



INVESTMENTS

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786 INVESTMENTS LIMITED



786 SMART FUND

**FOR THE
HALF YEAR ENDED
DECEMBER 31, 2020
(UN-AUDITED)**

CONTENTS

Corporate Information	2
Directors' Report	3
ڈائریکٹرز کی رپورٹ	5
Report Trustee	7
Auditors' Report	8
Condensed Interim Statement of Assets and Liabilities	9
Condensed Interim Income Statement	10
Condensed Interim Statement of Comprehensive Income	11
Condensed Interim Statement of Movement in Unitholders' Fund	12
Condensed Interim Cash Flow Statement	13
Notes to the Condensed Interim Financial Statements	14



CORPORATE INFORMATION

Management Company	786 Investments Limited G-3 Ground Floor, B.R.R. Tower, Hassan Ali Street, Off I.I. Chundrigar Road, Karachi - 74000 Pakistan Tel: (92-21) 32603751-54 Email: info@786investments.com Website: www.786investments.com	
Board of Directors	Ms. Shafqat Sultana Miss Tara Uzra Dawood Ms. Charmaine Hidayatullah Mr. Ahmed Salman Munir Syed Shabahat Hussain Mr. Tahir Mehmood Syed Farhan Abbas	Chairperson Chief Executive Officer Director Director Director Director Director
Chief Financial Officer & Company Secretary	Mr. Noman Shakir	
Audit Committee	Syed Shabahat Hussain Mr. Tahir Mehmood Syed Farhan Abbas	Chairman Member Member
Human Resource Committee	Ms. Shafqat Sultana Miss Tara Uzra Dawood Mr. Tahir Mehmood	Chairperson Member Member
Trustee:	Digital Custodian Company (Formerly) MCB Financial Services Limited 4th Floor, Perdesi House, 2/1 R-Y Old Queens Road, Lalazar, 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:	Bank Islamic Bank Pakistan Dubai Islamic Bank	
Rating	PACRA: AA-(f)	



DIRECTORS' REPORT FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

It gives me immense pleasure to present on behalf of the Board of Directors of 786 Investments Ltd "786 or the Company" the Management Company of 786 Smart Fund (Formerly Dawood Income Fund), I am pleased to present reviewed financial statements along with auditors reviewed report for the half year ended December 31, 2020.

MARKET & ECONOMY REVIEW

Economy & Money Market Review:

The Calendar year 2020 was once difficult for the world, as the pandemic wreaked havoc on economies and created unnecessary problems for governments. Pakistan was no longer an exception to the phenomenon as GDP growth for fiscal year 20 contracted for the first time after nearly 50 years. Nevertheless, the country was running far above the relative economies in terms of both the welfare of the economy and the population thanks to a mixture of administration and absolute luck. The local economy has seen a V-shaped recovery, strengthening normal opinions and confidence. It is expected that the target economic increase ranges will be executed smoothly.

The COVID 19 has been a hidden blessing for Pakistan's external account position, where the country is reaping the benefits of low oil charges and remittance flows. For the fifth consecutive month, the current account posted a surplus, reaching \$ 447 million in November. This brings the cumulative surplus for the first 5 months to \$ 1,640 million against a deficit of \$ 1,745 million for the remaining year of the same duration. Once again, remittances provided the largest contribution to the surplus, with a \$ 2.3 billion increase of 28% year-on-year. The financial account confirmed a significant improvement with entries of \$ 380 million in November 2020 against a net outflow of USD 585 million in October 2020.

The current account posted a surplus of USD 997 million in the first half-year compared to a deficit of USD 2.032 million in the corresponding length of the last year. The enhancement got here in major on the lower back of greater remittances which grew at a surprising charge of 25% at some stage in the period. Foreign change reserves of the central financial institution saw an amplify of USD 1.3 billion at some stage in the first half due to expanded balance of charge position.

The CPI inflation during December dropped to 7.97% YoY, from 8.35% YoY in the previous month, taking the average inflation in the first 6 months of 21 to 8.63% YoY. On a last month basis, inflation fell 0.68% in December, breaking the eight-month consecutive uptrend. The downward trend was once shown through food prices, with a significant decrease of 3.2% from the previous month. Overall inflation can be expected to decline in 1QCY21 due to the excessive fundamental effect, after which it would have to choose to rise again in 2Q. We estimate CPI to increase ~ 9.2% on average next year, minus any major fuel cost shock. With operating costs at 7%, actual fees will stay below negative and the central bank may want to raise interest rates slightly over the next half of the fiscal year.

As the financial system commenced to open up, tax collection additionally expanded and grew by 5% for the duration of the first half of the fiscal year and nearly met the preferred goal for the period. The fiscal deficit for the first 5 months of the duration clocked in at 1.8% of GDP, in contrast to 1.6% of GDP final year. The principal balance was even better at a surplus of 0.5% of GDP in contrast to ultimate year's surplus of 0.3% of GDP. The yield curve commenced to slope upward after inflation persevered to disappoint investors. The central bank additionally raised its expectation of inflation as mentioned in the minutes of MPC. It now expects it to fall in the upward range of 7-9% in contrast to in the past expectations of inflation falling in the decrease range 3, 5, and 10 Year bonds saw an upward push of seventy four bps, 114 bps, and 129 bps respectively at some stage in the period



**DIRECTORS' REPORT
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

Auditors' Report:

The Auditors in their review report on half-year ended December 31, 2020, concluded as under:

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

Fund Performance:

As of December 31, 2020, net assets were PKR 555.49 million as compared to PKR 550.41 million as of December 31, 2019. Total operating income for the period was PKR 21.03 million as compared to PKR 33.73 million in the same period last year. Total expense was PKR 6.82 million as compared to PKR 5.40 million in the same period last year. The fund made a monthly annualized return of 4.42% for the month ended December 31, 2020, as compared to its benchmark return of 3.36% during the same period.

Net Income for the period was PKR 14.21 as compared to PKR 28.32 million in the same period last year. Income already paid on the unit redeemed was PKR 1.25 million. The Net Asset Value per unit was PKR 82.85 as of December 31, 2020.

Future Plans:

786IL is building a strategy focused on times of COVID-19, and in anticipation of post COVID-19, with a focus on ease of both operations and customer access to information and our team, during periods of lockdown and with an emphasis on virtual, safer communications and elimination of paper for reasons of health and safety, as well as to be a more sustainable, purpose-driven, eco-friendly role model among asset management companies.

Our objective for the year is to grow Asset under Managements (AUM) through an effective virtual, social media driven sales strategy.

---SD---

---SD---

Director

Shafqat Sultana
Chairperson

ڈائریکٹرز کی رپورٹ

6 سمارٹ فنڈ (سابقہ داؤد انکم فنڈ) کی مینجمنٹ کمپنی، 786 انویسٹمنٹ لمیٹڈ (786 ایڈیٹری) کے بورڈ آف ڈائریکٹرز کی جانب سے، میں 31 دسمبر 2020 کو ختم ہونے والی ششماہی کے دوبارہ نظر ثانی شدہ مالیاتی گوشوارے معاً ڈائریکٹرز کو دوبارہ نظر ثانی شدہ رپورٹ پیش کرتے ہوئے خوش محسوس کرتا ہوں۔

مارکیٹ، اقتصادی اور اسٹاک کا جائزہ اقتصادی جائزہ اور مستقبل کا نقطہ نظر:

کیلنڈر سال 2020 دنیا کے لئے مشکل ترین سالوں میں سے ایک تھا، کیونکہ کوئی بیماری نے معیشتوں کو تباہ کر دیا اور حکومتوں کے لئے غیر ضروری مسائل پیدا کر دیے تھے۔ پاکستان بھی اس رجحان سے مستثنیٰ نہیں رہا کیونکہ مالی سال 2020 میں جی ڈی پی نمونہ تقریباً 50 سال کے بعد پہلی بار تاریکی میں گر گیا ہے۔ بہر حال، انتظامیہ اور منطق خوش قسمتی کے مرکب کی بدولت ملک معیشت کی بہتری اور آبادی کے لحاظ سے نسبتاً باقی معیشتوں سے بہت آگے چل رہا ہے۔ مقامی معیشت نے دی شکلی کی بحالی دیکھی ہے، جس سے عام رائے اور اعتماد کو تھوڑی سی تلی ہے۔ توقع کی جارہی ہے کہ معاشی اضافے کے اہداف آسانی سے حاصل کر لئے جائیں گے۔

کوویڈ 19، پاکستان کے بیرونی اکاؤنٹ کی پوزیشن کے لئے ایک پوشیدہ قہمت ثابت ہوا ہے، جہاں ملک تیل کے کم معاوضے اور تریات زر سے فائدہ اٹھا رہا ہے۔ مسلسل پانچویں مہینے میں، کرنٹ اکاؤنٹ نے سربس درج کر لیا، جو نومبر میں 447 ملین ڈالر تک پہنچ گیا ہے۔ پچھلے 5 ماہ کے دوران مجموعی سربس 1,640 ملین ڈالر ہو گیا ہے جبکہ گزشتہ اسی عرصے کے باقی سال کے لئے 1,745 ملین ڈالر کے خسارے میں تھا۔ ایک بار پھر تریات زر نے سربس میں سب سے زیادہ 2.3 بلین ڈالر کی شراکت فراہم کی، جس میں سال بہ سال 28% کا اضافہ ہوا۔ مالیاتی اکاؤنٹ میں اکتوبر 2020 میں 585 ملین امریکی ڈالر کے خالص اخراج کے مقابلے نومبر 2020 میں 380 ملین ڈالر کے اندراجات کے ساتھ نمایاں بہتری کی تصدیق کی ہے۔

کرنٹ اکاؤنٹ سے پچھلے سال کی اسی مدت میں 2,032 ملین امریکی ڈالر خسارے کے مقابلہ میں رواں مالی سال کی پہلی ششماہی میں 997 ملین ڈالر سربس درج کر لیا ہے۔ یہ اضافہ تریات زر میں اضافہ کی بدولت ہوا جو اس مدت میں چند مرحلوں پر 25 فیصد تک حیرت انگیز طور پر زیادہ حاصل ہوئیں۔ سنٹرل مالیاتی ادارے کے ذمہ داروں کے ذخائر میں چارج پوزیشن کی توسیع کے باعث پہلی ششماہی میں چند مرحلوں پر 1.3 بلین امریکی ڈالر کا اضافہ ہوا۔

دسمبر کے دوران سی بی آئی کی افراط زر گزشتہ ماہ میں 8.35% سالانہ سے کم ہو کر 7.97 فیصد سالانہ ہو گئی، جو سال 21 کے پچھلے 6 ماہ میں اوسط افراط زر کی شرح کو 8.63 فیصد سالانہ تک لے جا رہی تھی۔ گزشتہ ماہ کی بنیاد پر، دسمبر میں افراط زر میں 0.68 فیصد کمی واقع ہوئی، جس نے لگاتار آٹھ ماہ کے اضافے کے رجحان کو توڑا ہے۔ پچھلے مہینے کے مقابلے میں 3.2 فیصد کمی نمایاں کی کے ساتھ، ایشیائی خورد و نوش کی قیمتوں میں کمی کا رجحان دیکھا گیا۔ ضرورت سے زیادہ بنیادی اثر کی وجہ سے 21 QCY1 میں مجموعی طور پر افراط زر میں کمی کی توقع کی جا سکتی ہے، جس کے بعد اسے دوبارہ 2Q میں اضافے کا انتخاب کرنا پڑے گا۔ ہمارا اندازہ ہے کہ سی بی آئی اگلے سال اوسطاً 9.2 فیصد بڑھے گا، جس سے فیول کی قیمتوں میں معمولی اضافہ ہوگا۔ آپریٹنگ اخراجات 7 فیصد کے ساتھ، اصل ششماہی منفی سے نیچے چلے گی اور مرکزی بینک سال کی اگلی ششماہی کے دوران سوڈی شرحوں میں قدرے اضافہ کرنا چاہتا ہے۔

چونکہ مالیاتی نظام کے آغاز کے ساتھ ہی مالی سال کی پہلی ششماہی کے دوران ٹیکس وصولیوں میں کافی اضافہ ہوا اور یہ 5 فیصد تک بڑھ گیا اور اس مدت کے لئے تینویں مہینہ کے قریب ترین پہنچ گیا۔ مدت کے پچھلے 5 مہینوں کے لئے مالی خسارہ جی ڈی پی کے 1.8 فیصد پر آ گیا، جو گزشتہ سال جی ڈی پی کے 1.66 فیصد تھا۔ اصل سٹینڈس مجموعی سال کے جی ڈی پی کے 0.3 فیصد سربس کے برعکس جی ڈی پی کے 0.5 فیصد سربس پر کافی بہتر تھا۔ افراط زر سے مایوس کاروں کو مایوس کرنے کے بعد پیداوار کا رخ اوپر کی طرف بڑھنا شروع ہو گیا۔ مرکزی بینک نے افراط زر میں مزید اضافہ کی توقعات کو بڑھایا جیسا کہ MPC میں بیان کیا گیا ہے۔ اب توقع کی جا رہی ہے کہ افراط زر کی کمی کی ماضی کی توقعات کے برعکس اس میں 7-9 فیصد کمی میں اضافہ ہوئے گا۔ 3، 5، 10 اور سال کے باطن میں اس مدت کے کسی مرحلہ پر بائز ریت 74 فی اے، 114 فی اے، اور 129 فی اے میں کا اضافہ ہوا۔

ڈائریکٹرز کی رپورٹ

31 دسمبر 2020 کو ختم ہونے والی ششماہی پر اپنی جائزہ رپورٹ میں ڈائریکٹرز نے مندرجہ ذیل معاملات پر زور دیا ہے۔ ان معاملات پر تبصرے حسب ذیل ہیں:

ہمارے جائزے کی بنیاد پر، ہمارے علم میں ایسا کچھ بھی نہیں آیا ہے جس کی وجہ سے ہمیں یہ یقین ہو کہ تمام مادی معاملات میں، عبوری مالی حسابات کو عبوری مالی رپورٹنگ کے لئے پاکستان میں قابل اطلاق اکاؤنٹنگ اور رپورٹنگ معیار کے مطابق تیار نہیں کیا گیا ہے۔

فنانڈ کی کارکردگی

31 دسمبر 2020 کو خالص اثاثے 555.49 ملین روپے ہیں جو 30 دسمبر 2019 کو 550.41 ملین روپے تھے۔ گزشتہ سال کی اسی مدت میں 33.73 ملین روپے کے مقابلے موجودہ مدت کے لئے نکل آئے۔ 21.03 ملین روپے رہی۔ مدت کے دوران کل اخراجات 6.82 ملین روپے ہوئے جو گزشتہ سال کی اسی مدت میں 5.40 ملین روپے تھے۔ گزشتہ سال کی اسی مدت میں خالص آمدنی 28.32 ملین روپے کے مقابلے موجودہ مدت میں 14.21 ملین روپے رہی۔ فی یونٹ محصول پہلے ہی ادا شدہ آمدنی 1.25 ملین روپے تھی۔ 31 دسمبر 2020 کو فی یونٹ خالص اثاثے کی قدر 82.85 روپے ہو گئی۔ فنڈ نے 31 دسمبر 2020 کو ختم ہونے والے مہینے کے لئے 4.2 فیصد ماہانہ سالانہ ریٹرن کیا جبکہ اسی عرصے کے دوران اس کی بیچ مارک ریٹرن 3.36 فیصد تھی۔

مستقبل کے منصوبے:

786IL کو 19 کے ادوار پر مرکوز ایک حکمت عملی تیار کر رہی ہے، اور کوئیڈ 19 کے بعد کی توقعات میں، لاک ڈاؤن کے دوران، معلومات اور ہماری ٹیم اور صارف تک رسائی آسان بنانے اور ورچوئل پر زور دینے کے ساتھ، صحت اور حفاظت کی بنیاد پر محفوظ مواصلات اور کانفڈ کے خاتمہ اور اثاثہ بیجمنٹ کمپنیوں کے مابین زیادہ پائیدار، بامقصد، ماحول دوست رول ماڈل بنانا ہے۔

سال کے لئے ہمارا مقصد ایک موثر ورچوئل، سوشل میڈیا کی وساطت سے فروخت کی موثر حکمت عملی کے ذریعہ ایسٹ انڈیٹری بیجمنٹ (اے یو ایم) کو بڑھانا ہے۔

---SD---
ڈائریکٹر

---SD---
شفقت سلطانہ
چیئر پرسن



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 , an open-end Scheme established under a Trust Deed dated June 14, 2019 executed between 786 Investments Limited, as the Management Company and Digital Custodian Company Limited Formerly MCB Financial Services Limited (MCBFSL) as the trustee of the fund.

1. 786 Investments Limited, the Management Company of 786 Smart Fund has, in all material respects, managed 786 Smart Fund during the period ended 31st December 2020 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: February 18, 2021

INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS' OF 786 SMART FUND

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of 786 Smart Fund ("the Fund") as at December 31, 2020 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the "interim financial statements") for the six months period then ended. Management Company (786 Investments Limited) is responsible for the preparation and presentation of the interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other Matters

The figures of the condensed interim income statement and the condensed interim statement of comprehensive income for the three months period ended December 31, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2020.

Date:
Karachi

Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Khalid Aziz
Engagement Partner



**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)
AS AT DECEMBER 31, 2020**

		(Un-Audited) December 31, 2020	Audited June 30, 2020
Note	-----Rupees-----		
Assets			
Balances with Banks	5	487,767,280	548,128,655
Investments	6	81,578,207	86,625,682
Accrued Income/Profit	7	5,075,766	5,670,500
Security Deposits and Prepayments	8	163,638	6,150,000
Advance Income Tax	16	-	7,923,448
Total Assets		574,584,891	654,498,285
Liabilities			
Payable to 786 Investments Limited - Management Company	9	2,575,996	2,308,585
Payable to MCB Financial Services Limited - Trustee	10	82,126	85,649
Payable to Securities and Exchange Commission of Pakistan (Secp)	11	60,528	124,256
Unclaimed Dividend		1,110,377	5,738,576
Accrued Expenses and Other Liabilities	12	15,261,245	19,737,481
Total Liabilities		19,090,272	27,994,547
Contingencies and Commitments	13		
Net Assets		555,494,619	626,503,738
Unit Holders' Funds		555,494,619	626,503,738
		(Number)	
Number of Units in Issue	14	6,705,116	7,734,563
		(Rupees)	
Net Assets Value per Unit		82.85	81.00

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

For 786 Investments Limited
(Management Company)

----SD----

Chief Executive Officer

----SD----

Chief Financial Officer

----SD----

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2020**

Note	Six Months Period Ended		Three Months Period Ended		
	December 31,		December 31,		
	2020	2019	2020	2019	
-----Rupees-----					
Income					
Income from Investments and Balances					
With Banks	15	21,038,827	25,349,690	9,957,399	12,519,939
Reversal of Impairment on Investment At Fair Value Through Other Comprehensive Income	6.1.1	-	8,377,578	-	4,188,789
Other Income		-	5,573	-	3,433
		21,038,827	33,732,841	9,957,399	16,712,161
Expenses					
Remuneration to the Management Company	9.1	4,539,558	3,179,684	2,237,233	1,576,612
Sindh Sales Tax on Remuneration to The Management Company	9.2	590,143	413,358	290,841	204,960
Accounting and Operational Charges	9.3	302,637	211,979	149,149	105,108
Remuneration to the Trustee	10.1	453,965	317,969	223,734	157,663
Sindh Sales Tax on Remuneration to the Trustee	10.2	59,015	41,336	29,084	20,497
Annual Fee to Secp	11	60,528	42,395	29,829	21,020
Auditor's Remuneration		229,774	281,099	114,887	137,649
Fees and Subscription		81,155	97,928	40,578	60,015
Securities Transactions Cost		31,302	8,842	2,414	5,783
Printing and Related Charges		25,206	25,206	12,603	12,603
Legal and Professional Charges		152,968	131,291	76,484	74,427
Provision for Sindh Workers' Welfare Fund	12.2	291,670	576,760	136,457	283,968
Withholding Taxes - Written Off		-	76,500	-	-
Bank Charges		4,161	4,505	3,825	1,496
		6,822,082	5,408,852	3,347,118	2,661,801
Net Income for the Period Before Taxation		14,216,745	28,323,989	6,610,281	14,050,360
Taxation	16	-	-	-	-
Net Income for the Period After Taxation		14,216,745	28,323,989	6,610,281	14,050,360
Allocation of Net Income for the Period					
Net Income for the Period		14,216,745	28,323,989	6,610,281	14,050,360
Income Already Paid on Units Redeemed		(1,257,598)	(5,316,311)	(1,136,041)	(4,022,771)
Accounting Income Available for Distribution:		12,959,147	23,007,678	5,474,240	10,027,589
Relating to Capital Loss		-	-	-	-
Excluding Capital Gain		12,959,147	23,007,678	5,474,240	10,027,589
		12,959,147	23,007,678	5,474,240	10,027,589

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

For 786 Investments Limited
(Management Company)

---SD---
Chief Executive Officer

---SD---
Chief Financial Officer

---SD---
Director



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2020**

	Six Months Period Ended		Three Months Period Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Note	-----Rupees-----			
Net Income for the Period After Taxation	14,216,745	28,323,989	6,610,281	14,050,360
<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 (Fvtoci)	6.4	(679,475)	(645,016)	222,469
Other Comprehensive (Loss)/Income		(679,475)	(645,016)	(514,176)
Total Comprehensive Income for the Period		13,537,270	27,678,973	6,832,750
		13,536,184	13,536,184	

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

For 786 Investments Limited
(Management Company)

---SD---

Chief Executive Officer

---SD---

Chief Financial Officer

---SD---

Director



**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

	Six Months Period Ended	
	December 31,	December 31,
	2020	2019
Note	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the Period Before Taxation	14,216,745	28,323,989
Adjustments For:		
Income from Investments and Balances with Banks	(21,038,827)	(25,349,690)
Reversal of Impairment On Investment At Fair Value Through Other Comprehensive Income	-	(8,377,578)
Withholding Taxes - Written Off	-	(76,500)
Provision For Sindh Workers' Welfare Fund	291,670	576,760
Operating Loss Before Working Capital Changes	(20,747,157)	(33,227,008)
(Increase)/Decrease in Assets		
Deposits and Prepayments	5,986,362	(6,063,638)
Increase/(Decrease) in Liabilities		
Payable to the Management Company	267,411	1,571,177
Payable to the Trustee	(3,523)	21,287
Annual Fee Payable To SECP	(63,728)	(292,903)
Accrued Expenses and Other Liabilities	(4,767,906)	7,436,938
	(4,567,746)	8,736,499
Proceeds from Investments - Net	4,368,000	34,384,380
Markup/Profit Received On Investments and Balances with Banks	21,633,561	24,067,736
Advance Income Tax	7,923,448	(7,773,185)
Net Cash Generated from Operating Activities	28,813,213	48,448,773
Cash Flows from Financing Activities		
Amounts Received Against Issue of Units	4,873,158	214,067,126
Payment Made Against Redemption of Units	(89,419,547)	(137,026,159)
Dividend Paid	(4,628,199)	527,826
Net Cash (Used In)/Generated from Financing Activities	(89,174,588)	77,568,793
Net (Decrease)/Increase in Cash and Cash Equivalents	(60,361,375)	126,017,566
Cash and Cash Equivalents At Beginning of the Period	548,128,655	331,391,795
Cash and Cash Equivalents At End of the Period	5 487,767,280	457,409,361

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

For 786 Investments Limited
(Management Company)

____SD____
Chief Executive Officer

____SD____
Chief Financial Officer

____SD____
Director



SMART FUND

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

	December 31, 2020				December 31, 2019			
	Rupees				Rupees			
	Capital Value	(Accumulated Losses)	Unrealized Gains/(Accumulated Losses) on Investment (FVTOCI)	Total	Capital Value	(Accumulated Losses)	Unrealized Gains/(Accumulated Losses) on Investment (FVTOCI)	Total
Net Assets at Beginning of the Period	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 58,968 Units (2019: 2,497,401 Units)								
- Capital Value (At Net Asset Value per Unit at the Beginning of the Period)	4,776,441	-	-	4,776,441	200,875,065	-	-	200,875,065
- Element of Income	96,717	-	-	96,717	13,192,061	-	-	13,192,061
Total Proceeds on Issuance of Units	4,873,158	-	-	4,873,158	214,067,126	-	-	214,067,126
Redemption of 1,088,415 Units (2019: 1,637,492 Units)								
- Capital Value (At Net Asset Value per Unit at the Beginning of the Period)	(88,162,151)	-	-	(88,162,151)	(131,709,194)	-	-	(131,709,194)
- Amount Paid Out of Element of Income	-	(1,257,598)	-	(1,257,598)	-	(5,316,311)	-	(5,316,311)
- Refund/Adjustment on Units as Element of Income	202	-	-	202	(654)	-	-	(654)
Total Payments on Redemption of Units	(88,161,949)	(1,257,598)	-	(89,419,547)	(131,709,848)	(5,316,311)	-	(137,026,159)
Net Income for the Period	-	14,216,745	-	14,216,745	-	28,323,989	-	28,323,989
Other Comprehensive (Loss)	-	-	(679,475)	(679,475)	-	-	(645,016)	(645,016)
	-	14,216,745	(679,475)	13,537,270	-	28,323,989	(645,016)	27,678,973
Net Assets at End of the Period	859,070,096	(127,572,588)	321,009	555,494,619	670,304,237	(119,969,942)	77,418	550,411,713
Undistributed Loss Brought Forward								
- Realized Loss		(140,531,735)				(142,977,620)		
		(140,531,735)				(142,977,620)		
Accounting Income Available for Distribution								
- Relating to Capital Loss		-				-		
- Excluding Capital Gain		12,959,147				23,007,678		
		12,959,147				23,007,678		
Undistributed Loss Carried Forward		(127,572,588)				(119,969,942)		
Undistributed Loss Carried Forward								
- Realized Loss		(127,572,588)				(119,969,942)		
		(127,572,588)				(119,969,942)		
Net Assets Value per Unit at Beginning of the Period	81.00				80.43			
Net Assets Value per Unit At End of the Period	82.85				85.99			

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

For 786 Investments Limited
(Management Company)

---SD---
Chief Executive Officer

---SD---
Chief Financial Officer

---SD---
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020**

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 786 Smart Fund (Formerly: Dawood Income Fund) (The Fund) was established under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules). The Fund was constituted under a Trust Deed executed on April 08, 2003 between 786 Investments Limited as Management Company and Bank AL-Habib Limited (BAHL) as Trustee. In June 2011, BAHL retired and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee of the Fund and the name of the Fund was also changed from "Dawood Money Market Fund" to "Dawood Income Fund". These changes, after necessary regulatory approvals, were duly incorporated in the Trust Deed of the Fund by way of First Supplemental Trust Deed. On January 20, 2017, the Management Company has changed its name to 786 Investments Limited after completing regulatory formalities. During the last year, the registered office of the Management Company was changed and is now situated at G3, Ground floor, B.R.R Tower, Hassan Ali Street, I.I Chundrigar Road, Karachi, Pakistan.

During the period ended December 31, 2019, the name of the Fund was changed to 786 Smart Fund from Dawood Income Fund with the approval of SECP and after registration of revised trust deed dated August 08, 2019, in compliance of regulation 44(6) of the Non Banking Finance Companies and Notified Entities regulations 2008.

- 1.2 The Fund is an open end mutual Fund and is listed on Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund.
- 1.3 The principal activity of the Fund is to make investment in spread transactions and debt based securities including government securities, commercial papers and other money market instruments and placement of Funds.
- 1.4 Title to the assets of the Fund are held in the name of MCBFSL as the Trustee of the Fund (except for term finance certificate of New Allied Industries Limited as mentioned in note 6.3.1 which is a non-performing term finance certificate hence being unable to be transferred until final settlement, which is held in the name of BAHL being the previous Trustee of the Fund).
- 1.5 The Fund is categorized as "Shariah Complaint Islamic Scheme" in accordance with circular no. 07 of 2009 issued by the Securities and Exchange Commission of Pakistan (SECP).
- 1.6 The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of "AM3" to the Management Company as at December 24, 2020 and stability rating of "AA-(f)" to the Fund as at October 22, 2020.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

- 2.1.1 These condensed interim 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 Accounting Standard (IAS) 34, Interim Financial Reporting issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017,
- Provision of the directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non Banking Finance Companies (Establishment and Regulation) Rules 2003 (the NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirement of Trust Deed.

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

2.1.2 These condensed interim financial statements does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual audited financial statements of the Fund for the year ended June 30, 2020.

2.1.3 These condensed interim financial statements are unaudited are being circulated to the unit holders as per the requirement of the NBFC regulations. However, a limited scope review has been performed by the external auditors of the Fund. The board of directors of the Management Company declare that this condensed interim financial statement gives a true and fair view of the state of affairs of the Fund.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed interim financial statements, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited financial statements as at and for the year ended June 30, 2020.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the method of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2020.

		(Un-Audited) December 31, 2020	Audited June 30, 2020
5 BALANCES WITH BANKS	Note	-----Rupees-----	
- In profit and loss sharing (PLS) accounts	5.1	<u>487,767,280</u>	<u>548,128,655</u>

5.1 Profit rates on PLS saving accounts ranges from 5% to 7% (June 30, 2020: 4.5% to 11%) per annum.

		(Un-Audited) December 31, 2020	Audited June 30, 2020
6 INVESTMENTS	Note	-----Rupees-----	
At Fair Value through Other Comprehensive Income			
Listed - Term finance certificates	6.1	-	-
Unlisted - Sukuk certificates	6.2	<u>81,578,207</u>	<u>86,625,682</u>
		<u>81,578,207</u>	<u>86,625,682</u>

		As at July 01, 2020	Acquired as a Result of Merger	Matured/ Disposed during the Period	As at December 31, 2020	Cost/ Carrying Value	Market Value	% of Total Investment
6.1	At Fair Value through Other Comprehensive Income	Note -----Number of certificates-----			-----Rupees-----			
	Listed - Term Finance Certificates Face Value of Rs. 5,000/- Each							
	Construction and Material							
	Dewan Cement Company Limited	6.1.1	14,242	-	-	14,242	71,209,413	-
	Provision Held	6.3				<u>(71,209,413)</u>		-
						<u>-</u>	<u>-</u>	

6.1.1 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 suspended mark-up there against.

	As at July 01, 2020	Acquired as a Result of Merger	Matured/ Disposed during the Period	As at December 31, 2020	Cost/ Carrying Value	Market Value	% of Total Investment
6.2 At Fair Value through Other Comprehensive Income	-----Number of certificates-----			-----Rupees-----			
Unlisted - term finance certificates							
Face value of Rs. 2,207/-each							
Cable and electric goods							
New Allied Industries Limited	6.3.1	11,523	-	11,523	25,433,190	-	-
Provision held	6.3				(25,433,190)		
Face value of Rs. 2,207/-each	-----						
					-	-	
New Allied Industries Limited	6.3.2	3,417	-	3,417	7,222,749	-	-
Provision held	6.3				(7,222,749)		

					-	-	
Unlisted - Sukuk certificates							
Face Value of Rs. 750,000/-each							
Cable and Electric Goods							
TPL Corporation Limited	6.3.3	15	-	15	11,250,000	11,250,000	14%
Face Value of Rs. 1,000,000/-each							
Commercial Bank							
Dubai Islamic Bank Limited	6.3.4	26	-	26	26,682,088	26,727,142	33%
Engineering							
Agha Steel Industries Limited	6.3.5	15	-	15	15,000,000	14,513,900	18%
Face value of Rs. 70,000/-each							
Fertilizers							
Dawood Hercules Corporation Limited	6.3.6	400	-	400	28,583,158	28,346,147	35%
Face Value of Rs. 1,000/-each							
Fertilizers							
Fatima Fertilizer Company Limited	6.3.7	736	-	736	742,436	741,018	1%
Face value of Rs. 2,933/-each							
Eden Housing Limited	6.3.8	2,933	-	2,933	2,887,171	-	
Provision held	6.3				(2,887,171)		

balance carried forward					82,257,682	81,578,207	
Face value of Rs. 5,000/-each							
Amtex Limited	6.3.9	6,000	-	6,000	22,500,000	-	-
Provision held	6.3				(22,500,000)		

					-	-	
New Allied Electronics Industries (Private) Limited	6.3.10	1,000	-	1,000	5,027,500	-	-
Provision held	6.3				(5,027,500)		

					82,257,682	81,578,207	

6.3 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.



SMART FUND

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	6.1.1	Pre-IPO investment	71,209,413	(71,209,413)	-	-	-
New Allied Industries Limited	6.3.1	Term finance certificates	25,433,190	(25,433,190)	-	-	-
New Allied Industries Limited	6.3.2	Term finance certificates	7,222,749	(7,222,749)	-	-	-
New Allied Industries Limited	6.3.10	Sukuk certificates	5,027,500	(5,027,500)	-	-	-
Eden Housing Limited	6.3.8	Sukuk certificates	2,887,171	(2,887,171)	-	-	-
Amtex Limited	6.3.9	Sukuk certificates	22,500,000	(22,500,000)	-	-	-

- 6.3.1** 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.
- 6.3.2** 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.
- 6.3.3** 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.
- 6.3.4** 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.
- 6.3.5** 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.
- 6.3.6** These sukuk certificates carry profit equal to 3 month KIBOR plus 1% receivable quarterly in arrears and will mature in February 2023. The instrument is structured to redeem 60% of the issue amount during the first 4 years and remaining 40% in last two equal semi-annual installments of 20% Each. The instrument is secured against pledge of shares of Engro Corporation Limited, inclusive of 50% margin, in a designated CDC account. In the event of any sale and repurchase of security, the Trustee will have a lien over subsequent cash, which is to be deposited in a specified bank account and further, floating or hypothecation charge on all present and future assets of the Company inclusive of 25% margin security.
- 6.3.7** 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.
- 6.3.8** 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 sukus are held in CDC investor account of the Fund.

6.3.9 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.

6.3.10 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.

		(Un-Audited) December 31, 2020	Audited June 30, 2020
	Note	-----Rupees-----	
6.4 Unrealized Gain on Revaluation of Investments Classified as Fair Value through Other Comprehensive Income - Net			
Fair value of investments	6.2	81,578,207	86,625,682
Cost/carrying value of investment		<u>(82,535,732)</u>	<u>(56,305,130)</u>
		(957,525)	30,320,552
Net unrealized loss in fair value of investments - opening		<u>278,050</u>	<u>(30,042,502)</u>
		<u>(679,475)</u>	<u>278,050</u>
7 ACCRUED INCOME/PROFIT			
Income form:			
- Profit and loss sharing (PLS) accounts		3,300,836	2,936,634
- Sukuk certificates		<u>1,774,930</u>	<u>2,733,866</u>
		<u>5,075,766</u>	<u>5,670,500</u>
8 SECURITY DEPOSITS AND PREPAYMENTS			
Prepayments - Annual PSX fee		13,638	-
Deposits - Central Depository Company			
- Deposits - Central Depository Company 786SF		100,000	100,000
- Deposits - Central Depository Company FDMF		50,000	50,000
		150,000	150,000
Deposits - National Clearing Company of Pakistan			
- Deposits - National Clearing Company 786RSF		-	2,500,000
- Deposits - National Clearing Company FDMF		-	3,500,000
		-	6,000,000
		<u>163,638</u>	<u>6,150,000</u>
9 PAYABLE TO 786 INVESTMENTS LIMITED			
- MANAGEMENT COMPANY			
Management remuneration	9.1	726,759	757,933
Sindh sales tax payable	9.2	114,964	119,016
Accounting and operational charges			
-786 Smart Fund	9.3	825,832	523,195
-First Dawood Mutual Fund	9.3	731,382	731,382
-786 Rising Star Fund	9.3	177,059	177,059
		<u>1,734,273</u>	<u>1,431,636</u>
		<u>2,575,996</u>	<u>2,308,585</u>

- 9.1 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.
- 9.2 The Sindh Provincial Government has levied Sindh Sales tax at the rate of 13% (June 2020: 13%) on Management Company's remuneration.
- 9.3 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, 2020.

		(Un-Audited) December 31, 2020	Audited June 30, 2020
10 PAYABLE TO MCB FINANCIAL SERVICES LIMITED- TRUSTEE	Note	-----Rupees-----	
Trustee Remuneration	10.1	72,677	75,795
Sindh sales tax payable on trustee remuneration	10.2	9,449	9,854
		<u>82,126</u>	<u>85,649</u>

- 10.1 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.

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

11 PAYABLE 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. In June 30, 2020 this fee was 0.085% of the average daily net assets.

		(Un-Audited) December 31, 2020	Audited June 30, 2020
12 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	-----Rupees-----	
Federal Excise Duty on Remuneration	12.1	6,513,679	6,513,679
Provision for Sindh Workers' Welfare Fund	12.2	7,750,279	7,458,609
Accrued Expenses	12.3	463,619	561,380
Other Liabilities		522,048	557,809
Capital Gain Tax Payable		-	261,552
Zakat Payable and Withholding Tax		11,620	4,384,452
		<u>15,261,245</u>	<u>19,737,481</u>

- 12.1 The legal status of applicability of Federal Excise Duty on the Fund is the same as disclosed in note 14.1 to the annual audited financial statements of the Fund for the year ended June 30, 2020, and the appeal, filed by tax authorities against the order passed by Sindh High Court in the Honorable Supreme Court of Pakistan dated July 16, 2016, is pending for decision.

In view of the above, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from June 13, 2013 to June 30, 2016 aggregating to Rs. 6.513 million. Had the provision not been retained, NAV per unit of the Fund as at December 31, 2020 would have been higher by Rs. 0.97 per unit (June 30, 2020: 0.91 per unit)

- 12.2 "The legal status of applicability of Sindh workers' welfare fund is the same as that disclosed in note 14.2 to the annual audited financial statements of the Fund for the year ended June 30, 2020.

As a matter of abundant caution, Management Company with effect from May 21, 2015 till December 31, 2020 is carrying provision for SWWF aggregating to Rs. 7.75 (June 30, 2020: Rs. 7.458). Had the provision not been recognized, the NAV per unit of the Fund as at December 31, 2020 would have been higher by Rs. 1.16 per unit (June 30, 2020: 1.04 per unit).

	(Un-Audited) December 31, 2020	Audited June 30, 2020
12.3 Accrued Expenses	-----Rupees-----	
Auditors' Remuneration Payable	202,061	317,888
Rating Fee Payable - PACRA	67,293	-
Printing and Related Expenditure Payable	33,345	32,140
Shariah and Tax Advisors Fee Payable	160,920	211,352
	<u>463,619</u>	<u>561,380</u>

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2020 and (June 30, 2020: Nil).

	(Un-Audited) December 31, 2020	Audited June 30, 2019
14 NUMBER OF UNITS IN ISSUE	-----Number of Units-----	
Total outstanding as of July 1	7,734,563	5,541,116
Issued during the Period	58,968	5,924,775
Redemption during the Period	(1,088,415)	(3,731,328)
Closing Units	<u>6,705,116</u>	<u>7,734,563</u>

	Six Months Period Ended December 31,	
	2020	2019
15 INCOME FROM INVESTMENTS AND BALANCES WITH BANKS	-----Rupees-----	
Income from:		
- Sukuk certificates	3,662,936	7,734,044
- Profit and loss sharing (PLS) account	17,375,891	17,615,646
	<u>21,038,827</u>	<u>25,349,690</u>

16 TAXATION

Advance income tax pertains to one of the fund which has merged during the 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. Further, an amount of Rs 7.9 million was withheld by tax department from the bank the Fund which is included in advance income tax on the statement of asset and liabilities. The Management Company of the Fund filed an appeal to Commissioner Inland Revenue (Appeals) (CIR Appeals) claiming that the additions made to the income by the Commissioner were erroneous and the fund has distributed more than 90% of its income for each of the three years after finalization of financial statements of the Fund after removal of suspension of the operations of the Fund, The CIR Appeals decided the appeal in 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 and directed CIR re-examine the case after giving appellants opportunity of being heard.

During the year ended 30 June 2018 amended tax orders under section 124(1) of the Income Tax Ordinance, 2001, for the tax years 2013, 2014 and 2015 respectively were issued by the Commissioner Inland Revenue raising Nil tax demand in respect of said years. Further, during the period management has received the amount of advance tax Rs 7.9 million.

17 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the period ended December 31, 2020 is 2.25% which includes 0.33% 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".

18 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 financial statements are as follows:

18.1 Transactions during the period ended	Note	Six Months Period Ended	
		2020	December 31, 2019
		-----Rupees-----	
786 Investments Limited - Management Company			
Remuneration of the management company	9.1	<u>4,539,558</u>	<u>3,179,684</u>
Sales tax on remuneration to the management company	9.2	<u>590,143</u>	<u>413,358</u>
Accounting and operational charges	9.3	<u>302,637</u>	<u>211,979</u>
Issue of Units: Nil (2019: 849,869)		<u>-</u>	<u>72,825,422</u>
Redemption of Units: Nil (2019: 548,779)		<u>-</u>	<u>45,000,000</u>
MCB financial services limited - Trustee			
Remuneration of the Trustee	10.1	<u>453,965</u>	<u>317,969</u>
Sales tax on Trustee fee	10.2	<u>59,015</u>	<u>41,336</u>
BRR Guardian Modaraba (Connected Person due to Group Company)			
Issue of Units: Nil (2019: 380,439)		<u>-</u>	<u>32,620,729</u>
BRR Investment Limited (Connected person due to group company)			
Issue of Units: Nil (2019: 392)		<u>-</u>	<u>31,581</u>
Redemption of Units: Nil (2019: 239,545)		<u>-</u>	<u>19,650,000</u>
Dawood Family Takaful Limited (Connected person due to group company)			
Issue of Units: Nil (2019: 389,417)		<u>-</u>	<u>33,390,553</u>
Dawood Family Takaful Limited -Employees contributory provident fund- Associate of Management Company			
Issue of Units: Nil (2019: 52,905)		<u>-</u>	<u>4,536,356</u>
First Dawood Investment Bank Limited (Connected Person due to Group Company)			
Issue of Units: Nil (2019: 1,991)		<u>-</u>	<u>160,223</u>
Redemption of Units: Nil (2019: 1,991)		<u>-</u>	<u>161,617</u>
Dawood International private Limited			
Issue of Units: 19,318 (2019: Nil)		<u>1,600,000</u>	<u>-</u>
Redemption of Units: 109,708 (2019: Nil)		<u>9,065,244</u>	<u>-</u>
First Dawood Investment Bank Limited -Employees Contributory Provident Fund- Employee Benefit Fund of Group Company			
Issue of units: 21,732 (2019: 136,877)		<u>1,800,000</u>	<u>11,736,560</u>
Redemption of Units: 36,665 (2019: 60,167)		<u>3,000,000</u>	<u>5,000,000</u>
Directors and Key Management Personnel of the Management Company			
Redemption of Units: 73,787 (2019: 30,482)		<u>6,000,000</u>	<u>2,530,922</u>
Other Connected Persons			
Issue of Units: Nil (2019: 421,265)		<u>-</u>	<u>36,120,427</u>
Redemption of Units: 127,898 (2019: 735,514)		<u>10,400,000</u>	<u>62,945,246</u>

	(Un-Audited) December 31, 2020	Audited June 30, 2020
	-----Rupees-----	
18.2 Balance as at Period Ended		
786 Investments Limited - Management Company		
Remuneration payable to the management company	9 <u>726,759</u>	<u>757,933</u>
Sales tax payable on management company's remuneration	9 <u>114,964</u>	<u>119,016</u>
Accounting and operational charges	9 <u>825,832</u>	<u>523,195</u>
-Payable to CDC Trustee of First Dawood Mutual Fund	9 <u>731,382</u>	<u>731,382</u>
-Payable to CDC Trustee of 786 Star Rising Fund	9 <u>177,059</u>	<u>177,059</u>
FED payable on management company's remuneration	<u>6,513,679</u>	<u>6,513,679</u>
Units held: 1,825,406 (June 30, 2020: 1,825,406)	<u>151,228,310</u>	<u>147,858,793</u>
MCB Financial Services Limited - Trustee		
Remuneration payable to the Trustee	10 <u>72,677</u>	<u>75,795</u>
Sales tax payable on Trustee fee	10 <u>9,449</u>	<u>9,854</u>
BRR Guardian Modaraba (Connected person due to group Company)		
Units held: 396,776 (June 30, 2020: 396,776)	<u>32,871,426</u>	<u>32,139,018</u>
First Dawood Investment Bank Limited -Employees Contributory Provident Fund- Employee Benefit Fund of Group Company		
Units held: 465,777 (June 30, 2020: 480,710)		
Dawood Family Takaful Limited (Connected Person due to Group Company)		
Units held: 428,963 (June 30, 2020: 428,963)	<u>35,538,075</u>	<u>34,746,251</u>
Dawood Family Takaful Limited -Employees contributory provident fund- Associate of management company		
Units held: 58,278 (June 30, 2020: 58,278)	<u>4,828,113</u>	<u>4,720,537</u>
BRR Financial Services (Private) Limited (Connected Person due to Group Company)		
Units held: 28,687 (June 30, 2020: 28,687)	<u>2,376,620</u>	<u>2,323,666</u>
Dawood International (Private) Limited (Connected Person due to Group Company)		
Units held: 19,318 (June 30, 2020: 109,708)	<u>1,600,400</u>	<u>8,886,417</u>
Directors and Key Management Personnel of the Management Company		
Units held: 582,656 (June 30, 2020: 656,460)	<u>48,270,937</u>	<u>53,173,552</u>
Other Connected Persons		
Units held: 1,107,258 (June 30, 2020: 1,451,711)	<u>91,732,369</u>	<u>117,589,284</u>

- 18.3 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.

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Debt Securities

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

Government Securities

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

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

19.1 Fair Value Hierarchy

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

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

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

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

As at December 31, 2020, the Fund held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
As at December 31, 2020 (Un-audited)				
Fair value through other comprehensive income	-	81,578,207	-	81,578,207
	-	81,578,207	-	81,578,207
As at June 30, 2020 (Audited)				
Fair value through other comprehensive income	-	86,625,682	-	86,625,682
	-	86,625,682	-	86,625,682



19 GENERAL

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

19.2 Figures have been rounded off to the nearest rupee, unless otherwise stated.

20 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the board of directors of the Management Company on **25-Feb-2021**.

For 786 Investments Limited
(Management Company)

____SD____
Chief Executive Officer

____SD____
Chief Financial Officer

____SD____
Director

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





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