rupees -----						
Balance as at July 1, 2019 as previously reported	149,737,500	33,630,264	-	(13,777)	210,748	16,819,862	200,384,597
Adjustment of advisory fees	-	-	-	-	-	555,556	555,556
Balance as at July 1, 2019 - Restated	149,737,500	33,630,264	-	(13,777)	210,748	17,375,418	200,940,153
Profit for the year	-	-	-	-	-	2,824,729	2,824,729
Other comprehensive income / (loss)							
Surplus on revaluation of investments - At FV through OCI	-	-	-	5,468,134	-	-	5,468,134
Share of unrealised gain on remeasurement of associates' investments	-	-	-	-	25,366	-	25,366
Total comprehensive income for the year	-	-	-	5,468,134	25,366	2,824,729	8,318,229
Balance as at June 30, 2020	149,737,500	33,630,264	-	5,454,357	236,114	20,200,147	209,258,382
Impact of Investment Advisory fees						1,111,111	1,111,111
Balance at June 30, 2020- as Restated	149,737,500	33,630,264	-	5,454,357	236,114	21,311,258	210,369,493
Profit for the year	-	-	-	-	-	3,268,830	3,268,830
Other comprehensive income / (loss)							
Recalssification of Surplus on Investments	-	-	-	(5,454,357)	-	-	(5,454,357)
Subordinated Loan From Director	-	-	22,000,000	-	-	-	22,000,000
Share of unrealised gain on remeasurement of associates' investments	-	-	-	-	(53,882)	-	(53,882)
Total comprehensive income for the year	-	-	22,000,000	(5,454,357)	(53,882)	3,268,830	19,760,591
Balance as at June 30, 2021	149,737,500	33,630,264	22,000,000	-	182,232	24,580,088	230,130,084

The annexed notes from 1 to 39 form an integral part of these financial statements.

786 Investments Limited
(Management Company)

Chief Financial Officer

Director

Chief Executive Officer



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

1 STATUS AND NATURE OF BUSINESS

- 1.1 786 Investments Limited, the Company was incorporated on September 18, 1990 as a public limited Company in Pakistan, with its registered office at G3, Ground Floor BRR Tower, Hassan Ali Street, Off I. I. Chundrigar Road, Karachi 74000. The Company is listed on the Pakistan Stock Exchange Limited. The Company has changed its name to 786 Investments Limited from Dawood Capital Management Limited with effect from 20 January, 2017 after completing regulatory formalities.

The Company is registered as a Non Banking Finance Company under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Company has obtained the licenses to carry out investment advisory services and asset management services under the NBFC Rules and the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

- 1.2 The license to carry out "Asset Management Service" has been successfully renewed dated May 28, 2019 under Rule 5 of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 amended through S.R.O 1131(1) 2007, S.R.O 271(1) 2010, S.R.O 570(1)/2012 and S.R.O 1002(1)/2015 respectively.
- 1.3 The license to carry out "Investment Advisory Services" has been successfully renewed vide its letter No.SCD/AMCW/786IL/2020-109 dated November 12, 2020 with effect from May 26, 2019 and valid till May 25, 2022 . Licence shall further be renewable by the Commission for next three years, subject to the compliance of the NBFC Rules and the NBFC Regulations.

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 applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the international Accounting Standard Boards (IASB) as notified under the Companies Act, 2017.
- Provision of and directives issued under the Companies Act, 2017.
- The Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (The NBFC Rules), and the Non Banking Finance Companies and Notified Entities Regulations, 2008 (The NBFC Regulations); and
- Directives issued by the SECP

Where provisions of and directives issued under the Companies Act, 2017, The NBFC Rules, The NBFC Regulations and by the SECP differ with the requirements of IFRS the provisions of and directives issued under the Companies Act, 2017, The NBFC Rules, The NBFC Regulations and SECP have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments which are measured at fair value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.4 New or Amendments / interpretations to existing standards, interpretation and forth coming requirements:

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July, 2020 other than those disclosed in note 3 are considered not to be relevant or do not have any significant effect on the company's financial statements and are therefore not stated in these financial statements.



2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July, 2020:

2.5.1 Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) - Effective for periods beginning on or after 1 January 2022

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

2.5.2 Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) - Effective for periods beginning on or after July 2021

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

2.5.3 Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) - Effective for periods beginning on or after 01 July 2021

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

2.5.3 Annual Improvements to IFRS Standards 2018–2020- the improvements address amendments to following approved accounting standards:

- IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are effective from annual periods beginning on or after 1 July 2020 and are not likely to have an impact on the Company's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Property and equipment

3.1.1 Owned

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Depreciation is charged to profit and loss account over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 7 to the financial statements.

Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.



The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The residual values and useful lives of assets are reviewed at each financial year end and adjusted, if appropriate.

Gains and losses on disposals, if any, are included in the profit and loss account.

3.2 Impairment of non-financial asset

3.3 Financial assets and liabilities

3.3.1 Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received plus or minus transaction costs (except financial asset at FVTPL where transaction costs are charged to profit or loss). These are subsequently measured at fair value or amortized cost as the case may be.

3.3.2 Classification of financial assets

The Company classifies its financial instruments in the following categories:

- at amortized cost.
- at fair value through other comprehensive income ("FVTOCI"), or
- at fair value through profit or loss ("FVTPL").

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through OCI

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

However, Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income provided that the investment is neither held for trading nor its a contingent consideration in a business combination.

Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized or at fair value through OCI.



3.3.3 Classification of Financial liabilities

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"), or
- at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

3.3.4 Subsequent measurement

Financial assets at FVTOCI

These are measured at fair value, with gains or losses arising from changes in fair value recognized in OCI.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

Financial assets and liabilities at FVTPL

Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income / (loss). Currently, there are no financial liabilities designated at FVTPL.

3.3.5 Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets that are measured at amortized cost.

The company measures loss allowance at an amount equal to life time ECLs, except for the following, which are measured at 12 months ECL:

- Debt security that are determined to have low credit risk at the reporting date.
- Other debt security and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivable are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company initially makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

3.3.6 Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers



the financial assets and substantially all the associated risks and rewards of ownership to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to revenue reserve.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss and other comprehensive income.

3.4 Settlement date accounting

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the settlement date. Trade date is the date on which the Company commits to purchase or sale an asset.

3.5 Financial instruments

3.5.1 Financial assets and liabilities

Financial assets include investments, deposits, loans, advances, other receivables, receivable from funds and cash and bank balances.

Financial liabilities include accrued expenses and other liabilities and liabilities against assets subject to finance lease. Financial liabilities are classified according to the substance of the contractual agreement entered into.

At the time of initial recognition, all the financial assets and liabilities are measured at cost, which is the fair value of the consideration given or received for it. Transaction costs are included in the initial measurement of all financial assets and liabilities except for transaction costs that may be incurred on disposal. The particular recognition method adopted for recognition of financial assets and liabilities subsequent to initial recognition is disclosed in the policy statement associated with each item.

3.5.2 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liability is also off-set.

3.5.3 Related party transactions and transfer pricing

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at arm's length prices which are determined in accordance with the methods prescribed in the Companies Act, 2017.

3.6 Employee retirement benefits-defined contribution plan

The Company operates recognised provident fund scheme for all its eligible employees. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 10 percent of basic salary.

3.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalent consist of bank balances and running finances under mark-up arrangements.

3.8 Trade debts, loans, deposits, interest accrued and other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable.



These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

3.9 Subordinated loan from sponsors

Subordinated loans are classified as per the terms and conditions of loan agreements and in accordance with the classification criteria provided in NBFC Rules and TR-32 of ICAP.

3.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

3.11 Proposed dividend and transfer between reserves

Dividends declared and transfer between reserves, except appropriations which are required by the law, made subsequent to the balance sheet date are considered as non adjusting events and are recognized in the financial statements in the year in which such dividends are declared or transfers between reserves are made.

3.12 Revenue recognition

Management fee is recognized on accrual basis when relevant services are rendered.

Gains and losses on sale of marketable securities are recognised on the trade debt.

Dividend income is recorded when the right to receive the dividend is established. Return on securities other than shares is recognised on accrual basis.

Return on bank deposits are recognised on accrual basis. Other income is recognised as and when earned.

3.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that 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 reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.14 Segment reporting

"An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has two segment i.e. (i) Asset Management Service and (ii) Fee from Advisory services. However, it does not subject to the required threshold to meet the requirement of separate reportable segment."

3.15 Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into consideration available tax credits, rebates and tax losses, if any. However, for income covered under final tax regime, taxation is based on applicable tax rules under such regime. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary timing differences arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.



4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company'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.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- a) Recognition of taxation and deferred taxation;
- b) Determining the useful lives of operating fixed assets;
- c) Classification of investments; and
- d) Impairment of financial assets.

5 RECITIFICATION OF ERROR

Management has made an adjustment of advisory income relating to the prior periods. Company was unable to account for the advisory income in prior periods due to the pendency of license renewal for investment advisory services by the Commission (SECP). Considering the materiality of the amount, adjustment has been made in the prior periods retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures of statement of financial position, statement of profit or loss and statement of changes in equity have been restated.

<i>The effects of adjustments are summarized below:</i>		<i>Previously reported</i>	<i>Adjustment</i>	<i>Re-stated</i>
	<i>Note</i>	<i>----- Rupees -----</i>		
<i>Effect of error on financial statements for year ended June 30, 2019 (Audited)</i>				
<i>Statement of financial position</i>				
<i>Current - Assets</i>				
Trade receivables		2,487,149	600,000	3,087,149
Trade and other payables		17,684,881	44,444	17,729,325
<i>Statement of changes in equity</i>				
Unappropriated profit		16,819,862	555,556	17,375,418
<i>Statement of profit or loss</i>				
Income on advisory services		-	555,556	555,556
<i>Effect of error on financial statements for year ended June 30, 2020 (Audited)</i>				
<i>Statement of financial position</i>				
<i>Current - Assets</i>				
Trade receivables		2,308,583	1,800,000	4,108,583
<i>Trade and other payables</i>				
- Sales tax payable		863,347	133,333	996,680
<i>Statement of changes in equity</i>				
Unappropriated profit		19,644,591	1,666,667	21,311,258
<i>Statement of profit or loss</i>				
Income on advisory services		-	1,111,111	1,111,111

6 PROPERTY AND EQUIPMENT

6.1 The following is the statement of property and equipment:

<i>Description</i>	<i>Furniture and fixtures</i>	<i>Vehicles</i>	<i>Office equipment</i>	<i>Computers</i>	<i>Total</i>
----- Rupees -----					
Year ended June 30, 2021					
Opening net book value (NBV)	395,656	2,324,868	453,327	447,391	3,621,242
Additions (at cost)	-	-	-	257,950	257,950
Disposals					
Cost	-	-	-	-	-
Depreciation	-	-	-	-	-
Net Book value	-	-	-	-	-
Depreciation charge	(65,600)	(1,118,674)	(257,748)	(384,925)	(1,826,947)
Closing net book value	330,056	1,206,194	195,579	320,416	2,052,245
Gross carrying value basis					
Cost	1,487,514	5,593,370	1,494,502	5,538,425	14,113,811
Accumulated depreciation / impairment	(1,157,458)	(4,387,176)	(1,298,923)	(5,218,009)	(12,061,566)
Net book value	330,056	1,206,194	195,579	320,416	2,052,245
Year ended June 30, 2020					
Opening net book value (NBV)	468,289	3,443,542	611,449	1,046,643	5,569,923
Additions (at cost)	-	-	-	58,209	58,209
	468,289	3,443,542	611,449	1,104,852	5,628,132
Disposals					
Cost	-	-	-	-	-
Depreciation	-	-	-	-	-
Net Book value	-	-	-	-	-
Depreciation charge	(72,633)	(1,118,674)	(158,122)	(657,461)	(2,006,890)
Closing net book value	395,656	2,324,868	453,327	447,391	3,621,242
Gross carrying value basis					
Cost	1,487,514	5,593,370	1,494,502	5,280,475	13,855,861
Accumulated depreciation / impairment	(1,091,858)	(3,268,502)	(1,041,175)	(4,833,084)	(10,234,619)
Net book value	395,656	2,324,868	453,327	447,391	3,621,242
Depreciation rate % per annum	10	20	20	33	



	<i>Note</i>	<i>2021 Rupees</i>	<i>2020 Rupees</i>
7 INTANGIBLE ASSET			
Computer software		969,570	1,108,080
7.1 Computer software			
Opening Net Book Value		1,108,080	1,246,590
Addition		-	-
Amortization Charge		(138,510)	(138,510)
Closing Net Book Value		969,570	1,108,080
Cost		1,385,100	1,385,100
Accumulated Amortization		(415,530)	(277,020)
Closing Net Book Value		969,570	1,108,080
Amortization rate		10%	10%

8 LONG-TERM INVESTMENTS

Investments in Associates - Units of Mutual Funds - Equity Method

786 Smart Fund (Open - End - Fund) - an associate

(Using Equity Method)

2,130,273 (June 30, 2020: 1,825,406) Units,
Representing 23.18% (June 30, 2020: 23.60%) Holding.

8.1 **172,941,561** 147,858,793

Government Securities - Pakistan Investment Bonds having Face Value of 20 Million

8.2 **20,166,532** 21,719,545
193,108,093 169,578,338

8.1 The abridged audited financial information of 786 Smart Fund (the Fund) based on audited financial statements as at June 30, 2021 is as follows:

	<i>2021 Rupees</i>	<i>2020 Rupees</i>
Associate's Statement of Assets and Liabilities		
Total assets	764,657,218	654,498,285
Total liabilities	18,550,060	27,994,547
Net assets	746,107,158	626,503,738
Number of units in issue	9,190,455	7,734,563
Units held as at June 30th June 2021	2,130,273	1,825,406
Net assets value per unit	81.18	81.00
Share of Company's net assets	172,941,561	147,858,793
Associate's Income Statement		
Total income	44,919,217	62,970,841
Net (loss) / income	(13,565,630)	(12,653,700)
Net Income Before Taxation	31,353,587	50,317,141
Taxation	-	-
Net Income After Taxation	31,353,587	50,317,141

8.1.1 The 786 Smart Fund has been classified as an associate owing to holding in excess of Twenty percent.

8.2 This Government securities - Pakistan Investment Bonds will mature latest by September 19, 2029 and carry interest at the rate of 12.14821%.



9 LONG TERM DEPOSITS AND PREPAYMENTS	Note	2021 Rupees	2020 Rupees
Deposits			
With CDC		25,000	25,000
Against Utilities		11,300	11,300
		36,300	36,300
Prepayments			
License Renewal Fee		500,000	1,000,000
Current Portion Shown Under Current Assets	9.1	(500,000)	(500,000)
		-	500,000
		36,300	536,300

9.1 This represents fee paid in respect of renewal of licenses of Asset Management Services (AMC) and Investment Advisory Services (IAS) till June 2022.

10 DEFERRED TAX ASSET	Note	2021 Rupees	2020 Rupees
Relating To Deductible Temporary Differences			
Accelerated Accounting Depreciation		623,646	50,282
Carried Forward Assessed Tax Losses		15,266,936	16,913,722
Unabsorbed Tax Depreciation & Amortization		1,403,051	1,063,196
		17,293,633	18,027,200
Unrecognized Deferred Tax Asset	10.1	(17,293,633)	(18,027,200)
		-	-

10.1 Deferred tax asset has not been recognized on the ground that sufficient taxable profits are not expected in foreseeable future against which the asset could be utilized.

11 SHORT TERM INVESTMENTS	Note	2021		2020	
		Face Value	Fair Value	Face Value	Fair Value
		----- Rupees -----			
At fair value through Profit and Loss					
Term finance certificate	11.1	21,133,786	22,138,642	21,133,786	22,428,330
Redeemed		(5,000)	-	-	-
Cumulative gain on revaluation of investment		1,009,856	-	1,294,544	-
		22,138,642	22,138,642	22,428,330	22,428,330

11.1 Term Finance Certificates - Unlisted

Number of Certificates			2021		2020	
2021	2020	Name of Company	Cost	Fair Value	Cost	Fair Value
			----- Rupees -----			
		Financial services				
5,000	5,000	Silk Bank Limited	21,128,786	22,138,642	21,133,786	22,428,330

11.1.1 Term Finance Certificates are valued using rate prevailing on MUFAP (Mutual Fund Association of Pakistan) which is 88.62% of face value at the statement of financial position date.

11.1.2 Term finance certificates carry profit equal to 6 month KIBOR plus 1.85% receivable half yearly in arrears and will mature in August 2025. The Instrument is structured to redeem 0.14% of the Issue Amount during the first 7 years and remaining 99.86% in last two (2) equal semi annual installments of 49.93% each. The instrument is unsecured and subordinated as to payment of Principal and Profit to all other indebtedness of the bank, including deposits.



12 LOANS AND ADVANCES	Note	2021 Rupees	2020 Rupees
<i>Unsecured - considered good</i>			
Advance against salary	12.1	-	22,003

12.1 Advance against Salary

<i>Name of the Employee</i>	<i>Terms of the Loans</i>	<i>Security</i>	<i>Purpose</i>	<i>Maximum Aggregate Amount Outstanding at any Time with Reference to Month End Balances</i>		<i>Provision</i>	<i>Written Off</i>
				<i>2021</i>	<i>2020</i>		
				<i>Rupees</i>	<i>Rupees</i>		
Muhammad Naveed	Monthly Installment Basis and Interest Free	Unsecured	Family Commitment	-	77,000	-	-

13 PREPAYMENTS AND OTHER RECEIVABLE	Note	2021 Rupees	2020 Rupees
<i>Prepayments</i>			
Insurance		449,709	470,831
Rent		116,121	124,862
Current portion of License Renewal Fee	9	500,000	500,000
		1,065,830	1,095,693
<i>Other receivable</i>			
Federal excise duty	13.1	6,513,679	6,513,679
		7,579,509	7,609,372

13.1 This represents amount receivable from funds in lieu of Federal Excise Duty the break up of which is as follows:

	Note	2021 Rupees	2020 Rupees
<i>Associates</i>			
786 Smart Fund	1.4	6,513,679	6,513,679
	22.1.2	6,513,679	6,513,679

13.1.1 The Maximum amount outstanding at any time during the year with reference to month end balances from the funds is Rs. 6.51 (2020: Rs. 6.51) Million.

14 TRADE RECEIVABLE		2021 Rupees	2020 Rupees Restated
786 Smart Fund - an associate		1,638,496	2,308,583
Receivable on Account of Advisory Fees		300,000	1,800,000
		1,938,496	4,108,583



14.1 Aging analysis of trade receivables

Balance Outstanding

Past due 1 - 60 days
Past due 61 - 90 days
Past due 91 - 180 days
Past due 181 - 365 days
More than 365 days

2021		2020	
Gross	Impairment	Gross	Impairment
----- Rupees -----			
1,028,865	-	856,463	-
909,631	-	1,452,120	-
-	-	-	-
-	-	-	-
-	-	-	-
1,938,496	-	2,308,583	-

14.2 Maximum aggregate amount outstanding at any time during the year with reference to month end balances from each fund is as follows:

	Note	2021 Rupees	2020 Rupees
Associates			
786 Smart Fund		2,784,461	2,658,864

15 ACCRUED MARKUP

On saving accounts
On TFCs
On PIBs

701,973	644,940
908,138	1,489,091
821,406	670,636
2,431,517	2,804,667

16 TAX REFUND DUE FROM GOVERNMENT

Opening
Tax paid during the year
Prior year tax adjustment
Provision for the year
Closing

5,819,256	5,046,837
2,716,388	2,284,660
22,345	108,535
(1,893,164)	(1,620,776)
6,664,825	5,819,256

17 CASH AT BANK

Cash in hand

Cash at bank

Current accounts
Saving accounts

1,315	1,005
-	101,609
11,955,848	11,939,756
11,955,848	12,041,365
11,957,163	12,042,370

17.1 The balance in savings accounts carry profit at rates ranging from 5.5% to 5.5% per annum (2020: 5.5% to 11.25% per annum).

18 ISSUED, SUBSCRIBED AND PAID - UP CAPITAL

2021	2020		2021	2020
---- No. of Shares ----			Rupees	Rupees
10,000,000	10,000,000	Ordinary shares of Rs. 10/- each issued as fully paid in cash	100,000,000	100,000,000
4,973,750	4,973,750	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	49,737,500	49,737,500
14,973,750	14,973,750		149,737,500	149,737,500



18.1 The following shares are held by the Related Parties with whom the Company has entered into transactions or has arrangements in place.

<i>Name of related party</i>	<i>2021</i> <i>--- No. of Shares ---</i>	<i>2020</i> <i>--- No. of Shares ---</i>
First Dawood Investment Bank Limited	<u>2,246,070</u>	<u>2,246,070</u>
BRR Guardian Modaraba	<u>1,935,505</u>	<u>1,935,505</u>
Tara Uzra Dawood - Chief Executive Officer	<u>1,768,458</u>	<u>1,768,458</u>

19 SUBORDINATED LOAN FROM DIRECTOR

This loan is interest bearing (3 Months KIBOR + 2 %) and repayable at the discretion of the Company. As per NBFC Rules "Equity" includes the interest bearing subordinated loans, accordingly subordinated loan is classified as part of the equity.

<i>20 TRADE AND OTHER PAYABLES</i>	<i>Note</i>	<i>2021</i> <i>Rupees</i>	<i>2020</i> <i>Rupees</i>
Accrued expenses	20.1	9,422,153	9,668,859
Accrued Mark-up on Director loan		1,641,797	-
Sindh Workers' Welfare Fund Payable	20.2	-	1,130,400
FED payable	22.1.2	6,513,677	6,513,677
Sales tax payable		165,570	996,680
WHT payable		4,338	690
		<u>17,747,535</u>	<u>18,310,306</u>

20.1 This includes an amount of Rs. 7.895 (June 30, 2020: Rs. 7.75) Million received from NCCPL being refund of tax amount with respect to funds under management. This amount will be disbursed to unit holders.

20.2 During the year Company made payments amounting to Rs. 0.057 (June 30, 2020: Rs. 1.47) Million to the SRB in respect of Sindh Workers' Welfare Fund.

<i>21 UNCLAIMED DIVIDEND</i>	<i>Note</i>	<i>2021</i> <i>Rupees</i>	<i>2020</i> <i>Rupees</i>
	21.1	<u>998,742</u>	<u>998,742</u>

21.1 In compliance of sec 244 of companies Act, 2017, company is in the process of opening a separate bank account for unclaimed dividend.

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 The Additional Commissioner of Income Tax (ACIT) has amended the assessment order under section 122(5A) of the Income Tax Ordinance, 2001, resulting in an additional tax of Rs. 1.005 million and Rs. 0.820 million for Tax Years 2003 and 2004 respectively. The Company has filed



appeals with the Commissioner of Income Tax Appeals-II (CIT-A). The said appeals are pending for hearing. The management is confident that the appeal will be decided in favour of the Company and therefore no provision in this respect has been made in these financial statements. Appeals have been filed before Income Tax Appellate Tribunal (ITAT) for the Tax Year 2003 and 2004 against the order of CIT-A. Hearing has been fixed and ITAT has finalized the order for the Tax Year 2004, which partially allowed and partially remanded back the order to the CIT-A for passing an order. The case has been decided in favour of the Company by the Appellate Tribunal in Tax Year 2017.

22.1.2 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 Company was of the view that further levy of FED was not justified.

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

The matter is still pending. 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 Company has discontinued making further provision in respect of FED on Management Services 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 6.51 (June 30, 2020: Rs. 6.51) Million is being retained with a corresponding receivable from the funds of the same amount in financial statements as the matter is pending before the Supreme Court of Pakistan.

22.2 Commitments

There was no commitment during the year (2020: Nil).

23 REMUNERATION FROM FUNDS UNDER MANAGEMENT

Open-end funds

	2021 Rupees	2020 Rupees
786 Smart Fund	9,985,558	8,868,146
786 Rising Star Fund	-	822,560
First Dawood Mutual Fund - an associate	-	1,119,673
	<u>9,985,558</u>	<u>10,810,379</u>
Less: Sales tax on remuneration	<u>(1,148,780)</u>	<u>(1,243,672)</u>
	<u>8,836,778</u>	<u>9,566,707</u>

23.1 During the year the company has charged Management fee as under;

Associates - Open - End Funds

	2021 Remuneration for services rendered as an asset management company ----- Percentage -----	2020
786 Smart Fund - An Associate	1.5	1.5
786 Rising Star Fund - An Associate	-	1.5
First Dawood Mutual Fund - An Associate	-	2



24 ADMINISTRATIVE AND OPERATING EXPENSES

	<i>Note</i>	<i>2021 Rupees</i>	<i>2020 Rupees</i>
Salaries and allowances	24.1	12,161,438	13,854,180
Rent, rates and taxes		1,420,573	1,519,341
Postage and telephones		252,349	349,595
Legal and professional charges		951,800	1,451,615
Printing and stationery		203,671	217,246
Travelling and conveyance		-	16,095
Vehicles running		550,069	1,342,771
Advertisement expense		79,900	317,700
Electricity		628,421	639,582
Repairs and maintenance		268,275	228,122
Auditors' remuneration	24.2	737,200	638,880
Entertainment		88,533	97,458
Insurance		318,665	418,443
Depreciation	6	1,826,947	2,006,890
Amortization	7.1	138,510	138,510
Fee and Subscriptions		3,899,932	2,742,964
Newspapers and periodicals		100	570
Directors' fee		308,000	316,000
Commission		-	27,904
Others		87,947	127,340
Bank Balances written off		123,737	-
		<u>24,046,067</u>	<u>26,451,206</u>
Less: Reimbursement of fees and expenses	24.3	(589,107)	(741,727)
		<u>23,456,960</u>	<u>25,709,479</u>

24.1 This includes amount of Rs. 0.589 (2020: Rs. 0.74) Million relating to Staff Retirement Benefits.

<i>24.2 Auditors' remuneration</i>	<i>2021 Rupees</i>	<i>2020 Rupees</i>
Annual audit	280,000	280,000
Certification fee	235,000	111,000
Half yearly review	145,000	145,000
Sales Tax	34,000	42,880
Out of pocket expenses	43,200	60,000
	<u>737,200</u>	<u>638,880</u>

24.3 In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I)/2015 dated November 25, 2015, the Management Company of the Fund is entitled for reimbursement of fees and expenses incurred by the Management Company in relation to registrar services, accounting, operation and valuation services related to Fund maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less. Accordingly, Company has charged accounting and operational charges to the Fund at the rate of 0.1% per annum of the average annual net assets of the Fund. The breakup in respect of each fund is as follows:

<i>24.3.1 Reimbursement of Fees and Expenses Breakup:</i>	<i>Note</i>	<i>2021 Rupees</i>	<i>2020 Rupees</i>
<i>Associates</i>			
786 Smart Fund		589,107	523,194
786 Rising Star Fund		-	107,663
First Dawood Mutual Fund		-	110,870
		<u>589,107</u>	<u>741,727</u>



25	FINANCIAL CHARGES	Note	2021	2020
			Rupees	Rupees
	Mark-up On Director loan		1,641,797	-
	Bank charges		8,247	6,874
			<u>1,650,044</u>	<u>6,874</u>
25.1 This Director loan carry interest at the rate of 3 month Kibor +2%.				
26	OTHER OPERATING INCOME			
	<i>Income from financial assets</i>			
	Mark-up earned on saving accounts		1,431,241	1,290,040
	<i>Income from non - financial assets</i>			
	Scrap sales		2,800	-
	Liabilities written back		2,306,682	1,545,632
			<u>2,309,482</u>	<u>1,545,632</u>
			<u>3,740,722</u>	<u>2,835,672</u>
27	SHARE OF ASSOCIATES' PROFIT			
	786 Smart Fund		<u>8,322,872</u>	<u>10,007,405</u>
28	TAXATION			
	Current year tax	28.1	1,893,164	1,620,776
	Prior year charge		(22,345)	(108,535)
			<u>1,870,819</u>	<u>1,512,241</u>
28.1 Numerical reconciliation between the average effective tax rate and the applicable tax rate has not been presented in these financial statements due to available tax losses brought forward from tax years 2014, 2016, 2017, 2018, 2019 and 2020. The provision for current year income tax has been made under Minimum Tax section 153(1)(b) of the Income Tax Ordinance, 2001.				
Deferred tax asset amounting to Rs. 17,293,633 (2020: Rs. 18,027,199) has not been recognised in these financial statements as the Company is of the view that it is not probable that sufficient taxable profits will be available in the foreseeable future against which deductible temporary differences, unused tax losses and unused tax credits can be utilized. The accumulated tax losses, unabsorbed depreciation and amortization as at June 30, 2021 amounting to Rs. 57,482,712 (2020: Rs. 77,908,255).				
28.2 Management has provided sufficient tax provision in financial statements in accordance with income tax ordinance, 2001. Following is the comparison of tax provision as per accounts vis a vis tax assessment for last three years:				
			<i>Deemed Assessment</i>	<i>Provision</i>
			Rupees	Rupees
	Tax year 2020		1,598,431	1,620,776
	Tax year 2019		3,296,966	3,405,501
	Tax year 2018		920,089	1,075,196
	Tax year 2017		5,506,417	4,805,585
	Tax year 2016		155,402	155,401
29	EARNINGS PER SHARE		2021	2020
	<i>- Basic and diluted</i>		Rupees	Rupees
	Net profit for the year		<u>3,268,830</u>	<u>3,935,840</u>
	Weighted average number of ordinary shares		<u>14,973,750</u>	<u>14,973,750</u>
	Earnings per share - basic and diluted		<u>0.22</u>	<u>0.26</u>



30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2021			2020		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- Rupees -----			----- Rupees -----		
Managerial Remuneration	4,416,000	-	-	4,416,000	-	-
House Rent	1,766,400	-	-	1,766,400	-	-
Bonus	-	-	-	368,000	-	-
Medical	78,059	-	-	14,450	-	-
Utilities	441,600	-	-	441,600	-	-
Provident Fund	441,600	-	-	441,600	-	-
E.O.B.I	-	-	-	4,680	-	-
Meeting Fee	-	308,000	-	-	316,000	-
	7,143,659	308,000	-	7,452,730	316,000	-
Number of Persons	1	6	-	1	6	-

30.1 The Chief Executive and Executives have been provided with company maintained cars.

30.2 Executive means an employee other than Director and Chief Executive Officer, whose basic salary exceeds Rs. 1,200,000 in a financial year.

31 DISCLOSURE RELATING TO PROVIDENT FUND

	2021	2020
Size of the Fund	208,863,513	168,075,539
Cost of Investments Made	39,972,762	39,972,762
Percentage of Investments Made	74.86%	85.13%
Fair Value of Investments	156,364,741	143,080,475

Breakup of Investments (Rupees)

Investments in

Defence Saving Certificates'	43,000,000	43,000,000
Term Finance Certificates'	18,885,792	18,874,987
Sukuks'	6,596,076	4,813,861
Listed Securities	61,910,005	37,453,895
Mutual Funds	25,972,868	38,937,732
	156,364,741	143,080,475

Breakup of Investments (Percentage)

Investments in

	% age of investment as size of the fund	
Defence Saving Certificates'	27.50%	30.05%
Term Finance Certificates'	12.08%	13.19%
Sukuks'	4.22%	3.36%
Listed Securities	39.59%	26.18%
Unlisted Securities	0.00%	0.00%
Mutual Funds	16.61%	27.21%
	100.00%	100.00%



The Provident Fund (the Fund) is maintained for its permanent employees and the employees of its associated companies/undertakings. Accordingly, the information is based upon the latest unaudited financial statements of the Fund as at June 30, 2021 and audited financial statements as at June 30, 2020. As per Trustees, Investments out of Provident Fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the Rules formulated for this purpose.

32 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of related group companies, directors, their close family members, senior executives, retirement benefit plans, major shareholders of the Company and funds under management. Transactions with the related parties during the year are as follows:

<i>Relationship with the Company</i>	<i>Nature of Transactions During the year</i>	<i>2021 Rupees</i>	<i>2020 Rupees</i>
<i>Loan from Director</i>	Interest bearing subordinated loan	22,000,000	-
<i>Mutual Funds managed by the Company</i>	Management Fee Charged - Net of Tax	8,836,778	9,566,707
	Sales Tax on Management Fee	1,148,780	1,243,672
	Accounting and Operational Charges	589,107	741,727
	786 Smart Fund - Purchase of 212,457 (June 30, 2020: 1,002,084) Units	18,000,000	85,143,724
	786 Smart Fund Redemption of Nil (June 30, 2020: 548,779) Units	-	45,000,000
	786 Smart Fund - Dividend Received During the Year	7,494,869	-
	786 Rising Star Fund - Conversion of 109,323 Unit due to Merger	-	11,779,074
	786 Rising Star Fund - Gain on Conversion of Units due to Merger	-	368,100
	First Dawood Mutual Fund - Conversion of 3,442,963 Unit due to Merger	-	60,331,730
	First Dawood Mutual Fund - Gain on Conversion of Units due to Merger	-	629,710
	First Dawood Mutual Fund - Purchase of Nil TFCs' of Silk Bank Limited (June 30, 2020: 3,000) Units	-	12,937,584
<i>Other Related Party</i>	First Dawood Investment Bank Limited & Others Employees' Provident Fund	633,190	730,279
	B.R.R Guardian Modaraba	1,402,198	1,498,341
	Key Management Personnel	10,320,723	11,436,335
	Sale of 930,141 Shares of First Dawood Investment Bank Limited	-	1,655,541
	Gain on Disposal of Shares of First Dawood Investment Bank Limited	-	269,631
	Dawood Family Takaful Limited	50,784	-
	Insurance Expense Charge During the Year	1,111,112	1,111,111
<i>Associated companies/other related parties</i>	<i>Balances at Year End</i>		
	<i>Units Held:</i>		
	786 Smart Fund 2,130,273 (June 30, 2020: 1,825,406) Units	172,941,561	147,858,793
	Trade Receivable	1,938,496	4,108,583
	Prepaid Life Insurance	12,135	12,996
<i>B.R.R Guardian Modaraba</i>	Prepaid Rent	116,121	124,862

The Company has not entered into any transaction with director and senior executives other than those provided under the Company's policies and terms of employment.

33 FINANCIAL RISK MANAGEMENT POLICIES

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

33.1 Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.



The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

33.1.1 Foreign 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 Company, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

33.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company has diversified its investments and has major portion of its investments based on floating interest rate for which the finance function is responsible to manage the risk by measuring the mismatch of interest rate sensitivity gap of financial assets and liabilities.

Interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of the contractual repricing or maturity date.

33.1.3 Price risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

As at June 30, 2021, the fair values of marketable securities exposed to price risk are as follows:

	<i>2021</i> <i>Rupees</i>	<i>2020</i> <i>Rupees</i>
Exposure classified as Fair value through Profit and loss	42,305,174	44,147,875

The Management Company manages the above market risks through diversification of investment portfolio in accordance with the internal risk management policies.

33.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company attempts to control credit risk by entering into transactions with diverse credit worthy counter parties by monitoring credit exposure.

The maximum exposure to credit risk as at June 30, 2020 is as follows: -

<i>Description</i>	<i>2021</i>		<i>2020</i>	
	<i>Carrying amount</i>	<i>Maximum Exposure</i>	<i>Carrying amount</i>	<i>Maximum Exposure</i>
	<i>----- Rupees -----</i>			
Long term investments	193,108,093	-	169,578,338	-
Long term deposits	36,300	36,300	536,300	1,036,300
Short term investments	22,138,642	22,138,642	22,428,330	10,071,630
Trade receivable	1,938,496	1,938,496	4,108,583	2,487,149
Accrued markup	2,431,517	2,431,517	2,804,667	153,119
Cash at bank	11,957,163	11,957,163	12,042,370	4,535,274
	231,610,212	38,502,119	211,498,588	18,283,472

The Company kept its funds with banks having strong credit ratings. Currently the funds are kept with banks having rating of A1+ to AA+.



33.2.1 Financial instruments by category

Financial assets

Investment in associates' - Equity Method

Long-Term Investments	2021 Rupees	2020 Rupees
	193,108,093	169,578,338

At fair value through - Other comprehensive income

Short-Term Investments - TFCs	22,138,642	22,428,330
-------------------------------	------------	------------

At Amortized Cost

Long-Term Deposits and Prepayments	36,300	536,300
Trade Receivable	1,938,496	4,108,583
Accrued Markup	2,431,517	2,804,667
Cash and Bank Balance	11,957,163	12,042,370
	60,640,761	19,491,920
	275,887,496	211,498,588

Financial Liabilities

At Amortized Cost

Trade and Other Payables	9,422,153	9,668,859
--------------------------	-----------	-----------

33.3 Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet its obligations and commitments associated with financial instruments. The Company is not materially exposed to the liquidity risk as all obligations/commitments of the Company are short-term in nature and restricted to the extent of available liquidity and all assets of the Company are readily disposable in the market.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	On Demand	Not Later Than One Month	Up to Three Months	More Than Three Months and Up to One Year	More Than One Year	Total
	----- Rupees -----					
As at June 30, 2021						
Trade and Other Payable	9,422,153	-	-	-	-	9,422,153
As at June 30, 2020						
Trade and Other Payable	9,668,859	-	-	-	-	9,668,859

33.4 Capital Risk Management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure the Company may adjust the amount of dividend, return on capital to shareholders or issue new shares. Currently the Company has an equity of 208.640 Million against the minimum equity requirement of Rs. 200 Million set by the Securities and Exchange Commission of Pakistan for the Non Banking Finance Company providing Asset Management Services for the year ended June 30, 2020.



34 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analyzed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<i>June 30, 2021</i>			<i>June 30, 2020</i>		
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>----- Rupees -----</i>					
Long - Term Investment - Units	193,108,093	-	-	169,578,338	-	-
Short - Term Investment - Unlisted TFC's	-	22,138,642	-	-	22,428,330	-
	193,108,093	22,138,642	-	169,578,338	22,428,330	-

Valuation techniques

For Level 2 the Company values the investment using rates mentioned on MUFAP (June 30, 2020: at breakup value which approximates the fair value of the investment).

Transfers during the period

During the year ended June 30, 2020 there were no transfers into or out of Level 3.

35 CASH AND CASH EQUIVALENTS

	<i>2021</i>	<i>2020</i>
	<i>Rupees</i>	<i>Rupees</i>
Cash and Bank Balance	11,957,163	12,042,370

36 RECLASSIFICATION

The objective of Company's business model can best be achieved by following fair value through profit and loss instead of fair value through other comprehensive income for its investment in debt instruments. This is because Company is more concerned with fair value measurement of such instruments than cashflows.

The Company, therefore reclassified its investments from FVOCI to FVTPL. The impact of this have been summarized below.

	<i>Previously Reported in OCI</i>	<i>Reclassified to Statement of Profit or Loss</i>
Surplus on Revaluation of Investment in Investments From OCI to P/L	5,454,357	5,454,357



37 NUMBER OF EMPLOYEES

The number of employees as at year end was 7 (2020: 9) and average number of employees during the year was 9 (2020: 10).

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue in Board of Directors of the management company on September 28, 2021.

39 GENERAL

39.1 In accordance with the requirement of Rule 9, of the Non-Banking Finance Companies (Establishment and regulation) Rules, 2003, the company has obtained sufficient insurance coverage from Jubilee General insurance Company Limited against any loss that against financial losses that may be incurred as a result of employee's fraud or gross negligence. The insurance company has been assigned a credit rating of AA+ by the Pakistan Credit Rating Agency limited (PACRA).

39.2 Figures have been rounded off to the nearest rupee.

**786 Investments Limited
(Management Company)**

Chief Financial Officer

Director

Chief Executive Officer



**Pattern of Shareholding
As on June 30, 2021**

Number Of Shareholders	Shareholding			Total Shares Held
	From		To	
145	1	-	100	3,916
196	101	-	500	61,245
206	501	-	1000	169,795
215	1001	-	5000	626,131
70	5001	-	10000	558,193
33	10001	-	15000	426,885
29	15001	-	20000	532,350
10	20001	-	25000	227,000
8	25001	-	30000	224,824
2	30001	-	35000	67,000
3	35001	-	40000	114,500
2	40001	-	45000	87,000
1	45001	-	50000	50,000
3	50001	-	55000	158,000
1	55001	-	60000	58,500
4	60001	-	65000	246,190
1	70001	-	75000	73,000
1	90001	-	95000	94,000
1	95001	-	100000	100,000
1	100001	-	105000	102,500
3	115001	-	120000	352,779
1	125001	-	130000	130,000
1	130001	-	135000	131,500
1	135001	-	140000	138,500
1	150001	-	155000	155,000
1	185001	-	190000	186,500
1	190001	-	195000	194,000
1	235001	-	240000	236,009
1	270001	-	275000	273,500
1	345001	-	350000	350,000
1	390001	-	395000	392,452
1	645001	-	650000	648,845
1	1375001	-	1380000	1,376,006
1	1935001	-	1940000	1,935,505
2	2245001	-	2250000	4,492,125
950				14,973,750

Categories of Share Holders As on June 30, 2021

Categories Of Shareholders	Number Of Shareholders	Total Shares Held	Percentage %
Individuals	927	6,503,417	43.43
Joint Stock Companies	12	669,144	4.47
Financial Institutions	5	4,494,815	30.02
Investment Companies	2	549	0.00
Modarabas	1	1,935,505	12.93
Others	3	1,370,320	9.15
	950	14,973,750	100.00



S. No.	Categories of Share holders	Numbers	Shares Held	% Age
1	Associated Companies B.R.R. Guardian Modaraba First Dawood Investment Bank Limited The Bank of Khyber	3	6,427,630 1,935,505 2,246,070 2,246,055	42.93
2	NIT & ICP Investment Corporation of Pakistan IDBP (ICP UNIT)	2	1,024 500 524	0.01
3	Directors, CEO their Spouses and Minor Children Miss Tara Uzra Dawood Mrs. Shafqat Sultana Ms. Charmaine Hidayat Ullah Mr. Ahmed Salman Munir Syed Shabahat Hussain Mr. Tahir Mehmood Mr. Farhan Abbas	7	1,783,774 1,768,458 2,816 2,500 2,500 2,500 2,500 2,500	11.91
4	Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas and Pension Funds	18	272,416	1.82
5	General Public	920	6,488,906	43.34
	Total	950	14,973,750	100.00

Shareholders holding ten percent or more shares in the Company

14,973,750

First Dawood Investment Bank Limited	2,246,070	15.00
The Bank of Khyber	2,246,055	15.00
B.R.R. Guardian Modaraba	1,935,505	12.93
Miss Tara Uzra Dawood	1,768,458	11.81



FORM OF PROXY
30th Annual GENERAL MEETING

I/We _____ of
_____ (full address)

being a member of 786 Investments Limited Folio # _____ do hereby appoint

Mr./Ms _____ Folio # _____

of _____ (full address) (or failing him)

Mr./Ms _____ Folio# _____

of _____ (full address)

being another member of the Company as my/our proxy to attend and vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held on October 22, 2021 at 8:45 hours and to every adjournment thereof.

And witness my/our hand/seal this _____ day of _____ 2020, signed by the said

_____ in the presence of

Mr./Ms. _____

of _____ (full address)



Signature of Witness

Signature(s) and or Seal

Important Notes :

1. The share transfer books of the Company will remain closed from October 15, 2021 to October 22, 2021 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/her.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered office of the Company, 48 hours before the meeting and must be duly stamped, signed and witnessed.
4. If more than one instrument of proxy appointing more than one person is deposited with the Company, all such instruments of proxy shall be rendered invalid.
5. This signature on the Instrument of Proxy must conform to the specimen signature recorded with the Company.
6. CDC account holders will in addition have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting



Corporate Social Responsibility of 786 Investments Ltd.

1. 11th LADIESFUND Women's Awards for Pakistan 2019



Sindh Governor House
Chief Guest Sindh Governor Imran Ismail
Special Guest State Bank Governor Dr. Reza Baqir



Team 786 volunteered for this prestigious and impactful event.



2. Educate a Girl



Team 786 volunteered for vocational trainings of deserving girls across the country.

3. The Buraq Center



Team 786 went out into the community and distributed food rations for the most downtrodden in Sindh, including minorities, transgender, Christian widows, Katchi abadis and of course Zakat-accepting families, all distraught from Covid-19 and the floods.

4. Food Rations



Team 786 volunteered at Pakistan's first incubation space for women, inaugurated by Sindh Governor Imran Ismail.



BOOK POST



If undelivered, please return to:
786 Investment Limited
G-3, B.R.R. Tower,
Hassan Ali Street,
Off I.I. Chundrigar Road,
Karachi - 74000 Pakistan



Managed By:
786 Investments Limited

G-3, B.R.R. Tower, Hassan Ali Street,
Off I.I. Chundrigar Road, Karachi - 74000 Pakistan
Tel: (92-21) 32603751-54
Email: info@786investments.com
Website: www.786investments.com



INVESTMENTS

WE KNOW YOUR VALUE

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786 SMART FUND

**ANNUAL REPORT
2021**



786 Smart Fund

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786 Smart Fund

CORPORATE INFORMATION

Management Company	786 Investments Limited G-3 B.R.R. Tower, Hassan Ali Street, Off I.I. Chundrigar Road, Karachi - 74000 Pakistan Tel: (92-21) 32603751-54 Email: info@786investments.com Website: www.786investments.com	
Board of Directors	Ms. Shafqat Sultana Miss Tara Uzra Dawood Ms. Charmaine Hidayatullah Mr. Ahmed Salman Munir Syed Shabahat Hussain Mr. Naveed Ahmed Syed Musharaf Ali	Chairperson Chief Executive Officer Director Director Director Director (Subject to SECP Approval) Director (Subject to SECP Approval)
Chief Financial Officer & Company Secretary	Mr. Noman Shakir	
Audit Committee	Syed Shabahat Hussain Mr. Naveed Ahmed Syed Musharaf Ali	Chairman Member (Subject to SECP Approval) Member (Subject to SECP Approval)
Human Resource Committee	Ms. Shafqat Sultana Miss Tara Uzra Dawood Mr. Naveed Ahmed	Chairperson Member Member (Subject to SECP Approval)
Trustee:	Digital Custodian Company Limited (formerly: MCB Financial Services Limited) 4th Floor, Pardasi House, 2/1 R-Y old Queens Road, Karachi	
Auditors	Grant Thornton Anjum Rahman Chartered Accountants	
Legal Advisor	Rauf & Ghaffar Law Associates (Advocates & Consultants) Suite # 65, 5th Floor, Fareed Chamber, Abdullah Haroon Road, Saddar – Karachi, Pakistan.	
Registrars	F.D. Registrar Services (Pvt.) Ltd. Office# 1705, 17th Floor Saima Trade Tower. A, I.I. Chundrigar Road, Karachi-74000, Pakistan.	
Banker:	Dubai Islamic Bank Limited BankIslami Pakistan Limited	
Rating	PACRA: AA-(f)	



Mission Statement

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



786 Smart 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 786 Smart Fund is pleased to present the annual report and the audited financial statements of the Company for the year ended June 30, 2021.

Economic & Money Market Review:

Pakistan's economy has recovered from the effects of the Corona Virus epidemic, as has the rest of the world. The government's stability efforts resulted in an increase in macroeconomic statistics, with the economy growing by 3.94 percent in fiscal year 2021, compared to 0.48 percent in fiscal year 2020. In the financial year 2021, the SBP maintained its policy rate of 7.00 percent. The government created the Roshan Digital Account (RDA) for Pakistanis living abroad, which has brought in more than USD 1.50 billion in the current fiscal year.

As a result of the government's actions, Pakistan's current account had a surplus of USD 153 million as of May 31, 2021, compared to a deficit of USD 4.33 billion the previous year. However, due to increasing economic activity, the entire trade deficit grew to USD 29.99 billion in 11 months this fiscal year, up from USD 27 billion the previous year.

Fund Performance

As at June 30, 2021, net assets were PKR 746.107 million as compared to PKR 626.50 million as at June 30, 2020. Total operating income for the year was PKR 44.92 million as compared to PKR 62.97 million for the same period last year. Total expenses during the year were PKR 13.565 million as compared to PKR 12.65 million last year. The net profit for the financial year 2021 was PKR 22.536 million, as compared to PKR 39.24 million last year. The Net Asset Value per unit was PKR 81.1828 as at June 30, 2021.

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 therefrom have 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.
- The Company has complied with the requirement of the Regulation and LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 in the following manner.

The total number of directors are seven (7) as per the following:

- a) Male: 4
b) Female: 3

The Composition of board is as follows:

Category	Numbers
Independent Directors	04
Executive Director	01
Non-Executive Directors	02
Female Directors	03



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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	4	4	-
Ms. Tara Uzra Dawood	4	4	-
Ms. Charmaine Hidayatullah	4	2	2**
Mr. Tahir Mehmood	4	4	-
Syed Farhan Abbas	4	4	-
Syed Shabahat Hussain	4	4	-
Ahmed Salman Munir	4	4	-

**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	4	-
Mr. Tahir Mehmood	4	4	-
Syed Farhan Abbas	4	4	-

**Leave of absence was granted.

Directors Remuneration

The remuneration of the Non-Executive Directors, Independent Directors and Chief Executive Officer for attending Board and its Committees meetings is determined by the Company in the General Meeting. The remuneration of the Directors is determined on the basis of prevailing industry trends and business practices. The details of remuneration paid to the Chief Executive Officer and Directors are available in note 30 to the financial statements.

Auditors

The "Auditors M/s Grant Thornton Anjum Rahman stands retired and M/s Reanda Haroon Zakaria & Co. Chartered Accountants have consented to act as auditor of the fund. The Board Audit Committee have recommended their re-appointment as statutory auditors for the year ending June 30, 2022 and the Board have endorsed the communication, subject to appointment in Annual General Meeting and NOC from retiring auditor."

Dividend

The Board of Directors has announced a cash dividend to unitholders of PKR 4.2599 per unit for the year ended June 30, 2021, which comes out to be 4.26% of the par value per unit of PKR 100.

Sales and Redemption Units

4,550,285 units worth Rs. 379.48 million were issued in the current year (2020: 5,924,775 units worth Rs. 501.91 million) and 3,094,393 units worth Rs. 259.727 were redeemed in the current year (2020: 3,731,328 units worth Rs. 322.36 million). As of June 30, 2021, the total number of outstanding units was 9,190,455 valued as Rs. 746.107 million.

Events after the Balance Sheet Date

There was no subsequent event after the Balance sheet date but only the election of directors taken place as of July 30, 2021. As a result of the election, the following Directors have been elected which is subject to commission approval.



786 Smart Fund

Category	Names	Designation
Independent Directors	Ms. Shafqat Sultana Syed Shabaha Hussain Mr. Ahmed Salman Munir	Chairperson Director Director
Executive Director	Ms. Tara Uzra Dawood	Chief Executive Officer
Non - Executive Directors	Syed Farhan Abbas Mr. Naveed Ahmed Mr. Tahir Mehmood	Director Director
Female Directors	Ms. Shafqat Sultana Ms. Tara Uzra Dawood	Chairperson Chief Executive Officer

However, the following Directors have resigned from their position as directors' Syed Farhan Abbas & Mr. Tahir Mehmood and in the occurrence of a casual vacancy, the following name has been appointed as director of the company Ms. Charmaine Hidayatullah & Syed Musharaf Ali as on dated September 21, 2021. According to section 158, the subsequent Directors are not yet approved by the SECP. So in that connection, Directors so retiring shall continue to perform their functions until their successors elected in EOGM endorsed and approved by the SECP.

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 28, 2021
Karachi.



786 Smart Fund

بعد از پبلکس شیٹ واقعات

پبلکس شیٹ کی تاریخ کے بعد، کوئی واقعہ رونما نہیں ہوا، لیکن صرف 30 جولائی 2021 کو ڈائریکٹرز کے انتخابات منعقد ہوئے ہیں۔ انتخابات کے نتیجے میں، درج ذیل ڈائریکٹرز منتخب ہوئے جو کہ کمیشن کی منظوری سے مشروط ہے:

کیٹگری	نام	عہدہ
آزاد ڈائریکٹر	محترمہ شفقت سلطانہ سید شہادت حسین جناب احمد سلمان منیر	چیئر پرسن ڈائریکٹر ڈائریکٹر
ایگزیکٹو ڈائریکٹر	محترمہ تارا عزراد اود	چیف ایگزیکٹو آفیسر
نان ایگزیکٹو ڈائریکٹر	سید فرحان عباس جناب نوید احمد جناب طاہر محمود	ڈائریکٹر ڈائریکٹر ڈائریکٹر
خاتون ڈائریکٹر	محترمہ شفقت سلطانہ محترمہ تارا عزراد اود	چیئر پرسن چیف ایگزیکٹو آفیسر

تاہم، درج ذیل ڈائریکٹرز سید فرحان عباس اور جناب طاہر محمود اپنی ڈائریکٹر کے عہدہ سے مستعفی ہو گئے ہیں اور ان کی خالی آسامی پر مورخہ 21 ستمبر 2021 کو درج ذیل نامی محترمہ چارمان ہدایت اللہ اور سید مشرف علی کو بطور ڈائریکٹر مقرر کیا گیا ہے۔

سیکشن 158 کے مطابق، آنے والے ڈائریکٹرز کو ابھی تک ایس ای سی پی نے منظور نہیں کیا ہے۔ لہذا اس سلسلے میں، ریٹائر ہونے والے ڈائریکٹر اپنے فرائض انجام دیتے رہیں گے جب تک کہ EOGM میں منتخب ہونے والے ان کے جانشین ایس ای سی پی کی توثیق اور منظوری نہیں لے لیتے۔

اظہار تشکر

مینیجمنٹ 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۔ ڈائریکٹر زعزم بگن اور محنت پر کمپنی کے ملازمین اور انتظامیہ کا اور کمپنی میں اعتماد پر شیئر ہولڈرز کا بھی شکریہ ادا کرتے ہیں۔

شفقت سلطانہ

چیئر پرسن

ڈائریکٹر

کراچی: 28 ستمبر 2021ء



786 Smart Fund

بورڈ آف ڈائریکٹرز کے اجلاس

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

نام	منعقدہ اجلاسوں کی تعداد	تعداد حاضری اجلاس	تعطیل
محترمہ شفقت سلطانہ	4	4	-
محترمہ تارہ عزراد اود	4	4	-
محترمہ چارمان ہدایت اللہ	4	2	2**
جناب طاہر محمود	4	4	-
سید فرحان عباس	4	4	-
سید شاہت حسین	4	4	-
احمد سلمان منیر	4	4	-

** غیر حاضری کی چھٹی دی گئی۔

آڈٹ کمیٹی کا اجلاس

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

نام	منعقدہ اجلاسوں کی تعداد	تعداد حاضری اجلاس	تعطیل
جناب سید شاہت حسین	4	4	-
جناب طاہر محمود	4	4	-
سید فرحان عباس	4	4	-

** غیر حاضری کی چھٹی دی گئی۔

ڈائریکٹرز کا مشاہرہ

بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے لئے نان ایگزیکٹو ڈائریکٹرز، آزاد ڈائریکٹرز اور چیف ایگزیکٹو آفیسر کے مشاہرہ کا تعین کمپنی اجلاس عام میں کرتی ہے۔ ڈائریکٹرز کا مشاہرہ موجودہ انڈسٹری رجحانات اور کاروباری پریکٹس کی بنیاد پر معین کیا جاتا ہے۔ چیف ایگزیکٹو آفیسر اور ڈائریکٹرز کو ادا کئے جانے والے مشاہرہ کی تفصیلات مالی حسابات کے نوٹ 30 میں دستیاب ہیں۔

آڈیٹرز

موجودہ آڈیٹر، گرانٹ تھورن انجم رحمان ریٹائر ہو گئے اور Reanda ہارون زکریا اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹر کی حیثیت سے کام کرنے کی رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2022 کو ختم ہونے والے سال کے لئے قانونی آڈیٹر کی حیثیت سے ان کی تقرری کی سفارش کی ہے اور بورڈ نے سالانہ اجلاس عام میں منظوری اور ریٹائر ہونے والے آڈیٹر سے این اوسی کے حوالہ سے توثیق کی ہے۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 4,259,999 روپے فی یونٹ نقد منافع تقسیم کرنے کا اعلان کیا ہے۔ جو 100 روپے کے فی یونٹ مساوی قیمت کا 4.26 فیصد بنتا ہے۔

سیلز اینڈ ریڈیمپشن یونٹ

موجودہ سال میں 379,48 ملین روپے مالیت کے 4,550,285 یونٹ جاری ہوئے (2020: 5,924,775 یونٹ جسکی مالیت 501.91 ملین روپے) اور موجودہ سال میں 259,727 ملین روپے مالیت کے 3,094,393 یونٹ واگزار کرائے گئے (2020: 3,731,328 یونٹ جس کی مالیت 322.36 ملین روپے)۔ 30 جون، 2021 کو، بقایا پونٹس کی کل تعداد 9,190,455 تھی جس کی مالیت 746.107 ملین روپے ہے۔



786 Smart Fund

مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

786 سمارٹ فنڈ کی مینجمنٹ کمپنی، 786 انویسٹمنٹ لمیٹڈ (786 یادی کمپنی) کے بورڈ آف ڈائریکٹرز 30 جون 2021 کو ختم ہونے والے سال کی سالانہ رپورٹ اور نظر ثانی شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

اقتصادی اور مالی مارکیٹ کا جائزہ

پاکستان کی معیشت باقی دنیا کی طرح کورونا وائرس کی وبا کے اثرات سے نکل چکی ہے۔ حکومت کی استحکام کی کوششوں کے نتیجے میں معاشی اعداد و شمار میں اضافہ ہوا، مالی سال 2020 میں 0.48 فیصد کے مقابلے مالی سال 2021 میں معیشت کی نمو 3.94 فیصد ہوئی۔ مالی سال 2021 میں، اسٹیٹ بینک پاکستان نے اپنی پالیسی شرح 7.00 فیصد برقرار رکھی۔ حکومت نے بیرون ملک مقیم پاکستانیوں کے لیے روٹن ڈسپینسریز کاؤنٹ (آرڈی اے) قائم کیا، جس سے رواں مالی سال میں 1.50 بلین ڈالر سے زائد کی آمدنی ہوئی ہے۔

مکمل شدہ اقدامات کے نتیجے میں، پاکستان کے کرنٹ اکاؤنٹ میں 31 مئی، 2020 تک 153 بلین امریکی ڈالر کا سرپلس تھا، جبکہ پچھلے سال 4.33 بلین ڈالر کا خسارہ تھا۔ تاہم، بڑھتی ہوئی معاشی سرگرمیوں کی وجہ سے، رواں مالی سال کے 11 ماہ میں تمام تجارتی خسارہ بڑھ کر 29.99 بلین امریکی ڈالر ہو گیا جو کہ پچھلے سال 27 بلین ڈالر تھا۔

فنانس کی کارکردگی

30 جون 2020 کو 626.50 بلین روپے کے مقابلے 30 جون 2021 میں خالص اثاثے 746.107 بلین روپے رہے۔ گزشتہ سال کی اسی مدت میں 62.97 بلین روپے کے مقابلے کل آپریٹنگ آمدنی 44.92 بلین روپے ہوئی۔ گزشتہ سال کی اسی مدت میں 12.65 بلین روپے کے مقابلے کل اخراجات 13.565 بلین روپے ہوئے۔ گزشتہ سال کی اسی مدت میں 39.24 بلین روپے کے مقابلے مالی سال 2021 کے لئے خالص منافع 22.536 بلین روپے ہوا ہے۔ 30 جون 2021 کو فی یونٹ نیٹ ایسٹ قدر 81.1828 روپے ہے۔

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 ایکویٹی 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 مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے گورنگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- کارپوریٹ گورننس کے بہترین عمل سے کوئی مادی انحراف نہیں کیا گیا ہے سوائے جن کمالی گوشواروں کے ساتھ شکوک و شبہات کی تصدیق نہیں کی گئی۔
- فنڈ کے یونٹ کسی ڈائریکٹر، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری اور ان کے زوج اور ان کے بالغ بچوں کی طرف سے سال کے دوران کوئی تجارت نہیں کی گئی سوائے جن کمالی گوشواروں سے متعلقہ نوٹس میں انکشاف کیا گیا۔

- ٹیکسز، ڈیوٹیز، لیویز اور بٹایا چارجز کی مد میں کوئی قانونی ادائیگی نہیں ہے۔

کمپنی نے درج ذیل انداز میں لیکچیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور ریگولیشن کے تقاضوں کی تعمیل کی ہے۔

ڈائریکٹرز کی کل تعداد سات (7) درج ذیل کے مطابق ہے:

(a) - مرد 4

(b) - خاتون 3

بورڈ کی ترتیب درج ذیل ہے:

کیٹگری	تعداد
آزاد ڈائریکٹر	04
ایگزیکٹو ڈائریکٹر	01
ٹان ایگزیکٹو ڈائریکٹر	02
خاتون ڈائریکٹر	03



786 Smart Fund

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2021

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

Fund Objective

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

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

The Collective Investment Scheme achieved its stated objective.

Fund Performance

As at June 30, 2021, net assets were Rs. 746.107 million as compared to Rs. 626.50 million as at June 30, 2020. Total operating income for the year was Rs. 44.92 million as compared to Rs. 62.97 million for the same period last year. Total expenses during the year were Rs. 13.565 million as compared to Rs. 12.65 million last year. The net profit for the financial year 2021 was Rs. 22.536 million, as compared to Rs. 39.24 million last year. The Net Asset Value per unit was Rs. 81.1828 as at June 30, 2021.

Fund Return

Fund Bench Mark Six Month average deposit rates of three (3) A rated schedules Islamic Banks or Islamic windows of conventional banks as selected by MUFAP

	YTD Return	YTD Bench Mark
FY 2021	5.12%	3.11%
FY 2020	10.93%	6.41%

Asset Allocation	
TFC / Sukuk	6.62%
Bank Balances	79.45%
Term Deposit Receipt (TDR)	13.08%
Others	3.01%

Asset Quality 2021	
AA	79.36%
AA-	3.54%
A+	16.24%
Unrated	0.86%

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

Net Assets Value			NAV per unit	
June 30, 2020	June 30, 2021	Change in %	June 30, 2020	June 30, 2021
445,691,772	746,107,123	19.09%	81.00	81.18



786 Smart Fund

Investment Strategy

The Fund's priority is to keep healthy liquidity, making prudent decisions on residual debt, and making risk-averse decisions on future investments. Fund management is actively pursuing the settlement of the residual debt while ensuring the high unit holder protection. Ensuring steady profit while meeting any and all redemption need is the Fund's prime priority.

Dividend

The Board of Directors has announced a cash dividend to unitholders of Rs. 4.2599 per unit for the year ended June 30, 2021, which comes out to be 4.25% of the par value per unit of Rs. 100.

PATTERN OF UNIT HOLDING

Details of Pattern of Holdings (Units)

786 Smart Fund
As at June 30, 2021

Number Of Certificateholders	Certificate Holding From	To	Number Of Certificates
675	0.0001	- 9,999.9999	261,016
9	10,000	- 49,999.9999	245,303
5	50,000	- 99,999.9999	345,783
7	100,000	- 499,999.9999	1,865,760
3	5,000,00	- 999,999.9999	2,094,347
-	10,000,000	- 1,499,999,999	-
2	15,000,000	- 1,999,999,999	4,378,246
701			9,190,455

Economic & Money Market Review:

Pakistan's economy has recovered from the effects of the Corona Virus epidemic, as has the rest of the world. The government's stability efforts resulted in an increase in macroeconomic statistics, with the economy growing by 3.94 percent in fiscal year 2021, compared to 0.48 percent in fiscal year 2020. In the financial year 2021, the SBP maintained its policy rate of 7.00 percent. The government created the Roshan Digital Account (RDA) for Pakistanis living abroad, which has brought in more than USD 1.50 billion in the current fiscal year.

As a result of the government's actions, Pakistan's current account had a surplus of USD 153 million as of May 31, 2021, compared to a deficit of USD 4.33 billion the previous year. However, due to increasing economic activity, the entire trade deficit grew to USD 29.99 billion in 11 months this fiscal year, up from USD 27 billion the previous year.

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



786 Smart Fund

bn which is 13.3% higher than same period last year.

The industrial and services sectors has been estimated at -2.6% mainly due to a -8.8% and -7.8% plunge in the mining & quarrying and large-scale manufacturing sectors respectively. The services sector was also significantly impacted due to the lockdown situation in the country, especially the Wholesale & Retail Trade and Transport Sectors, which declined by -3.4% and -7.1% respectively. To stimulate growth, the government has announced a PKR1.2 tn fiscal stimulus package and a construction industry related package which includes tax exemptions, an amnesty scheme and PKR30 bn subsidy.

E-Commerce in FY20 the government approved the first-ever E-Commerce (EC) policy framework. SBP states that Pakistan can increase its GDP by USD36 bn and create 4mn jobs by 2025 via an increase in the use of digital financial services alone. Privatization

During FY20, the government decided to privatize 33 state owned entities including six public sector enterprises. During FY20, some CPEC projects achieved their commercial operation date. These include the Hubco & Engro Coal Projects, as well as substantial portions of road projects namely the Peshawar- Karachi motorway & KKH Phase-II road. Given the impacts of the COVID-19 pandemic, sustaining the focus and pace on CPEC, in its present state, seems difficult.

Pakistan's current account deficit shrunk to USD3.3 bn in 10m20, as in contrast to USD11.5 bn in the identical period last year, registering a decline of 71%. This contraction is attributable to a reduction in imports by means of 17% and will increase in remittances by means of 5.6%. Over the last five years, remittances have grown by way of a CAGR of approximately 7% providing robust support to current account balance in opposition to trade deficit. During the period 10m20, remittances grew by means of 5.5% to USD19 bn in contrast to USD18 bn in 10m19. The average CPI for 11m20 was 10.9%, as in contrast to the average inflation of 6.7% at some point of the identical period last year. IMF forecasts inflation to reduce to 9% in the following year. Pakistan's total revenue registered a growth of 31% during 9m20, while expenditure increased by 16% resulting in decline in the fiscal deficit from 5.1% in 9m19 to 4% in 9m20.

Money Market Review:

The average inflation rate in Pakistan stood at approx.11% for 11m20. The inflation peaked to 14.6% on January 20 which was a end result of energy tariff adjustments and the adoption of the market-based exchange rate. A downward trend was determined in inflation after January, whereby, it reduced in size to 8.2% on May 20 registering a drop of 6% in the closing 4 months due to declining oil prices and falling demand due to pandemic. The rate of decline, however, decreased on May 20 in contrast to prior months as a end result of a spike in prices of some essential food items offsetting the influence of reduced petroleum product prices. The declining inflation rate has given room to SBP which has aggressively slashed the policy rate to 8%. The policy price was once kept on the greater side at 13.25% from July 19 until March 20 to contain inflation.

The depreciation of PKR for the 11m20 towards USD was 3.2% as compared to 21.7% the identical period last year. On April 20, PKR recorded its historic low of 167.9 towards USD exceptionally reflecting the ongoing COVID-19 crisis and the reduction in the policy rate.

In secondary markets, T-bill 3 months, 6 months and 12 months yields were down in the range of 60bps to 89bps, whereas a mixed trend was witnessed in PIB yields. PIB 3 years was down by 4 bps (7.53%), 5 years yield was up by 20 bps to 8.11% and 10 years PIB yield was also increased by 18 bps to close at 8.69%. In the primary market, two T-bill auctions and PIB oater auctions were conducted closing of the year 2020. In total Rs. 390 billion were accepted against a target and maturity of Rs. 520 billion & Rs.485 billion respectively. A Fixed-rate PIB auction was also conducted in which participation was witnessed at Rs. 177 billion against a target of Rs. 140



786 Smart Fund

billion; SBP accepted Rs. 112 billion across all tenors.

The country's total foreign exchange reserves fell 10% to USD16.9 bn on May 20 placing extra pressure on the currency due to outflows. Post COVID-19 crisis, remittances being a fundamental support for the CAD of Pakistan are predicted to decline due to the sluggish growth in advanced economies thereby having a negative impact on PKR.

Future Outlook

The financial year 2021 is expected to continue to be underneath the shadow of the pandemic. The IMF has anticipated a tremendous increase of 2% but this seems constructive at this stage. Inflation is expected to stay low as given the suppressed demand and falling global commodity prices. SBP policy rate is predicted to be reduced similarly given the decrease inflation blended with the need to jump-start the economy. PKR is expected to depreciate in addition towards the USD. The extent of such depreciation relies upon mainly on debt restructuring initiatives.

Remittances are expected to be lower due to the negative impact on the Pakistani employees in Middle Eastern countries both due to the pandemic as well as declining oil prices. Exports are expected to be extensively impacted in the coming fiscal 12 months on the grounds that Pakistan's main export destinations, China, UK, US, France, Italy, Spain, and Germany, are among the countries most affected through the COVID-19 pandemic. Imports are expected to remain suppressed due to decrease economic undertaking and decreased oil prices. Compliance with FATF conditionalities continues to be a essential factor and whilst the government is confident, all efforts need to be made to obtain most feasible compliance ahead of the evaluation in September 2020.

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



786 Smart Fund

Details of Pattern of Holdings (Units)
As at June 30, 2021

S. No.	Category	No of Unit Holders	Investment Amount	% of Total
1	Directors	2	49,681,606	6.66%
2	Associated Companies	8	468,363,718	62.77%
3	Individuals	663	183,232,459	24.56%
4	Insurance	3	4,272,461	0.57%
5	Others	25	40,556,879	5.44%
	TOTAL	701	746,107,123	100.00%



786 Smart Fund

**DETAILS OF PATTERN OF HOLDINGS (UNITS)
AS AT JUNE 30, 2021**

S. No.	Category	No of Unit Holders	Unit Held	Amount	% of Total
1	Directors				
	Ms. Tara Uzra Dawood, CEO	2	611,972	49,681,606	6.66
2	Associated Companies				
	786 Investment Limited	1	2,130,273	172,941,561	23.18
	BRR Guardian Modaraba	1	396,776	32,211,387	4.32
	First Dawood Investment Bank Ltd and Others				
	Employees Contributory Provident Fund	1	319,842	25,965,664	3.48
	Dawood Family Takaful Limited	3	2,892,909	234,854,435	31.48
	Dawood Family Takaful Limited -				
	Employees Contributory Provident Fund	1	61,339	4,979,660	0.67
	BRR Financial Services (Pvt.) Limited	1	29,968	2,432,870	0.33
3	Individuals	663	2,257,035	183,232,459	24.56
4	Insurance Companies	3	52,628	4,272,461	0.57
5	Bank/DFIs	-	-	-	-
6	Modaraba / Mutual Funds	-	-	-	-
7	Others	25	437,713	35,535,020	4.76
	TOTAL	701	9,190,455	746,107,123	100.00

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



September 10, 2021

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, 2021 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in 786 Smart Fund 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

807 8th Floor Horizon Tower, Khayban-e-Saadi, Block - 3 Clifton,
Karachi, Pakistan. Tel: +92-21-35305931-37, Web: www.alhilaisha.com



REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

786 SMART FUND

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

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

1. 786 Investments Limited, the Management Company of 786 Smart Fund (Formerly Dawood Income Fund) has, in all material respects, managed 786 Smart Fund (Formerly Dawood Income Fund) during the year ended 30th June 2021 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

Khawaja Anwar Hussain
Chief Executive Officer

Digital Custodian Company Limited
Formerly MCB Financial Services Limited

Karachi: September 28, 2021

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF 786 SMART FUND

Report on the Audit of the Financial Statements

**Grant Thornton Anjum
Rahman**

1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.

Opinion

T +92 21 35672951-56

We have audited the financial statements of **786 Smart Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2021, and the income statement, statement of comprehensive income, statement of movements in unit holder's fund and the statement of cash flows 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 June 30, 2021 and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key audit matter	How our audit addressed the key audit matter
Net assets value (NAV) The balances with banks and investments constitute the most significant component of the net assets value (NAV). The balances with banks and investments as at June 30, 2021 amounted to Rs. 607.53 million and Rs. 150.59 million as disclosed in note 6 and 7 respectively. The proper valuation of balances with banks and investments for the determination of NAV of the Fund as at June 30, 2021 was considered as a high risk area and therefore, we consider this as a Key Audit Matter (KAM).	We performed the following audit procedures: • Obtained an understanding of design effectiveness of the key controls on the investment and balances with bank. • Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2021 and reconciled it with the books and records of the Fund. • Re-performed valuation to assess that the investments are carried as per the valuation methodology specified in the accounting policies. • Obtained bank reconciliation statements and tested reconciling items on a sample basis. • Assessed the adequacy of the respective disclosures and presentation in the financial statements as per applicable financial reporting framework.

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

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

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

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

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

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- Conclude on the appropriateness of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide to the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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



Grant Thornton Anjum Rahman
Chartered Accountants

Karachi
Date: September 28, 2020



786 Smart Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2021

	2021	2020
Note	-----Rupees-----	
Assets		
Balances with banks	6 607,530,032	548,128,655
Investments	7 150,592,202	86,625,682
Accrued income/profit	8 6,055,444	5,670,500
Security deposits	9 150,000	6,150,000
Advance Income tax	18 329,540	7,923,448
Total Assets	764,657,218	654,498,285
Liabilities		
Payable to 786 Investments Limited - Management Company	10 1,638,496	2,308,585
Payable to MCB Financial Services Limited - Trustee	11 102,891	85,649
Payable to Securities and Exchange Commission of Pakistan	12 117,824	124,256
Unclaimed dividend	1,476,263	5,738,576
Accrued expenses and other liabilities	13 15,214,621	19,737,481
Total Liabilities	18,550,095	27,994,547
Contingencies and commitments	14	
Net Assets	746,107,123	626,503,738
Unit holders' funds	746,107,123	626,503,738
	(Number)	
Number of units in issue	15 9,190,455	7,734,563
	(Rupees)	
Net assets value per unit	81.18	81.00

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
Note	-----Rupees-----	
Income		
Net realized loss on sale of investments	(583,310)	-
Income from investments and balances with banks	40,878,837	54,571,445
Reversal of impairment on investment at fair value through other comprehensive income	4,188,789	8,377,578
Other income	434,901	21,818
	44,919,217	62,970,841
Expenses		
Remuneration to the management company	8,836,778	7,847,917
Sindh sales tax on remuneration to the management company	1,148,780	1,020,230
Accounting and operational charges	589,107	523,194
Remuneration to the trustee	883,687	784,793
Sindh sales tax on trustee fee	114,880	102,023
Annual fee to securities & Exchange Commission of Pakistan	117,824	104,642
Auditor's remuneration	452,487	452,487
Fees and subscription	180,163	188,090
Securities transactions cost	36,903	182,695
Printing and related charges	24,861	50,138
Legal and professional charges	304,013	278,291
Provision for Sindh Workers' Welfare fund	639,881	1,026,880
Withholding taxes - written off	218,789	76,500
Charity expense	-	2,714
Bank charges	17,512	13,107
	13,565,665	12,653,701
Net income for the year before taxation	31,353,552	50,317,140
Taxation	-	-
Net income for the year after taxation	31,353,552	50,317,140
Allocation of net income for the year		
Net income for the period	31,353,552	50,317,140
Income already paid on units redeemed	(8,816,784)	(11,073,236)
Accounting income available for distribution:	22,536,768	39,243,904
Relating to capital gain	(583,310)	-
Excluding capital gain	23,120,078	39,243,904
	22,536,768	39,243,904

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
Note	-----Rupees-----	
Net income for the year after taxation	31,353,552	50,317,140
<i>Items that have been or may be re-classified subsequently to the income statement</i>	-	-
Unrealized (loss)/gain on revaluation of investments classified as fair value through other comprehensive income - net	7.4 (214,322)	278,050
	(214,322)	278,050
Total comprehensive income for the year	31,139,230	50,595,190

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2021

	2021				2020			
	Rupees				Rupees			
	Capital value	(Accumulated loss)/ Undistributed income	Unrealized (loss) on investment	Total	Capital value	(Accumulated loss)/ Undistributed income	Unrealized gains on investment	Total
Net assets at beginning of the year	766,034,989	(140,531,735)	1,000,484	626,503,738	587,946,959	(142,977,620)	722,434	445,691,773
Issue of 4,550,285 Units (2020: 5,924,775 Units)								
- Capital value (at net asset value per unit at the beginning of the year)	368,575,385	-	-	368,575,385	476,550,954	-	-	476,550,954
- Element of income	10,907,472	-	-	10,907,472	25,363,347	-	-	25,363,347
Total proceeds on issuance of units	379,482,857	-	-	379,482,857	501,914,301	-	-	501,914,301
Redemption of 3,094,393 Units (2020: 3,731,328 Units)								
- Capital value (at net asset value per unit at the beginning of the year)	(250,647,350)	-	-	(250,647,350)	(300,124,124)	-	-	(300,124,124)
- Amount paid out of element of income	-	(8,816,784)	-	(8,816,784)	-	(11,073,236)	-	(11,073,236)
- Refund/adjustment on units as element of income	(263,749)	-	-	(263,749)	(11,162,524)	-	-	(11,162,524)
Total payments on redemption of units	(250,911,099)	(8,816,784)	-	(259,727,883)	(311,286,648)	(11,073,236)	-	(322,359,884)
Net income for the year before taxation		31,353,552		31,353,552		50,317,140		50,317,140
Other comprehensive income	-		(214,322)	(214,322)	-		278,050	278,050
Distribution for the year @ 8.22 per unit on June 26, 2020	-	-	-	-	(12,539,623)	(36,798,019)	-	(49,337,642)
Distribution for the year @ 4.2599 per unit on June 23, 2021	-	(31,290,819)	-	(31,290,819)	-	-	-	-
	-	62,733	(214,322)	(151,589)	(12,539,623)	13,519,121	278,050	1,257,548
Net assets at end of the year	894,606,747	(149,285,786)	786,162	746,107,123	766,034,989	(140,531,735)	1,000,484	626,503,738
Undistributed (loss)/income brought forward								
- Realized loss		(140,531,735)				(142,977,620)		
- Unrealized income		-				-		
		(140,531,735)				(142,977,620)		
Accounting income available for distribution								
- Relating to capital gain		(583,310)				-		
- Excluding capital gain		23,120,078				39,243,904		
		22,536,768				39,243,904		
Distribution during the year		(31,290,819)				(36,798,019)		
Undistributed loss carried forward		(149,285,786)				(140,531,735)		
Undistributed (loss) carried forward								
- Realized loss		(149,285,786)				(140,531,735)		
		(149,285,786)				(140,531,735)		
Net assets value per unit at beginning of the year		81.00				88.31		
Net assets value per unit at end of the year		81.18				81.00		

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 -----Rupees-----	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		31,353,552	50,317,140
Adjustments for:			
Net realized gain on sale of investments		(583,310)	-
Markup/interest income on bank balances and investments		(40,878,837)	(54,571,445)
Reversal of impairment on investment at fair value through other comprehensive income		(4,188,789)	(8,377,578)
Provision for Sindh Workers' Welfare Fund		639,881	1,026,880
Operating loss before working capital changes		(45,011,055)	(61,922,143)
Decrease/(Increase) in assets			
Deposits and prepayments		6,000,000	(6,050,000)
Advance income tax		7,593,908	(7,849,685)
		13,593,908	(13,899,685)
(Decrease)/Increase in liabilities			
Payable to the management company		(670,089)	1,125,403
Payable to the trustee		17,242	15,009
Annual fee payable to securities and exchange commission of Pakistan		(6,432)	(230,656)
Dividend payable		(4,262,313)	5,368,614
Accrued expenses and other liabilities		(5,162,741)	11,821,486
		(10,084,333)	18,099,856
Proceeds from investments - net		(59,408,743)	38,752,380
Markup/Interest income received on investments and balances with banks		40,493,893	55,172,537
Net cash (used in)/generated from operating activities		(29,062,778)	86,520,085
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received against issue of units		379,482,857	501,914,300
Payment made against redemption of units		(259,727,883)	(322,359,884)
Dividend paid		(31,290,819)	(49,337,642)
Net cash generated from financing activities		88,464,155	130,216,774
Net increase in cash and cash equivalents		59,401,377	216,736,859
Cash and cash equivalents at beginning of the year		548,128,655	331,391,796
Cash and cash equivalents at end of the year	6	607,530,032	548,128,655

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Dawood Income Fund (the Fund) was established under a Restated Trust Deed executed on April 08, 2003 between 786 Investments Limited as Management Company and Bank AL-Habib Limited (BAHL) as Trustee. In June 2011, BAHL retired and MCB Financial Services Limited (MCBFSL) was appointed as the new trustee of the Fund and the name of the Fund was also changed from "Dawood Money Market Fund" to "Dawood Income Fund". These changes, after necessary regulatory approvals, were duly incorporated in the Trust Deed of the Fund by way of First Supplemental Trust Deed. On January 20, 2017, the Management Company has changed its name to 786 Investments Limited after completing regulatory formalities.
- 1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at G3, Ground floor, B.R.R Tower, Hassan Ali Street, I.I Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund is an open end mutual Fund and is listed on Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund.
- 1.4 The objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations.
- 1.5 Title to the assets of the Fund are held in the name of MCBFSL as the Trustee of the Fund (except for term finance certificate of New Allied industries limited as mentioned in note 7.3.1 which is a non-performing term finance certificate hence being unable to be transferred until final settlement, which is held in the name of BAHL being the previous Trustee of the Fund).
- 1.6 The Fund is categorized as "Shariah complaint islamic scheme" as per the criteria laid down by the SECP for categorization of open-end Collective Investment Schemes (CIS).
- 1.7 The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of "AM3" to the Management Company as at December 24, 2020 and stability rating of "AA-(f)" to the Fund as at April 16, 2021.
- 1.8 Due to the enactment of the Sindh Trusts Act, 2020 (as amended vide Sindh Trusts (Amended) Act, 2021), the Trusts including Collective Investment, private Funds etc, being Specialized Trusts are required to be registered with the Assistant Director of Industries and Commerce (Trust Wing), Government of Sindh under Section 12A of the Sindh Trusts Act, 2020. For this purpose, management has initiated the process of execution of Re-stated Trust Deeds between the Management Company and the trustees of the trust deed and necessary documents will be submitted with Assistant Director of Industries and Commerce (Trust Wing), Government of Sindh.

1.9 Significant events or transactions

There are no significant events or transactions during the year.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- Classification and valuation of financial assets (notes 5.1, 7 and 21)
- Classification and valuation of financial liabilities (notes 5.2, 7 and 21)
- Impairment of financial assets (note 5.1.6)
- Taxation (notes 5.7 and 18)
- Provision (notes 5.5, 13.1 and 13.2)

4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS

4.1 Standards, amendments and interpretations to the published standards that may be relevant to the fund and adopted in the current year

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

Standard or Interpretation	Effective Date "(Annual periods beginning on or after)"
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
IFRS 9, and IAS 39 - Interest Rate Benchmark Reform - Phase I	January 1, 2020

4.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the Fund

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

Standard or Interpretation	Effective Date "(Annual periods beginning on or after)"
IBOR Reform and its Effects on Financial Reporting—Phase 2	January 1, 2021
Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9)	January 1, 2022
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
Subsidiary as a First-time Adopter (Amendment to IFRS 1)	January 1, 2022
Taxation in Fair Value Measurements (Amendment to IAS 41)	January 1, 2022
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Standard or Interpretation	Effective Date "(Annual periods beginning on or after)"
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Disclosure Initiative—Accounting Policies	January 1, 2023
The Fund is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Fund.	

4.3 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

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

Standard or Interpretation	IASB Effective Date "(Annual periods beginning on or after)"
IFRS 17 'Insurance Contracts'	January 1, 2023
Amendments to IFRS 17 Insurance Contracts	January 1, 2023
IFRS 1 'First-time Adoption of International Financial Reporting Standards'	July 1, 2009

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Financial assets

5.1.1 Classification and measurement

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

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

The financial assets are categorized as follows:

Financial asset at amortized cost

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

Financial asset at fair value through other comprehensive income

Debt investment

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

Equity investment

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



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Financial asset at fair value through profit or loss

Debt investment

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

Equity investment

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

5.1.2 Regular way contracts

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

5.1.3 Initial recognition and measurement

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

5.1.4 Subsequent measurement

Financial asset at amortized cost

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

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

Financial asset at fair value through other comprehensive income

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

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

Financial asset at fair value through profit or loss

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

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

5.1.5 Basis of valuation of debt investments

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

5.1.6 Impairment

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance of an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

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

5.1.7 Derecognition

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

5.2 Financial liability

5.2.1 Classification and measurement

Financial liability at amortized cost

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

Financial liability at fair value through profit or loss

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

5.2.2 Initial recognition and measurement

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

5.2.3 Subsequent measurement

Financial liability at amortized cost

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

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

Financial liability at fair value through profit or loss

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

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

5.2.4 Derecognition

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

5.3 Derivatives

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

5.4 Offsetting of financial assets and liabilities

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



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

5.5 Cash and cash equivalent

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

5.6 Provisions

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

5.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of the Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital as reduced by such expenses as are chargeable thereon to the unitholders. Since the income earned by the Fund during the year has been distributed to the unitholders in the manner explained above, no provision for taxation has been made in these financial statements.

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

5.8 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 date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load and any provision for duties and charges, if applicable. The sales load is payable to investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of 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, and charges on redemption, if applicable.

5.9 Element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed - net

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

5.10 Distribution to unit holders

Dividend distributions and appropriations are recorded in the period in which these are approved by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

Distributions declared subsequent to the year end / reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

5.11 Net asset value per unit

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

5.12 Revenue recognition

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

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

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

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



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

5.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the income statement on an accrual basis.

5.14 Earning/loss per unit (EPU/LPU)

Earning/loss per unit EPU/LPU has not been disclosed as, in the opinion of the management, the determination of weighted average units for calculating EPU/LPU is not practicable.

5.51 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

		2021	2020
6	BALANCES WITH BANKS	Note	-----Rupees-----
	-Saving accounts	6.1	<u>607,530,032</u> <u>548,128,655</u>

6.1 These saving accounts carry profit at rates ranging from 5% to 8% (June 30, 2020: 4.5% to 11%) per annum.

		2021	2020
7	INVESTMENTS	Note	-----Rupees-----
	At fair value through other comprehensive income		
	Listed - Term finance certificates	7.1	- -
	Unlisted - Sukuk certificates	7.2	<u>50,592,202</u> <u>86,625,682</u>
			<u>50,592,202</u> <u>86,625,682</u>
	At amortised cost		
	Term Deposit Receipts (TDRs)	7.5	<u>100,000,000</u> -
			<u>150,592,202</u> <u>86,625,682</u>

		As at July 01, 2020	Purchases during the year	Matured/Disposed During the year	As at June 30, 2021	Cost/Carrying Value	Market Value	% of Total Investment
7.1	At fair value through other comprehensive income	-----Number of certificates-----						
		-----Rupees-----						
	Listed - Term finance certificates							
	face value of Rs. 5,000/-each							
	Construction and material							
	Dewan cement company limited	7.1.1	14,242	-	838	13,404	67,020,624	-
	Provision held	7.3					(67,020,624)	-

7.1.1 Dewan cement limited (DCL) is classified as non-performing by MUFAP. Accordingly, the security has been fully provided in accordance with the requirements of SECP's circular No. 1 of 2009 and the board's approved provisioning policy. The Fund has entered into a compromise agreement with DCL on May, 09 2016 whereby the remaining debt will be paid in thirty one equal quarterly installments in arrears. The Fund has recognized reversal of impairment amounting to Rs. 4.189 millions on receipt basis in current period. The Fund has suspended mark-up there against.



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

		As at July 01, 2020	Purchases during the year	Matured/ Disposed During the year	As at June 30, 2021	Cost/ Carrying Value	Market Value	% of Total Investment
Note		Number of certificates			Rupees			
7.2	At fair value through other comprehensive income							
	Unlisted - term finance certificates							
	face value of Rs. 2,207/-each							
	<i>Cable and electric goods</i>							
	New Allied Industries Limited	7.3.1	11,523	-	-	11,523	25,433,190	-
	Provision held	7.3				(25,433,190)		-
	New Allied Industries Limited	7.3.2	3,417	-	-	3,417	7,222,749	-
	Provision held	7.3				(7,222,749)		-
	<i>Balance Carried Forward</i>							
	At fair value through other comprehensive income							
	Unlisted - Sukuk certificates							
	Face Value of Rs. 1,000,000/-each							
	<i>Cable and Electric Goods</i>							
	TPL Corporation Limited	7.3.3	15	-	-	15	8,750,000	8,750,000
	Face Value of Rs. 1,000,000/-each							
	<i>Commercial Bank</i>							
	Dubai Islamic Bank Limited	7.3.4	26	-	-	26	26,682,088	26,727,142
	<i>Engineering</i>							
	Agha Steel Industries Limited	7.3.5	15	-	-	15	15,000,000	14,745,885
	Face value of Rs. 2000/-each							
	<i>Fertilizers</i>							
	Fatima Fertilizer Company Limited	7.3.6	736	-	-	736	374,436	369,175
	Face value of Rs. 2,933/-each							
	Eden Housing Limited	7.3.7	2,933	-	-	2,933	2,887,171	-
	Provision held	7.3				(2,887,171)		-
	Face value of Rs. 5,000/-each							
	Amtex limited	7.3.8	6,000	-	-	6,000	22,500,000	-
	Provision held	7.3				(22,500,000)		-
	<i>balance carried forward</i>							
						50,806,524	50,592,202	
	Face value of Rs. 5,000/-each							
	New Allied Electronics Industries (Private) Limited	8.3.9	-	1,000	-	1,000	5,027,500	-
	Provision held	7.3				(5,027,500)		-
						50,806,524	50,592,202	



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

7.3 Details of non-compliant investments

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

Name of non compliant investment	Note	Type of Investment	Value of Investment before provision	Provision held if any	Value of Investment after provision	% of net assets	% of Gross Assets
-----Rupees-----							
Dewan Cement Limited - Restructured	7.1.1	Pre-IPO investment	67,020,624	(67,020,624)	-	-	-
New Allied Industries Limited	7.3.1	Term finance certificates	25,433,190	(25,433,190)	-	-	-
New Allied Industries Limited	7.3.2	Term finance certificates	7,222,749	(7,222,749)	-	-	-
New Allied Industries Limited	7.3.9	Sukuk certificates	5,027,500	(5,027,500)	-	-	-
Eden Housing Limited	7.3.7	Sukuk certificates	2,887,171	(2,887,171)	-	-	-
Amtex Limited	7.3.8	Sukuk certificates	22,500,000	(22,500,000)	-	-	-

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

7.3.2 New Allied Electronics Industries (Private) Limited defaulted on its payment of principal and mark-up due on 25 December 2008. Consequently, the security was classified as non-performing by MUFAP on 9 January 2009 and accrual of income on the same was suspended. This security has been fully provided in accordance with the provisioning circulars issued by the SECP and the Board's approved provisioning policy.

7.3.3 These sukuk certificates carry profit equal to 1 year KIBOR plus 3% receivable quarterly in arrears and will mature in April 2021. The principal amount is redeemable in four six monthly installments of Rs. 0.25 million per certificate Each commencing from October 2019. These sukuk certificates are secured by hypothecation charge over the hypothecated assets of Rs. 625 million and pledge of shares of TPL Properties Limited in favour of the Trustee of the issuer for the benefit of the certificate holders.

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

7.3.5 This is the Pakistan's 1st over the counter listed sukuk issue, priced through competitive bidding process by Agha Steel Industries Limited backed by diminishing musharaka and carry profit equal to 3 month KIBOR plus 0.8% and will completely mature in October 2024. Pak Brunei Limited is appointed as trustee and the issue agent of the sukuk. These sukuk certificates are secured by hypothecation charge over the present and future fixed assets of the issuer in favour of the Trustee of the issuer for the benefit of the certificate holders.

7.3.6 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.

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

7.3.8 Amtex Limited (Sukuk) defaulted on its payment of principal and mark-up due on December 22, 2010. Consequently, the security was classified as non-performing by MUFAP non January 6, 2011 and accrual of income on the same was suspended. Accordingly, the security has been fully provided in accordance with the provisioning circulars issued by SECP and the board's approved provisioning policy.

7.3.9 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.



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

7.4 Unrealized gain on revaluation of investments classified as fair value through other comprehensive income - net	Note	2021	2020
		Rupees	
Fair value of investments	7.2	50,592,202	86,625,682
Less: Cost/Carrying Value of Investment		(51,084,574)	(86,401,882)
		(492,372)	223,800
Less: Net unrealized gain in fair value of investments - Opening		278,050	54,250
		(214,322)	278,050

7.5 This represents term deposit receipts placed with Bankislami Pakistan Limited carrying mark-up at the rate of 7.25%(2020: Nil) per annum and will be matured on November 3, 2021.

8 ACCRUED INCOME/PROFIT	Note	2021	2020
		Rupees	
- Income from profit and loss sharing (PLS) accounts		3,445,372	2,936,634
- Income from sukuk certificates		1,438,154	2,733,866
- Income from term deposit receipt (TDR)		1,171,918	-
		6,055,444	5,670,500

9 SECURITY DEPOSITS

Deposits - Central Depository Company

- Deposits - Central depository company 786SF
- Deposits - Central depository company FDMF

100,000	100,000
50,000	50,000
150,000	150,000

Deposits - National Clearing Company of Pakistan

- Deposits - National clearing company 786RSF
- Deposits - National clearing company FDMF

-	2,500,000
-	3,500,000
-	6,000,000
150,000	6,150,000

10 PAYABLE TO 786 INVESTMENTS LIMITED - MANAGEMENT COMPANY

Management remuneration	10.1	910,526	757,933
Sindh sales tax payable	10.2	138,853	119,016
Accounting and operational charges			
-786 Smart Fund	10.3	589,117	523,195
-First Dawood Mutual Fund	10.3	-	731,382
-786 Rising Star Fund	10.3	-	177,059
		589,117	1,431,636
		1,638,496	2,308,585

10.1 According to the provisions of the Trust Deed of the Fund, the Management Company has charged its remuneration at the rate of 1.5% (June 2020: 1.5%) per annum on the average annual net assets of the Fund calculated on a daily basis.

10.2 The Sindh Provincial Government has levied Sindh Sales tax at the rate of 13% (June 2020: 13%) on Management Company's remuneration.

10.3 In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I)/2015 dated November 25, 2015, the Management Company of the Fund is entitled for reimbursement of fee and expenses incurred by the Management Company in relation to registrar service, accounting, operation and valuation services related to the Fund maximum up to 0.1% of average annual net assets of the scheme or actual which ever is less. Accordingly, the Management Company has charged accounting and operating expenses to the Fund at a rate of 0.1% per annum of the average annual net assets of the Fund for the year ended June 30, 2021.



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

		2021	2020
	Note	Rupees	
11 PAYABLE TO MCB FINANCIAL SERVICES LIMITED- TRUSTEE			
Trustee Remuneration	11.1	91,053	75,795
Sindh sales tax payable on Trustee remuneration	11.2	11,838	9,854
		102,891	85,649

11.1 According to the provisions of the Trust Deed of the 786 Smart Fund, the Trustee is entitled to monthly remuneration for services rendered to the Fund as follows:

On net assets:

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

11.2 The Sindh Provincial Government has levied sindh sales tax at the rate of 13% (June 2020: 13%) on trustee's remuneration.

12 ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with SRO 714(I)/2019 dated July 1, 2019 as amended in clause "c" of Schedule II of NBFC Regulation 2008, read with regulation 62 of NBFC Regulation 2008, applicable from July 1, 2019 whereby the Fund is required to pay SECP an amount equal to 0.02% of the average daily net assets. Earlier this fee was 0.085% of the average daily net assets.

		2021	2020
	Note	Rupees	
13 ACCRUED EXPENSES AND OTHER LIABILITIES			
Federal Excise Duty on Remuneration	13.1	6,513,679	6,513,679
Provision for Sindh Workers' Welfare Fund	13.2	8,098,489	7,458,609
Accrued expenses	13.3	541,237	561,380
Other liabilities		49,596	557,809
Capital gain tax payable		-	261,552
Zakat payable and withholding tax		11,620	4,384,452
		15,214,621	19,737,481

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision made for FED for the period from June 13, 2013 till June 30, 2016 aggregating to Rupees.1.797 million (June 30, 2020: Rupees. 1.797 million) is being retained in the financial statements of the Fund as the matter is pending before the SCP. Had the said provision of FED not been recorded in the financial statements of the Fund, the net asset value per unit of the Fund as at June 30, 2020 would have been higher by Rs. 0.71 (June 30, 2020: Rs. 0.84) per unit.



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

13.2 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015). The Funds have accordingly made provision in respect of SWWF as recommended by MUFAP in the financial statements as at June 30, 2021.

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies, in consultation with SECP, have reversed the cumulative provision for SWWF recognised in the financial statements of the Funds, for the period from May 21, 2015 to August 12, 2021, on August 13, 2021. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognised in the financial statements of the Fund.

Had the provision for SWWF not been recorded in these financial statements of the Fund, the net assets value of the Fund as at June 30, 2021 would have been higher by Rs 0.88 per unit (June 30, 2020: Rs 0.96 per unit).

13.3 Accrued expenses

	2021	2020
	-----Rupees-----	
Auditors' remuneration payable	309,287	317,888
Rating fee payable - PACRA	-	-
Printing and related expenditure payable	25,000	32,140
Shariah and tax advisors fee payable	206,950	211,352
	<u>541,237</u>	<u>561,380</u>

14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2021 and June 30, 2020.

15 NUMBER OF UNITS IN ISSUE

	2021	2020
	-----Number of Units-----	
Total outstanding as of July 01	7,734,563	5,541,116
Issued during the year	4,550,285	5,924,775
Redemption during the year	(3,094,393)	(3,731,328)
Closing units	<u>9,190,455</u>	<u>7,734,563</u>

16 INCOME FROM INVESTMENTS AND BALANCES WITH BANKS

	2021	2020
	-----Rupees-----	
Income from:		
- Sukuk certificates	6,256,425	13,669,698
- Profit and loss sharing (PLS) account	33,450,494	40,901,747
- Term deposits receipts (TDR)	1,171,918	-
	<u>40,878,837</u>	<u>54,571,445</u>

17 AUDITOR'S REMUNERATION

	2021	2020
Annual audit fee	245,000	245,000
Half yearly review	90,000	90,000
Other services	23,969	25,000
Out of pocket expenses	60,000	58,969
	<u>418,969</u>	<u>418,969</u>
Sindh Sales Tax	33,518	33,518
	<u>452,487</u>	<u>452,487</u>



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

18 ADVANCE INCOME TAX

Advance income tax pertains to one of the fund which has merged during previous period (786 Rising Star Fund). The Management Company has filed return of income of the Fund for the years ended 30 June 2013, 2014 and 2015 claiming exemption from income under clause 99 of Pan I to the Second Schedule of the Income Tax Ordinance, 2001 (the Ordinance). The Additional Commissioner Inland (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 exemption under clause 99 is available to only those collective investment schemes, which distribute not less than 90% of its accounting income year amongst unit holders on year to year basis and an amount of Rs 7.9 million was withheld by tax department from the bank of the Fund which was included in advance income tax in 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 favor 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.

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 and, the management after continuous efforts has recovered the aforementioned seized amount of Rs 7.9 million from the relevant authorities.

19 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the year ended June 30, 2021 is 2.30% which includes 0.38% representing government levies on the Fund such as federal excise duties and sales taxes, Workers' Welfare Fund, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorized as an "Islamic Income Scheme".

20 TRANSACTIONS WITH RELATED PARTIES/CONNECTED PERSONS

Related party/connected person include 786 Investments Limited being the Management Company, other collective investment schemes managed by the Management company, MCB Financial Services Limited being the Trustee of the Fund, Directors and Officers of the Management Company, other associated undertakings and unit holder's holding more than 10% units in the Fund or any other connected person.

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

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

Aggregate transactions and balances with related parties, associated undertakings and connected person which are not disclosed elsewhere in the notes are as follows:

	Note	2021 -----Rupees-----	2020
20.1 Transactions during the Period Ended			
786 Investments Limited - Management Company			
Remuneration of the management company	10.1	8,836,778	7,847,917
Sales tax on remuneration to the management company	10.2	1,148,780	1,020,230
Accounting and operational charges	10.3	589,107	523,194
Issue of units: 212,457 (2020: 1,002,084)		18,000,000	85,143,724
Re-Invest of of units: 92,410		7,494,869	-
Redemption of units: Nil (2020: 548,779)		-	45,000,000
MCB Financial Services Limited - Trustee			
Remuneration of the Trustee	11.1	883,687	784,793
Sales tax on Trustee fee	11.2	114,880	102,023



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Note	2021 -----Rupees-----	2020
BRR Guardian Modaraba (Connected Person due to Group Company)		
Issue of units: Nil (2020: 408,162)	-	34,864,260
Redemption of units: Nil (2020: 11,386)	-	1,000,000
BRR Investment Limited (Connected person due to group company)		
Issue of units: 84,023 (2020: 392)	7,000,000	31,581
Redemption of units: 83,680 (2020: 385,132)	7,118,930	32,445,621
Dawood Family Takaful Limited (Connected person due to group company)		
Issue of units: 2,350,607 (2020: 428,963)	200,000,000	36,590,937
Redemption of units: 2,265 (2020: Nil)	188,352	-
Dawood Family Takaful Limited -Employees contributory provident fund- Associate of Management Company		
Issue of units: Nil (2020: 58,278)	-	4,971,152
First Dawood Investment Bank Limited (Connected Person due to Group Company)		
Issue of units: Nil (2020: 1,991)	-	160,223
Redemption of units: Nil (2020: 1,991)	-	161,617
First Dawood Investment Bank Limited -Employees Contributory Provident Fund - Employee Benefit Fund of Group Company		
Issue of units: 21,732 (2020: 181,195)	1,800,000	15,323,012
Redemption of units: 198,562 (2020: 173,604)	13,500,000	15,000,000
BRR Financial Services (Private) Limited (Connected Person due to Group Company)		
Issue of units: Nil (2020: 306,878)	-	26,708,027
Redemption of units: Nil (2020: 278,191)	-	24,500,000
Equity International (Private) Ltd. (Connected Person due to Group Company)		
Issue of units: 13,856 (2020: Nil)	1,150,000	-
Redemption of units: 13,856 (2020: Nil)	1,177,024	-
Dawood International (Private) Limited (Connected Person due to Group Company)		
Issue of units: 22,318 (2020: 137,777)	1,850,000	11,942,371
Redemption of units: 131,868 (2020: 28,068)	10,969,181	2,500,000
Directors and Key Management Personnel of the Management Company		
Issue of units: 611,298 (2020: 58,770)	49,587,410	4,787,789
Redemption of units: 656,443 (2020: 34,255)	55,704,969	2,856,000



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 -----Rupees-----	2020
Unit Holders having 10% or more units			
Issue of units: 944,787 (2020: 2,926,708)		<u>76,639,440</u>	<u>246,614,009</u>
Redemption of units: 1,235,157 (2020: 2,205,775)		<u>104,431,898</u>	<u>193,374,854</u>
20.2 Balance as at period ended			
786 Investments Limited - Management Company			
Remuneration payable to the management company	10	<u>910,526</u>	<u>757,933</u>
Sales tax payable on management company's remuneration	10	<u>138,853</u>	<u>119,016</u>
Accounting and operational charges			
-786 Smart Fund	10	<u>589,117</u>	<u>523,195</u>
-First Dawood Mutual Fund	10	<u>-</u>	<u>731,382</u>
-786 Rising Star Fund	10	<u>-</u>	<u>177,059</u>
FED payable on management company's remuneration		<u>6,513,679</u>	<u>6,513,679</u>
Units held: 2,130,273 (June 2020: 1,825,406)		<u>172,941,561</u>	<u>147,858,793</u>
MCB financial services limited - Trustee			
Remuneration payable to the Trustee	11	<u>91,053</u>	<u>75,795</u>
Sales tax payable on Trustee fee	11	<u>11,838</u>	<u>9,854</u>
BRR Guardian Modaraba (Connected person due to group Company)			
Units held: 396,779 (June 2020: 396,776)		<u>32,211,387</u>	<u>32,139,018</u>
BRR Investment Limited (Connected person due to group Company)			
Units held: Nil (June 2020: Nil)		<u>-</u>	<u>-</u>
First Dawood Investment Bank Limited -Employees Contributory Provident Fund- Employee Benefit Fund of Group Company			
Units held: 319,842 (June 2020: 480,710)		<u>25,965,664</u>	<u>38,937,756</u>
Dawood Family Takaful Limited (Connected Person due to Group Company)			
Units held: 2,892,909 (June 2020: 428,963)		<u>234,854,435</u>	<u>34,746,251</u>
Dawood Family Takaful Limited - Employees contributory provident fund - Associate of Management Company			
Units held: 61,339 (June 2020: 58,278)		<u>4,979,660</u>	<u>4,720,537</u>
BRR Financial Services (Private) Limited (Connected Person due to Group Company)			
Units held: 29,968 (June 2020: 28,687)		<u>2,432,870</u>	<u>2,323,666</u>



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 -----Rupees-----	2020
Dawood International (Private) Limited (Connected Person due to Group Company)			
Units held: Nil (June 2020: 109,708)		-	8,886,417
Directors and key management personnel of the Management Company			
Units held: 611,972 (June 2020: 656,460)		49,681,606	53,173,552
Unit Holders having 10% or more units			
Units held: 944,787 (June 2020: 1,451,711)		76,700,473	117,589,284

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

21 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Balances with banks
Investments
Accrued income/profit
Security deposits

Financial liabilities

Payable to 786 Investments Limited - Management Company
Payable to MCB Financial Services Limited - Trustee
Payable to Securities and Exchange Commission of Pakistan
Unclaimed dividend
Accrued expenses and other liabilities

As at June 30, 2021		
At amortized cost	Financial asset at fair value through other comprehensive income	Total

-----Rupees-----		
607,530,032	-	607,530,032
100,000,000	50,592,202	150,592,202
6,055,444	-	6,055,444
150,000	-	150,000
713,735,476	50,592,202	764,327,678

As at June 30, 2020		
At amortized cost	Financial asset at fair value through other comprehensive income	Total

-----Rupees-----		
548,128,655	-	548,128,655
-	86,625,682	86,625,682
5,670,500	-	5,670,500
6,150,000	-	6,150,000
559,949,155	86,625,682	646,574,837

Financial assets

Balances with banks
Investments
Accrued income/profit
Security deposits

Financial liabilities

Payable to 786 Investments Limited - Management Company
Payable to MCB Financial Services Limited - Trustee
Payable to Securities and Exchange Commission of Pakistan
Unclaimed dividend
Accrued expenses and other liabilities

2,189,569	-	2,189,569
75,795	-	75,795
124,256	-	124,256
5,738,576	-	5,738,576
1,119,189	-	1,119,189
9,247,385	-	9,247,385



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

22 RISK MANAGEMENT FRAMEWORK

22.1 Risk management framework

The Fund's activities expose it to a variety of financial risks, market risk, credit risk and liquidity risk.

The Fund's Board of Directors has an overall responsibility for the establishment and oversight of the Fund's risk management framework.

Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the Fund's constitutive documents and the regulations and directives of the SECP. The policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

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

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

22.2 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by SECP.

22.2.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

22.2.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

As of June 30, 2021, the Fund is exposed to such risk in respect of bank balances and investment in debt securities. The bank balances are subject to interest rates as declared by the respective banks on periodic basis. Debt securities are subject to floating interest rates other than Government securities which are subject to fixed interest rates. The sensitivity of the income or loss for the year is the effect of the assumed changes in interest rates on:

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

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

	Effect on Income	
	2021	2020
	-----Rupees-----	
Change in Basis Point		
+ 100	75,812,223	63,475,434
- 100	(75,812,223)	(63,475,434)



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

June 30, 2021					
Yield/Effective Interest Rate (%)	Exposed to Yield/Interest Rate Risk			Not Exposed to Yield/Interest Rate Risk	Total
	Up to Three Months	More than Three Months and Up to One Year	More than One Year		
----- (Rupees) -----					
On-Balance Sheet					
Financial Assets					
Balances with Banks	5 - 8	607,530,032	-	-	607,530,032
Investments	7 - 14	-	368,000	150,224,202	150,592,202
Accrued Income/Profit		-	-	6,055,444	6,055,444
Security Deposits		-	-	150,000	150,000
		607,530,032	368,000	150,224,202	6,205,444
					764,327,678
Financial Liabilities					
Payable to 786 Investment Limited - Management Company		-	-	1,499,643	1,499,643
Payable to MCB Financial - Services Limited - Trustee		-	-	91,053	91,053
Payable to Securities and Exchange Commission of Pakistan		-	-	117,824	117,824
Unclaimed Dividend		-	-	1,476,263	1,476,263
Accrued Expenses and Other Liabilities		-	-	590,833	590,833
		-	-	3,775,616	3,775,616
		607,530,032	368,000	150,224,202	2,429,828
					760,552,062
On-Balance Sheet Gap					

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2021

June 30, 2020					
Yield/Effective Interest Rate (%)	Exposed to Yield/Interest Rate Risk			Not Exposed to Yield/Interest Rate Risk	Total
	Up to Three Months	More than Three Months and Up to One Year	More than One Year		
(Rupees)					
On-Balance Sheet					
Financial Assets					
Balances with banks	3 - 11	548,128,655	-	-	548,128,655
Investments	6 - 10	-	11,250,000	75,375,682	86,625,682
Accrued income/profit		-	-	5,670,500	5,670,500
Security deposits		-	-	6,150,000	6,150,000
		548,128,655	11,250,000	75,375,682	11,820,500
					646,574,837
Financial Liabilities					
Payable to 786 Investment Limited - Management Company		-	-	2,189,569	2,189,569
Payable to MCB Financial - Services Limited - Trustee		-	-	75,795	75,795
Payable to Securities and Exchange Commission of Pakistan		-	-	124,256	124,256
Unclaimed dividend		-	-	5,738,576	5,738,576
Accrued expenses and other liabilities				1,119,189	1,119,189
		-	-	9,247,385	9,247,385
On-Balance Sheet Gap					
		548,128,655	11,250,000	75,375,682	2,573,115
					637,327,452

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2020.



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

22.2.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At present, the Fund is not exposed to price risk.

22.3 Credit Risk

Credit risk represent the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investments and balances with banks. The Fund does not foresee any credit risk with respect to GOP Ijarah Sukuks since these are securities issued by State Bank of Pakistan on behalf of the Government of Pakistan. The credit risk on other financial assets is limited because the counter parties are mainly companies/ financial institution with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by investment committee) require the Fund to invest in debt securities that have been rate as investment grade by a well known rating agency.

22.3.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2021.

Name of Bank	Rating agency	Latest published rating		Percentage of bank balance
		Short term	Long term	
Bank Islami Pakistan Limited	PACRA	A1	A+	0.11%
Dubai Islamic Bank Limited	JCR-VIS	A1+	AA	99.89%
JS Bank Limited	PACRA	A1+	AA-	0.00%
Habib Metropolitan Bank Ltd	PACRA	A1+	AA+	0.00%
Albaraka Bank Limited	JCR-VIS	A1	A+	0.00%

Sukuks other than GOP ijarah sukuks

Name of issuer/issue date	Rating agency	Latest published rating of the instrument	Percentage of Sukuks
TPL Corporation Limited	PACRA	A	17.30%
Agha Steel Industries Limited	PACRA	AA	29.15%
Fatima Fertilizer Company Limited	JCR-VIS	AA-	0.73%

22.3.2 Concentration of credit risk

Concentration of risk exists arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly effect by changes in economic, political or other conditions. The Fund's portfolio of the financial instruments is mainly held with various banks, securities issued by State Bank of Pakistan on behalf of the Government of Pakistan and certain privately placed sukuks.

22.4 Liquidity Risk

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

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



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

2021

Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
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(Rupees)

Financial Liabilities

Payable to 786 Investment Limited -

Management Company

Payable to MCB Financial -

Services Limited - Trustee

Payable to Securities and Exchange

Commission of Pakistan

Unclaimed Dividend

Accrued Expenses and Other Liabilities

1,499,643	-	-	-	-	1,499,643
91,053	-	-	-	-	91,053
-	117,824	-	-	-	117,824
1,476,263	-	-	-	-	1,476,263
590,833	-	-	-	-	590,833
3,657,792	117,824	-	-	-	3,775,616

2020

Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
----------------	---------------	----------------	--------------	-------------------	-------

(Rupees)

Financial Liabilities

Payable to 786 Investment Limited -

Management Company

Payable to MCB Financial -

Services Limited - Trustee

Payable to Securities and Exchange

Commission of Pakistan

Unclaimed Dividend

Accrued Expenses and Other Liabilities

2,189,569	-	-	-	-	2,189,569
75,795	-	-	-	-	75,795
-	124,256	-	-	-	124,256
5,738,576	-	-	-	-	5,738,576
1,119,189	-	-	-	-	1,119,189
9,123,129	124,256	-	-	-	9,247,385

The Unit Holders' Fund is represented by redeemable units. The unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit as of the close of the business day less any back end load, provision for transaction cost and any provision for duty and charge, if applicable. The relevant movements are shown on the 'Statement of Movement in Unit holder's Fund.

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

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

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

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

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

"Fair Value Measurement" defines fair value as the price that would be received to sale an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active market are based on the quoted market price at the close of trading on the period end date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the carrying values as the items are either short-term in nature or periodically repriced.



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Debt Securities

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

Government Securities

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

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

23.1 Fair Value Hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		June 30, 2021					
		Carrying amount			Fair value		
	Note	At amortised cost	FVTOCI	Total	Level 1	Level 2	Level 3
		-----Rupees-----					
Financial assets measured at fair value							
Investments							
Unlisted - Sukuk certificates	23.1.1	-	50,592,202	50,592,202	50,592,202	-	-
		-	50,592,202	50,592,202	50,592,202	-	-
Financial assets not measured at fair value							
	23.1.2						
Balances with banks		607,530,032	-	607,530,032			
Term Deposit Receipts		100,000,000	-	100,000,000			
Accrued income/profit		6,055,444	-	6,055,444			
Security deposits		150,000	-	150,000			
		713,735,476	-	713,735,476			

		Carrying amount		
	Note	At amortised cost	FVTOCI	Total
		-----Rupees-----		
Financial liabilities not measured at fair value				
	23.1.2			
Payable to 786 Investments Limited - Management Company				
Payable to MCB Financial Services Limited - Trustee		1,499,643	-	1,499,643
Payable to Securities and Exchange Commission of Pakistan		91,053	-	91,053
Unclaimed dividend		117,824	-	117,824
Accrued expenses and other liabilities		1,476,263	-	1,476,263
		590,833	-	590,833
		3,775,616	-	3,775,616



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2020					
	Carrying amount			Fair value		
	At amortised cost	FVTOCI	Total	Level 1	Level 2	Level 3
	-----Rupees-----					
Financial assets measured at fair value						
Investments						
Unlisted - Sukuk certificates	-	86,625,682	86,625,682		86,625,682	-
	-	86,625,682	86,625,682	-	86,625,682	-
Financial assets not measured at fair value						
Balances with banks	548,128,655	-	548,128,655			
Accrued income/profit	5,670,500	-	5,670,500			
Security deposits	6,150,000	-	6,150,000			
	559,949,155	-	559,949,155			
				Carrying amount		
				At amortised cost	FVTOCI	Total
				-----Rupees-----		
Financial liabilities not measured at fair value						
Payable to 786 Investments Limited - Management Company				2,189,569	-	2,189,569
Payable to MCB Financial Services Limited - Trustee				75,795	-	75,795
Payable to Securities and Exchange Commission of Pakistan				124,256	-	124,256
Unclaimed dividend				5,738,576	-	5,738,576
Accrued expenses and other liabilities				19,737,481	-	19,737,481
				27,865,677	-	27,865,677

23.1.1 Investment in sukuk are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan (SECP).

23.1.2 The Fund has not disclosed the fair values for these financial assets, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

24 SUPPLEMENTARY NON FINANCIAL INFORMATION

24.1 Pattern of Unit Holding

	As at 30 June 2021			As at 30 June 2020		
	Number of Unit Holders	Investment Amount	Percentage Investment	Number of Unit Holders	Investment Amount	Percentage Investment
		Rupees			Rupees	
Individuals	663	183,232,459	24.56%	654	233,983,216	37.35%
Associated Companies & Directors	10	518,045,324	69.43%	11	318,076,030	50.77%
Insurance Companies	3	4,272,461	0.57%	3	4,124,437	0.66%
Retirement Funds	6	8,226,528	1.10%	8	38,552,208	6.15%
Others	19	32,330,351	4.33%	19	31,767,847	5.07%
	701	746,107,123	100%	695	626,503,738	100%



786 Smart Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

24.2 Details of Brokers

Brokers

	2021	2020
	----- (Rupees) -----	
Adam Securities Limited	-	16,209
Alfalsh Securities Limited	-	23,810
Axis Global limited	-	31,748
Foundation securities	-	17,490
Habib metropolitan Financial Securities limited	-	1,031
IGI Financial Securities	-	24,145
Pearl securities	-	3,377
BIPL Securities Limited	-	20,988
	138,798	

The last year brokerage expense are paid to the brokers of FDMF and 786RSF due to Merger of the fund.

24.3 Details of Investment Committee

Name of Member	Designation	Qualification	Experience
Ms. Tara Uzra Dawood	Chief Executive Officer	Doctorate of Juridical Science	17 years
Mr. Noman Shakir	Chief Financial Officer and Company Secretary	ACMA	11 years
Mr. Muhammad Abbas	AVP Finance	MBA Finance	21 years

24.4 Details of Fund Manager

Mr. M. Abbas is working as AVP Finance and in addition, has been designated as acting Fund Manager. He is managing the 786 Smart Fund which is the surviving fund after the merger of 786 Rising Star Fund (786RSF), First Dawood Mutual Fund (FDMF) with and into 786 Smart Fund (786SF).

Name of Director	September 28 2020	October 29, 2020	February 25, 2021	April 27, 2021
Ms. Shafqat Sultana	Present	Present	Present	Present
Ms. Tara Uzra Dawood	Present	Present	Present	Present
Ms. Charmaine Hidayatullah *	Present	Present	Present	Present
Mr. Tahir Mehmood	Present	Present	Present	Present
Syed Farhan Abbas	Present	Present	Present	Present
Syed Shabhat Hussain	Present	Present	Present	Present
Ahmed Salman Munir	Present	Present	Present	Present

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

25 GENERAL

25.1 Figures have been rounded off to the nearest rupee.

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the board of directors of the Management Company on 28th September, 2021.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

PERFORMANCE TABLE / KEY FINANCIAL DATA

	Year					
	2021	2020	2019	2018	2017	2016
Net assets (Rs in million)	746.11	626.50	445.69	334.72	247.74	155.98
Net Asset Value per units (Rs.)	81.18	81.00	80.43	88.31	78.93	75.98
Offer price per unit	81.99	81.81	81.23	89.19	79.72	76.74
Redemption price per unit	81.18	81.00	80.43	88.31	78.93	75.98
Number of units	9,190,455	7,734,563	5,541,116	3,790,392	3,138,834	2,052,882
Net Profit / (loss) for the year (Rs in million)	31.35	50.32	50.43	35.11	35.00	38.20
<i>Income Distribution (Rs in million)</i>						
Final	31.29	49.34	80.54	-	26.87	31.97
Interim	-	-	-	-	-	-
<i>Average annual return (%)</i>	5.12%	10.93%	11.12%	11.89%	16.32%	32.68%



786 Smart Fund

PROXY ISSUED BY THE FUND

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

The details of summarized proxies voted are as follows:

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



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786 SMART FUND
G-3, B.R.R. Tower,
Hassan Ali Street,
Off I.I. Chundrigar Road,
Karachi - 74000 Pakistan



Managed By:
786 Investments Limited

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