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**786 INVESTMENTS LIMITED**



**786 SMART FUND**

**ANNUAL REPORT  
2023**



786 Smart Fund

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## CORPORATE INFORMATION

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



786 Smart Fund

## *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.*



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## 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, 2023.

### **Economic Review:**

The global economy faces challenges from weak growth, high inflation, and uncertainties linked to COVID-19, Ukraine conflict, climate change, and economic shifts. Despite this, 2023's global slowdown is expected to be milder due to improved spending in the US, EU, China's recovery, and steady Indian forecast. Global growth is projected to slow from 3.1% in 2022 to 2.3% in 2023, with a slight improvement to 2.5% in 2024. However, structural issues, pandemic scars, low investment, and debt vulnerabilities pose risks for prolonged subpar growth, impacting poverty reduction and sustainable development. Upward revisions in major economies and China drive the slightly better 2023 growth outlook.

In FY 2023, Pakistan's economy struggled due to floods, inflation, a current account deficit, and a foreign exchange crisis, nearly stagnating growth. The Asian Development Outlook expects Pakistan's GDP to slow from 6% to 0.6% in FY 2023 but rebound to 2% in FY 2024 with stability, reforms, recovery. IMF agreed to a USD 3 billion bailout, averting default. However, securing this required budget adjustments, potentially dampening domestic demand and raising social tensions. Inflation dipped from 38.0% to 29.4% in June, expected to ease but remain above the 10-year average of 8.0%. Noteworthy risks include El Niño, currency fluctuations, and volatile commodities.

Pakistan's GDP growth for FY 2023 projected at 0.29%, far from 5% target. High inflation, economic slowdown, floods, and IMF funding challenges. Asian Development Outlook projects Pakistan's GDP at 0.6% in FY 2023, rising to 2% in FY 2024 with stability, reforms, recovery.

FY2023 industrial growth expected to decelerate due to fiscal tightening, currency depreciation, higher energy prices.

Average inflation projected to more than double from 12.2% in FY2022 to 27.5% in FY2023, sustained by energy prices, currency weakness, supply disruptions.

### **Money Market Review:**

The central bank of Pakistan has decided to keep its interest rate unchanged at in July, following a 100 bps hike in June, as economic uncertainty decreased, and investor confidence improved. Recent months have shown a significant moderation in inflation, but the committee is determined to bring it further down towards the medium-term target range of 5-7% by the end of the fiscal year 2025. The decision comes following the seal of a nine-month Stand-By Arrangement (SBA) with the IMF to address external sector stability concerns. Still, additional tax measures, increased electricity tariffs, and slightly higher global commodity prices pose underlying inflationary risks. Thus, further actions of the regulator will depend on the macroeconomic environment.

### **Fund Performance**

As of June 30, 2023, net assets were PKR. 721.07 million as compared to PKR. 589.33 million as of June 30, 2022. Total operating income for the year was PKR 87.586 million as compared to PKR. 31.353 million for the same period last year. Total expenses during the year were PKR. 18.89 million as compared to PKR. 13.565 million Last year. The income available for distribution for the financial year 2023 was PKR. 41.95 million, as compared to PKR. 22.536 million Last year. The Net Asset Value per unit was PKR. 82.41 as of June 30, 2023.



786 Smart Fund

## Corporate Governance and Financial Reporting Framework

The Directors are pleased to state as follows:

1. The financial statements, prepared by the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
2. Proper books of account have been maintained by the company.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. 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.
5. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
6. There are no significant doubts upon the company's ability to continue as a going concern.
7. 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.
8. 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.
9. 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: 6
- b) Female: 1

The Composition of board is as follows:

| Category                | Names  | Designation                         |
|-------------------------|--|-------------------------------------|
| Independent Directors   | Mr. Ahmed Salman Munir<br>Syed Shabaha Hussain<br>Mr. Ahmer Zia Sarwar | Chairperson<br>Director<br>Director |
| Executive Director      | Ms. Tara Uzra Dawood   | Chief Executive Officer             |
| Non-Executive Directors | Syed Musharaf Ali<br>Mr. Naveed Ahmed<br>Mr. Iqbal Shafiq              | Director<br>Director<br>Director    |
| Female Directors        | Ms. Tara Uzra Dawood   | Chief Executive Officer             |



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## Board of Directors Meetings

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

| Name                   | No of Meetings held | No of Meetings attended | Leave granted |
|------------------------|---------------------|-------------------------|---------------|
| Ms. Tara Uzra Dawood   | 4                   | 4                       | -             |
| Mr. Iqbal Shafiq       | 4                   | 4                       | -             |
| Syed Musharaf Ali      | 4                   | 4                       | -             |
| Syed Shabahat Hussain  | 4                   | 4                       | -             |
| Mr. Ahmed Salman Munir | 4                   | 4                       | -             |
| Mr. Naveed Ahmed       | 4                   | 4                       | -             |
| Mr. Ahmer Zia Sarwar   | 4                   | 4                       | -             |

\*\*Leave of absence was granted.

## Audit Committee Meeting

### Audit Committee Meeting

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

| Name                  | No of Meetings held | No of Meetings attended | Leave granted |
|-----------------------|---------------------|-------------------------|---------------|
| Syed Shabahat Hussain | 4                   | 4                       | -             |
| Syed Musharaf Ali     | 4                   | 4                       | -             |
| Mr. Naveed Ahmed      | 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 29 to the financial statements.

## Auditors

The "Auditors 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 for the year ending June 30, 2023 for 786 Smart Fund and the Board have endorsed the communication".

## Dividend

The Board of Directors has announced a cash dividend to unitholders of PKR 13.3136 per unit for the year ended June 30, 2023, which comes out to be 16.8% of the par value per unit of PKR 100.

## Sales and Redemption Units

22,840,520 units worth Rs. 2,022.362 million were issued in the current year (2022: 5,636,846 units worth Rs. 473.525 million) and 21,302,432 units worth Rs. 1,941.436 million were redeemed in the current year (2022: 7,615,299 units worth Rs. 677.106 million). As of June 30, 2023, the total number of outstanding units was 8,750,090 valued as Rs. 721.070 million.



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### **Events after the Balance Sheet Date**

There was no subsequent event after the Balance sheet date.

### **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.

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**Ahmed Salman Munir**

Director Chairperson

September 27, 2023

Karachi.





786 Smart Fund

## 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 | تغییل |
|----------------|-------------------------|-------------------|-------|
| سید شہباز حسین | 4                       | 4                 | -     |
| سید شرف علی    | 4                       | 4                 | -     |
| جناب نوید احمد | 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 کمیٹی اجلاس عام میں کرتی ہے۔ ڈائریکٹرز کا مشاہرہ موجودہ انڈسٹری رجحانات اور کاروباری پریکٹس کی بنیاد پر تعین کیا جاتا ہے۔ چیف ایگزیکٹو آفیسر اور ڈائریکٹرز کو ادا کئے جانے والے مشاہرہ کی تفصیلات مالی حسابات کے نوٹ 29 میں دستیاب ہیں۔

### آڈیٹرز

موجودہ آڈیٹر میسرز Reanda بارون 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 2024 کو ختم ہونے والے سال کے لئے 786 سمارٹ فنڈ کے قانونی آڈیٹر کی حیثیت سے ان کی دوبارہ تقرری کی سفارش کی ہے اور بورڈ نے اس حوالے سے توثیق کی ہے۔

### ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 30 جون 2023 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 13.3136 روپے فی یونٹ نقد منافع تقسیم کرنے کا اعلان کیا ہے۔ جو 100 روپے کی فی یونٹ مساوی قیمت کا 16.8 فیصد بنتا ہے۔

### سیلز اینڈ ریڈمیپشن یونٹ

موجودہ سال میں 2,022.362 ملین روپے مالیت کے 22,840,520 یونٹ جاری ہوئے (2022: 5,636,846 یونٹ جسکی مالیت 473.525 ملین روپے) اور موجودہ سال میں 1,941.436 ملین روپے مالیت کے 21,302,432 یونٹ واگرا کرانے گئے (2022: 7,615,299 یونٹ جس کی مالیت 677.106 ملین روپے)۔ 30 جون 2023 کو، بھایا پونٹس کی کل تعداد 8,750,090 تھی جس کی مالیت 721.070 ملین روپے ہے۔

### بعد از بیلس شیٹ واقعات

بیلس شیٹ کی تاریخ کے بعد کوئی واقعہ نہیں ہوا۔

### اظہار تشکر

مینیجمنٹ کمیٹی کے بورڈ آف ڈائریکٹرز قابل قدر معاونت، مدد اور رہنمائی پر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج لیٹیٹی کی انتظامیہ کے شکر گزار ہیں۔ ڈائریکٹرز، ممبران، گن اور صحت پر کمیٹی کے ملازمین اور انتظامیہ کا اور کمیٹی میں اعتماد پر شکر، ہولڈرز کا بھی شکر یہ ادا کرتے ہیں۔

احمد سلمان منیر

ڈائریکٹر چیئر پرسن

27 ستمبر 2023ء

کراچی

- 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 کا مالی گوشواروں کے ساتھ نسک تقبیل بیان میں انکشاف کیا گیا۔
- فنڈ کے یونٹ 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، ڈیوٹی، لیویز اور بقایا چارجز کی مد میں کوئی قانونی ادائیگی نہیں ہے۔
- کمپنی نے درج ذیل انداز میں ایکٹیوٹی (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 6

(b) - خاتون 1

بورڈ کی ترتیب درج ذیل ہے:

| کینگری                | نام                   | عہدہ               |
|-----------------------|-----------------------|--------------------|
| آزاد ڈائریکٹر         | جناب احمد سلمان منیر  | چیئرمین            |
|                       | سید شہت حسین          | ڈائریکٹر           |
|                       | جناب احمد ضیا سرور    | ڈائریکٹر           |
| ایگزیکٹو ڈائریکٹر     | محترمہ تارا عزرہ داؤد | چیف ایگزیکٹو آفیسر |
| نان ایگزیکٹو ڈائریکٹر | سید شرف علی           | ڈائریکٹر           |
|                       | جناب نوید احمد        | ڈائریکٹر           |
|                       | جناب اقبال شفیق       | ڈائریکٹر           |
| خاتون ڈائریکٹر        | محترمہ تارا عزرہ داؤد | چیف ایگزیکٹو آفیسر |

### 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 تارا عزرہ داؤد | 4                       | 4                 |       |
| جناب اقبال شفیق       | 4                       | 4                 |       |
| سید شہت حسین          | 4                       | 4                 |       |
| جناب احمد سلمان منیر  | 4                       | 4                 |       |
| جناب نوید احمد        | 4                       | 4                 |       |
| جناب احمد ضیا سرور    | 4                       | 4                 |       |

\*\* غیر حاضری کی چھٹی دی گئی۔



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## میںجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

786 سمارٹ فنڈ کی میںجمنٹ کمپنی، 786 انویسٹمنٹ لمیٹڈ (786 یاد کمپنی) کے بورڈ آف ڈائریکٹرز 30 جون 2023 کو ختم ہونے والے سال کی سالانہ رپورٹ اور نظر ثانی شدہ مالیاتی گوشوارے پر کرتے ہوئے خوشی محسوس کرتے ہیں۔

### اقتصادی چا کرہ:

عالمی معیشت کو کمزور، بلند افراط زر، اور COVID-19 سے منسلک غیر یقینی صورتحال، یوکرین تنازع، موسمیاتی تبدیلی، اور اقتصادی تبدیلیوں کی مشکلات کا سامنا ہے۔ اس کے باوجود، امریکہ، یورپی یونین میں بہتر اخراجات، چین کی بحالی، اور مستحکم ہندوستانی پوسٹن گونی کی وجہ سے 2023 کی عالمی ستر روی کم ہونے کی توقع ہے۔ عالمی نمو 2022 میں 3.1 فیصد سے 2023 میں 2.3 فیصد تک رہنے کا امکان ہے، جو کہ معمولی بہتری کے ساتھ 2024 میں 2.5 فیصد ہو جائے گی۔ تاہم، ساختی مسائل، وبائی امراض، کم سرمایہ کاری، اور قرض پر انحصار سے طویل ذیلی نمو کے لیے خطرات لاحق ہیں، جو غربت کی کمی اور پائیدار ترقی کو متاثر کرتے ہیں۔ اہم معیشتوں اور چین میں بحالی 2023 کے نمو کے نقطہ نظر کو قدرے بہتر بناتی ہے۔

مالی سال 2023 میں، پاکستان کی معیشت سیلاب، مہنگائی، کرنٹ اکاؤنٹ خسارہ اور غیر ملکی زرمبادلہ کے بحران کی وجہ سے مشکلات کا شکار رہی، جس سے متوقع بیکارگی۔ ایشین ڈیولپمنٹ فنڈ کے نقطہ نظر کے مطابق پاکستان کی جی ڈی پی مالی سال 2023 میں 0.6 فیصد تک ستر رہے گی لیکن استحکام، اصلاحات، بحالی کے ساتھ مالی سال 2024 میں 2 فیصد تک پہنچ جائے گی۔

آئی ایم ایف نے ڈیفالٹ سے بچاتے ہوئے 3 بلین امریکی ڈالر کے تیل آؤٹ پر اتفاق کیا۔ تاہم، اس مطلوبہ بجٹ ایڈجسٹمنٹ کے حصول نے، ممکنہ طور پر مقامی طلب کو کم اور سماجی تناؤ کو بڑھا دیا۔ جون میں افراط زر 38.0% سے کم ہو کر 29.4% ہو گیا، جس میں کمی کی توقع ہے لیکن 10 سالہ 8.0% کی اوسط سے زیادہ رہے گی۔ قابل ذکر خطرات میں EI نیو، کرنسی کے اتار چڑھاؤ، اور ایشیاء کی غیر مستحکم قیمتیں شامل ہیں۔

مالی سال 2023 کے لیے پاکستان کی جی ڈی پی کی شرح نمو 0.29 فیصد رہنے کا امکان ہے جو کہ 5 فیصد کے ہدف سے کہیں زیادہ کم ہے۔ جس کی بنیادی وجہ بلند افراط زر، معاشی ستر روی، سیلاب، اور آئی ایم ایف فنڈنگ کی مشکلات ہیں۔ ایشین ڈیولپمنٹ فنڈ نے پاکستان کی جی ڈی پی کو مالی سال 2023 میں 0.6 فیصد سے، استحکام، اصلاحات، بحالی کے ساتھ مالی سال 2024 میں 2 فیصد تک بڑھانے کا منصوبہ بنایا ہے۔

مالیاتی تخمینہ، کرنسی کی قدر میں کمی، توانائی کی بلند قیمتوں کی وجہ سے مالی سال 2023 کی صنعتی نمو میں کمی کی توقع ہے۔

توانائی کی قیمتوں میں اضافہ، کرنسی کی قدر میں کمی، سپلائی میں خلل برقرار رہنے کی وجہ سے اوسط افراط زر مالی سال 2022 میں 12.2% سے مالی سال 2023 میں 27.5% تک تقریباً دو گنا سے زیادہ ہونے کا امکان ہے۔

### مٹی مارکیٹ کا جائزہ:

پاکستان کی مرکزی بینک نے جون میں 100 بی بی ایس اضافہ کے بعد، جولائی میں اپنی شرح سود کو برقرار رکھنے کا فیصلہ کیا ہے۔ کیونکہ اقتصادی غیر یقینی صورتحال میں کمی اور سرمایہ کاروں کے اعتماد میں بہتری آئی۔ حالیہ مہینوں نے افراط زر میں نمایاں اعتدال کا مظاہرہ کیا، لیکن مہینہ مالی سال 2025 کے اختتام تک اسے درمیانی مدت کے ہدف کی 5-7 فیصد کی حد تک مزید نیچے لانے کے لیے پُر عزم ہے۔ یہ فیصلہ یورپی شعبے کے استحکام کے خدشات کو دور کرنے کے لیے آئی ایم ایف کے ساتھ نومبر کے اسٹینڈ بائی آرینجمنٹ (SBA) کے بعد سامنے آیا ہے۔ پھر بھی، اضافی ٹیکس اقدامات، بجلی کے زخموں میں اضافہ، اور عالمی ایشیاء کی قدرے بلند قیمتیں افراط زر کے بنیادی خطرات کو جنم دیتی ہیں۔ اس طرح، ریگولیٹرز کے مزید اقدامات کا انحصار میکرو اکنامک ماحول پر ہوگا۔

### فنڈ کی کارکردگی

30 جون 2023 کو 721.07 ملین روپے کے مقابلے 30 جون 2022 میں خالص اثاثے 589.33 ملین روپے رہے۔ گزشتہ سال کی اسی مدت میں 31.353 ملین روپے کے مقابلے میں آئی ایم ایف 87.586 ملین روپے ہوئی۔ گزشتہ سال کی اسی مدت میں 13.565 ملین روپے کے مقابلے میں اخراجات 18.89 ملین روپے ہوئے۔ گزشتہ سال کی اسی مدت میں 22.536 ملین روپے کے مقابلے میں مالی سال 2023 کے لئے خالص منافع 41.95 ملین روپے ہوئے۔ 30 جون 2023 کو نیٹ اثاثہ کی خالص قیمت 82.41 روپے ہے۔

### کارپوریٹ گورننس اور مالیاتی رپورٹنگ کا دائرہ کار

ڈائریکٹرز خوشی 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 کاؤنٹنگ پالیسیوں کو تسلیم کے ساتھ لاگو کیا گیا ہے اور کاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔



786 Smart Fund

## **REPORT OF THE FUND MANAGER FOR THE YEAR ENDED 30 JUNE 2023**

### **Description of Collective Investment Scheme Category and Type**

Shariah Compliant Income/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 of June 30, 2023, net assets were PKR. 721.07 million as compared to PKR. 589.33 million as of June 30, 2022. Total operating income for the year was PKR 87.586 million as compared to PKR. 31.353 million for the same period last year. Total expenses during the year were PKR. 18.89 million as compared to PKR. 13.565 million Last year. The income available for distribution for the financial year 2023 was PKR. 41.95 million, as compared o PKR. 22.536 million Last year. The Net Asset Value per unit was PKR. 82.41 as of June 30, 2023

### **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

|         | <b>YTD Return</b> | <b>YTD Bench Mark</b> |
|---------|-------------------|-----------------------|
| FY 2023 | 17.14%            | 6.06%                 |
| FY 2022 | 8.81%             | 3.34%                 |

| <b>Asset Allocation 2023</b> |        |
|------------------------------|--------|
| TFC / Sukuk                  | 65.17% |
| GOP Ijara Sukuk              | 21.56% |
| Bank Balances                | 9.88%  |
| Others                       | 3.39%  |

| <b>Asset Quality 2023</b> |        |
|---------------------------|--------|
| AAA                       | 21.56% |
| AA                        | 49.76% |
| AA+                       | 17.87% |
| A+                        | 7.41%  |
| Unrated                   | 3.39%  |



786 Smart Fund

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

| Net Assets Value |               |             | NAV per unit  |               |
|------------------|---------------|-------------|---------------|---------------|
| June 30, 2022    | June 30, 2023 | Change in % | June 30, 2022 | June 30, 2023 |
| 589,333,068      | 721,070,176   | (22%)       | 81.72         | 82.72         |

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 PKR 13.3136 per unit for the year ended June 30, 2023, which comes out to be 16.8% of the par value per unit of PKR 100.

Pattern of Unit Holding

Details of Pattern of Holdings (Units)  
786 Smart Fund  
As at June 30, 2023

| Number Of Certificate | Certificate Holding |   |                 | Number Of Certificates |
|-----------------------|---------------------|---|-----------------|------------------------|
|                       | From                |   | To              |                        |
| 728                   | 0.0001              | - | 9,999.9999      | 276,569                |
| 8                     | 10,000              | - | 49,999.9999     | 233,656                |
| 6                     | 50,000              | - | 99,999.9999     | 487,162                |
| 6                     | 100,000             | - | 499,999.9999    | 1,432,065              |
| 4                     | 500,000             | - | 999,999.9999    | 2,605,904              |
| 1                     | 1,000,000           | - | 14,999,999.9999 | 1,219,318              |
| 1                     | 15,000,000          | - | 99,999,999.9999 | 2,495,416              |
| <b>754</b>            |                     |   |                 | <b>8,750,090</b>       |



786 Smart Fund

### **Economic Review:**

The global economy faces challenges from weak growth, high inflation, and uncertainties linked to COVID-19, Ukraine conflict, climate change, and economic shifts. Despite this, 2023's global slowdown is expected to be milder due to improved spending in the US, EU, China's recovery, and steady Indian forecast. Global growth is projected to slow from 3.1% in 2022 to 2.3% in 2023, with a slight improvement to 2.5% in 2024. However, structural issues, pandemic scars, low investment, and debt vulnerabilities pose risks for prolonged subpar growth, impacting poverty reduction and sustainable development. Upward revisions in major economies and China drive the slightly better 2023 growth outlook.

In FY 2023, Pakistan's economy struggled due to floods, inflation, a current account deficit, and a foreign exchange crisis, nearly stagnating growth. The Asian Development Outlook expects Pakistan's GDP to slow from 6% to 0.6% in FY 2023 but rebound to 2% in FY 2024 with stability, reforms, recovery.

IMF agreed to a USD 3 billion bailout, averting default. However, securing this required budget adjustments, potentially dampening domestic demand and raising social tensions. Inflation dipped from 38.0% to 29.4% in June, expected to ease but remain above the 10-year average of 8.0%. Noteworthy risks include El Niño, currency fluctuations, and volatile commodities.

Pakistan's GDP growth for FY 2023 projected at 0.29%, far from 5% target. High inflation, economic slowdown, floods, and IMF funding challenges. Asian Development Outlook projects Pakistan's GDP at 0.6% in FY 2023, rising to 2% in FY 2024 with stability, reforms, recovery.

FY2023 industrial growth expected to decelerate due to fiscal tightening, currency depreciation, higher energy prices.

Average inflation projected to more than double from 12.2% in FY2022 to 27.5% in FY2023, sustained by energy prices, currency weakness, supply disruptions

### **Money Market Review:**

The central bank of Pakistan has decided to keep its interest rate unchanged at 22% in July, following a 100 bps hike in June, as economic uncertainty decreased, and investor confidence improved. Recent months have shown a significant moderation in inflation, but the committee is determined to bring it further down towards the medium-term target range of 5-7% by the end of the fiscal year 2025. The decision comes following the seal of a nine-month Stand-By Arrangement (SBA) with the IMF to address external sector stability concerns. Still, additional tax measures, increased electricity tariffs, and slightly higher global commodity prices pose underlying inflationary risks. Thus, further actions of the regulator will depend on the macroeconomic environment.

### **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

## 786 Investment Limited

### Additional Information as at June 30, 2023

| S. No. | Categories of Share holders  | Numbers    | Shares Held       | % Age         |
|--------|--|------------|-------------------|---------------|
| 1      | <b>Associated Companies</b>  | 3          | 6,427,630         | 42.93         |
|        | B.R.R. Guardian Modaraba   |            | 1,935,505         |               |
|        | First Dawood Investment Bank Limited   |            | 2,246,070         |               |
|        | The Bank of Khyber   |            | 2,246,055         |               |
| 2      | <b>NIT &amp; ICP</b>   | 2          | 1,000             | 0.01          |
|        | Investment Corporation of Pakistan   |            | 500               |               |
|        | IDBP (ICP UNIT)  |            | 500               |               |
| 3      | <b>Directors, CEO their Spouses and Minor Children</b>                                       | 7          | 2,408,801         | 16.09         |
|        | Miss Tara Uzra Dawood  |            | 2,393,485         |               |
|        | Mrs. Shafqat Sultana   |            | 2,816             |               |
|        | Mr. Ahmer Zia Sarwar   |            | 2,500             |               |
|        | Mr. Ahmed Salman Munir   |            | 2,500             |               |
|        | Syed Shabaha Hussain   |            | 2,500             |               |
|        | Syed Musharaf Ali  |            | 2,500             |               |
|        | Mr. Naveed Ahmed   |            | 2,500             |               |
| 4      | <b>Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas, Pension Funds and Others</b> | 17         | 1,011,362         | 6.75          |
| 5      | <b>General Public</b>  | 853        | 5,124,957         | 34.23         |
|        | <b>Total</b>   | <b>882</b> | <b>14,973,750</b> | <b>100.00</b> |

Shareholders holding ten percent or more shares in the Company

14,973,750

|                                      |           |       |
|--------------------------------------|-----------|-------|
| Miss Tara Uzra Dawood                | 2,393,485 | 15.98 |
| 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 |



786 Smart Fund

**DETAILS OF PATTERN OF HOLDINGS (UNITS)  
AS AT JUNE 30, 2023**

| S. No.   | Category   | No of Unit Holders | Unit Held        | Amount             | % of Total    |
|----------|--|--------------------|------------------|--------------------|---------------|
| <b>1</b> | <b>Directors</b>   |                    |                  |                    |               |
|          | Ms. Tara Uzra Dawood, CEO  | 1                  | 1,219,318        | 100,480,554        | 13.93         |
| <b>2</b> | <b>Associated Companies</b>  |                    |                  |                    |               |
|          | 786 Investment Limited   | 1                  | 2,495,416        | 205,640,238        | 28.52         |
|          | BRR Guardian Modaraba  | 2                  | 436,920          | 36,005,353         | 4.99          |
|          | First Dawood Investment Bank Ltd and Others  |                    |                  |                    |               |
|          | Employees Contributory Provident Fund  | 1                  | 310,495          | 25,587,055         | 3.55          |
|          | BRR Financial Services (Pvt.) Limited  | 1                  | 68,975           | 5,684,041          | 0.79          |
|          | LADIESFUND Energy (Pvt.) Limited   | 1                  | 772,632          | 63,670,447         | 8.83          |
|          | Dawood Family Takaful Limited - Employees contributory provident fund - Associate of | 1                  | 71,291           | 5,874,892          | 0.81          |
| <b>3</b> | <b>Individuals</b>   | 714                | 1,156,307        | 95,288,021         | 13.21         |
| <b>4</b> | <b>Insurance Companies</b>   | 2                  | 1,216,075        | 100,213,299        | 13.90         |
| <b>5</b> | <b>Bank/DFIs</b>   | -                  | -                | -                  | -             |
| <b>6</b> | <b>Modaraba / Mutual Funds</b>   | -                  | -                | -                  | -             |
| <b>7</b> | <b>Others</b>  | 30                 | 1,002,661        | 82,626,276         | 11.46         |
|          | <b>TOTAL</b>   | <b>754</b>         | <b>8,750,090</b> | <b>721,070,176</b> | <b>100.00</b> |





786 Smart Fund

**DETAILS OF PATTERN OF HOLDINGS (UNITS)  
AS AT JUNE 30, 2023**

| S. No. | Category             | No of Unit Holders | Unit Held        | Amount             | % of Total    |
|--------|----------------------|--------------------|------------------|--------------------|---------------|
| 1      | Director             | 1                  | 1,219,318        | 100,480,554        | 13.93         |
| 2      | Associated Companies | 7                  | 4,155,729        | 342,462,026        | 47.49         |
| 3      | Individuals          | 714                | 1,156,307        | 95,288,021         | 13.21         |
| 4      | Insurance Companies  | 2                  | 1,216,075        | 100,213,299        | 13.90         |
| 5      | Others               | 30                 | 1,002,661        | 82,626,276         | 11.46         |
|        | <b>TOTAL</b>         | <b>754</b>         | <b>8,750,090</b> | <b>721,070,176</b> | <b>100.00</b> |



**Al-Hilal**  
— Shariah Advisors —

September 21, 2023



الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

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, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in 786 Smart Fund managed by 786 Asset Management Limited 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.

والله أعلم بالصواب، وصلى الله على نبينا محمد وعلى آله وصحبه وبارك وسلم

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



Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive



#MonetizeYourAssets

## 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 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 was appointed as the new 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 year ended June 30, 2023 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

Dabeer Khan  
Manager Compliance  
Digital Custodian Company Limited

Karachi: September 14, 2023

#### ONLINE

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

***Opinion***

We have audited the annexed financial statements of **786 Smart Fund (the fund)** which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, the statement of comprehensive income, the statement of movement 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 statement gives a true and fair view of the financial position of the Fund as at June 30, 2023 and of its financial performance and its cash flows for the year then ended in accordance with the approved accounting and reporting standard 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 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):*

| <i>S. No.</i> | <i>Key audit matter(s)</i>   | <i>How the matter was addressed in our audit</i>   |
|---------------|--|--|
| 1)            | <i>Net Asset value (NAV)</i>   |  |
|               | <p>The balances with banks and investments constitute the most significant component of the net asset value (NAV). The balances with banks and investments as at June 30, 2023 amounted to Rs 72.43 million and Rs 635.57 million as disclosed in Note 5 and 6 respectively. The proper valuation of balances with banks and investment for the determination of NAV of the fund as at June 30, 2023 was considered as a high risk area and therefore, we consider this as a Key Audit Matter (KAM).</p> | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Obtained and understanding of design effectiveness of the key controls on the investments and balance with banks.</li> <li>• Obtained Independence confirmation for verifying the existence of the investment portfolio and balances with banks as at June 30,2023 and reconciled it with the books and record of the Fund.</li> <li>• Reperformed valuation to assess that the investment or carried as per the valuation methodology specified in the accounting policies.</li> <li>• Obtained bank reconciliation statement and tested reconciling item on the sample basis.</li> <li>• Assessed the adequacy of the respective disclosures and presentation in the financial statements as per applicable financial reporting framework.</li> </ul> |

***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***

Further, we report that the Fund’s financials statements have been prepared in accordance with the relevant provision of Non-Bank 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 **Farhan Ahmed Memon**.

  
**Reanda Haroon Zakaria & Company**  
Chartered Accountants

**Place:** Karachi

**Dated:** 27 SEP 2023

**UDIN:** AR202310147E4CYmtNoq



786 Smart Fund

**STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2023**

|   |             | 2023                      | 2022                      |
|---|-------------|---------------------------|---------------------------|
|   | <i>Note</i> | ----- Rupees -----        |                           |
| <b>Assets</b>   |             |                           |                           |
| Balances with banks                                       | 5           | 72,439,135                | 298,014,919               |
| Investments   | 6           | 635,574,526               | 294,564,028               |
| Accrued income/profit                                     | 7           | 24,705,927                | 7,987,185                 |
| Security deposits   | 8           | <u>150,000</u>            | <u>150,000</u>            |
| <b>Total Assets</b>                                       |             | <b>732,869,588</b>        | <b>600,716,132</b>        |
| <b>Liabilities</b>  |             |                           |                           |
| Payable to 786 Investments Limited - Management Company   | 9           | <u>2,273,915</u>          | <u>1,914,597</u>          |
| Payable to Digital Custodian Company Limited - Trustee    | 10          | <u>136,988</u>            | <u>101,525</u>            |
| Payable to Securities and Exchange Commission of Pakistan | 11          | <u>176,710</u>            | <u>175,773</u>            |
| Unclaimed dividend  |             | <u>2,023,960</u>          | <u>2,125,770</u>          |
| Accrued expenses and other liabilities                    | 12          | <u>7,187,839</u>          | <u>7,065,399</u>          |
| <b>Total Liabilities</b>                                  |             | <u>11,799,412</u>         | <u>11,383,064</u>         |
| <b>Contingencies and Commitments</b>                      | 13          |                           |                           |
| <b>Net Assets</b>   |             | <u><u>721,070,176</u></u> | <u><u>589,333,068</u></u> |
| <b>Unit Holders' Funds</b>                                |             | <u><u>721,070,176</u></u> | <u><u>589,333,068</u></u> |
|   |             | <i>(Number)</i>           |                           |
| <b>Number of units in issue</b>                           | 14          | <u><u>8,750,090</u></u>   | <u><u>7,212,002</u></u>   |
|   |             | <i>(Rupees)</i>           |                           |
| <b>Net assets value per unit</b>                          |             | <u><u>82.41</u></u>       | <u><u>81.72</u></u>       |

The annexed notes from 1 to 27 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, 2023**

|   | <i>Note</i> | <i>2023</i>        | <i>2022</i>        |
|---|-------------|--------------------|--------------------|
|   |             | ----- Rupees ----- |                    |
| <b><i>Income</i></b>  |             |                    |                    |
| Net realized loss on sale of investments  |             | (855,711)          | (1,175)            |
| Income from investments and balances with banks                                       | 15          | 146,369,976        | 81,633,432         |
| Reversal of impairment on investment at fair value through other comprehensive income | 6.1.1       | 16,755,156         | 16,755,156         |
| Reversal of provision for Sindh Workers' Welfare Fund                                 |             | -                  | 8,098,489          |
|   |             | <u>162,269,421</u> | <u>106,485,902</u> |
| <b><i>Expenses</i></b>  |             |                    |                    |
| Remuneration to the management company  | 9.1         | 13,253,285         | 13,182,987         |
| Sindh sales tax on remuneration to the management company                             | 9.2         | 1,722,925          | 1,713,790          |
| Accounting and operational charges  | 9.3         | 883,552            | 878,866            |
| Remuneration to the trustee   | 10.1        | 1,325,329          | 1,318,298          |
| Sindh sales tax on trustee fee  | 10.2        | 172,293            | 171,381            |
| Annual fee to Securities and Exchange Commission of Pakistan                          | 11          | 176,710            | 175,773            |
| Auditor's remuneration  | 16          | 472,800            | 455,800            |
| Fees and subscription   |             | 211,747            | 195,203            |
| Securities transactions cost  |             | 52,859             | 8,018              |
| Printing and related charges  |             | 48,000             | 48,001             |
| Legal and professional charges  |             | 440,700            | 406,800            |
| Withholding taxes - written off   |             | 649,288            | 329,540            |
| Bank charges  |             | 4,030              | 14,999             |
|   |             | <u>19,413,518</u>  | <u>18,899,456</u>  |
| <b>Net income for the year before taxation</b>  |             | <u>142,855,903</u> | <u>87,586,446</u>  |
| Taxation  | 17          | -                  | -                  |
| <b>Net income for the year after taxation</b>   |             | <u>142,855,903</u> | <u>87,586,446</u>  |
| <b>Allocation of net income for the year</b>  |             |                    |                    |
| Net income for the year   |             | 142,855,903        | 87,586,446         |
| Income already paid on units redeemed   |             | (117,207,739)      | (45,631,665)       |
| <b>Accounting income available for distribution:</b>                                  |             | <u>25,648,164</u>  | <u>41,954,781</u>  |
| Relating to capital gain  |             | (855,711)          | (1,175)            |
| Excluding capital gain  |             | <u>26,503,875</u>  | <u>41,955,956</u>  |
|   |             | <u>25,648,164</u>  | <u>41,954,781</u>  |

The annexed notes from 1 to 27 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, 2023**

|  | 2023                      | 2022                     |
|--|---------------------------|--------------------------|
| <i>Note</i>  | ----- Rupees -----        |                          |
| Net income for the year after taxation   | <b>142,855,903</b>        | 87,586,446               |
| Unrealized gain / (loss) on revaluation of investments classified as fair value through-<br>other comprehensive income - net | 6.4 <b>(470,761)</b>      | 1,170,760                |
| <b>Total comprehensive income for the year</b>   | <b><u>142,385,142</u></b> | <b><u>88,757,206</u></b> |

The annexed notes from 1 to 27 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, 2023**

|  | 2023                   |   |                                 |                        | 2022                 |   |                                |                      |
|--|------------------------|---|---------------------------------|------------------------|----------------------|---|--------------------------------|----------------------|
|  | Capital Value          | (Accumulated Loss) / Undistributed Income | Unrealized (Loss) on Investment | Total                  | Capital Value        | (Accumulated Loss) / Undistributed Income | Unrealized Gains on Investment | Total                |
|  | ----- Rupees -----     |   |                                 |                        | ----- Rupees -----   |   |                                |                      |
| <b>Net assets at beginning of the year</b>                                   | 736,657,526            | (149,281,381)                             | 1,956,922                       | 589,333,068            | 894,606,747          | (149,285,786)                             | 786,162                        | 746,107,123          |
| <b>Issue of 22,840,520 units</b><br><b>(2022: 5,636,846 units)</b>           |                        |   |                                 |                        |                      |   |                                |                      |
| - Capital value (at net asset value per unit at the beginning of the period) | 1,866,426,786          | -   | -                               | 1,866,426,786          | 457,614,919          | -   | -                              | 457,614,919          |
| - Element of income  | 155,935,907            | -   | -                               | 155,935,907            | 15,910,306           | -   | -                              | 15,910,306           |
| <b>Total proceeds on issuance of units</b>                                   | <b>2,022,362,693</b>   | <b>-</b>                                  | <b>-</b>                        | <b>2,022,362,693</b>   | <b>473,525,225</b>   | <b>-</b>                                  | <b>-</b>                       | <b>473,525,225</b>   |
| <b>Redemption of 21,302,432 units</b><br><b>(2022: 7,615,299 units)</b>      |                        |   |                                 |                        |                      |   |                                |                      |
| - Capital value (at net asset value per unit at the beginning of the period) | (1,740,741,050)        | -   | -                               | (1,740,741,050)        | (618,231,264)        | -   | -                              | (618,231,264)        |
| - Amount paid out of element of income                                       | -                      | (117,207,739)                             | -                               | (117,207,739)          | -                    | (45,631,665)                              | -                              | (45,631,665)         |
| - Refund / adjustment on units as element of income                          | (83,487,685)           | -   | -                               | (83,487,685)           | (13,243,182)         | -   | -                              | (13,243,182)         |
| <b>Total payments on redemption of units</b>                                 | <b>(1,824,228,734)</b> | <b>(117,207,739)</b>                      | <b>-</b>                        | <b>(1,941,436,474)</b> | <b>(631,474,446)</b> | <b>(45,631,665)</b>                       | <b>-</b>                       | <b>(677,106,111)</b> |
| Net income for the period before taxation                                    | -                      | 142,855,903                               | -                               | 142,855,903            | -                    | 87,586,446                                | -                              | 87,586,446           |
| Other comprehensive income   | -                      | -   | (470,761)                       | (470,761)              | -                    | -   | 1,170,760                      | 1,170,760            |
| Distribution for the year  | -                      | -   | -                               | -                      | -                    | (41,950,376)                              | -                              | (41,950,376)         |
| @ 8.2392 per unit on June 27, 2022   | -                      | -   | -                               | -                      | -                    | (41,950,376)                              | -                              | (41,950,376)         |
| Distribution for the year  | -                      | (91,574,253)                              | -                               | (91,574,253)           | -                    | -   | -                              | -                    |
| @ 13.3136 per unit on June 23, 2023  | -                      | (91,574,253)                              | -                               | (91,574,253)           | -                    | -   | -                              | -                    |
|  | -                      | 51,281,650                                | (470,761)                       | 50,810,889             | -                    | 45,636,070                                | 1,170,760                      | 46,806,830           |
| <b>Net assets at end of the period</b>                                       | <b>934,791,485</b>     | <b>(215,207,470)</b>                      | <b>1,486,161</b>                | <b>721,070,176</b>     | <b>736,657,526</b>   | <b>(149,281,381)</b>                      | <b>1,956,922</b>               | <b>589,333,068</b>   |
| <b>Undistributed (loss) / income brought forward</b>                         |                        |   |                                 |                        |                      |   |                                |                      |
| - Realized loss  |                        | (149,281,381)                             |                                 |                        |                      | (149,285,786)                             |                                |                      |
| - Unrealized income  |                        | -   |                                 |                        |                      | -   |                                |                      |
|  |                        | (149,281,381)                             |                                 |                        |                      | (149,285,786)                             |                                |                      |
| <b>Accounting income available for distribution</b>                          |                        |   |                                 |                        |                      |   |                                |                      |
| - Relating to capital gain   |                        | (855,711)                                 |                                 |                        |                      | (1,175)                                   |                                |                      |
| - Excluding capital gain   |                        | 26,503,875                                |                                 |                        |                      | 41,955,956                                |                                |                      |
|  |                        | 25,648,164                                |                                 |                        |                      | 41,954,781                                |                                |                      |
| Distribution during the period   |                        | (91,574,253)                              |                                 |                        |                      | (41,950,376)                              |                                |                      |
| Undistributed loss carried forward   |                        | (215,207,470)                             |                                 |                        |                      | (149,281,381)                             |                                |                      |
| <b>Undistributed (loss) carried forward</b>                                  |                        |   |                                 |                        |                      |   |                                |                      |
| - Realized loss  |                        | (215,207,470)                             |                                 |                        |                      | (149,281,381)                             |                                |                      |
|  |                        | (215,207,470)                             |                                 |                        |                      | (149,281,381)                             |                                |                      |
| Net assets value per unit at beginning of the year                           |                        | 81.72                                     |                                 |                        |                      | 81.18                                     |                                |                      |
| Net assets value per unit at end of the year                                 |                        | 82.41                                     |                                 |                        |                      | 81.72                                     |                                |                      |

The annexed notes from 1 to 27 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, 2023**

|  | 2023               | 2022          |
|--|--------------------|---------------|
| <i>Note</i>  | ----- Rupees ----- |               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                    |               |
| <b>Net Income for the Period Before Taxation</b>                 | 142,855,903        | 87,586,446    |
| <b>Adjustments For:</b>  |                    |               |
| Net realized loss on sale of investments                         | (855,711)          | (1,175)       |
| Profit on bank balances and investments                          | (146,369,976)      | (81,633,432)  |
| Reversal of impairment on investment at fair value through other |                    |               |
| Comprehensive income   | (16,755,156)       | (16,755,156)  |
| <b>Operating Loss Before Working Capital Changes</b>             | (163,980,843)      | (98,389,763)  |
| <b>Decrease in Assets</b>  |                    |               |
| Advance income tax   | -                  | 329,540       |
|  | -                  | 329,540       |
| <b>Increase/(Decrease) in Liabilities</b>                        |                    |               |
| Payable to 786 Investments Limited - Management Company          | 359,318            | 276,101       |
| Payable to Digital Custodian Company Limited - Trustee           | 35,463             | (1,366)       |
| Payable to Securities and Exchange Commission of Pakistan        | 937                | 57,949        |
| Unclaimed dividend   | (101,810)          | 649,507       |
| Accrued expenses and other liabilities                           | 122,440            | (8,149,222)   |
|  | 416,348            | (7,167,031)   |
| Proceeds from investments - net                                  | (323,870,392)      | (126,044,735) |
| Profit received on investments and balances with banks           | 129,651,234        | 79,701,691    |
| <b>Net cash used in from operating activities</b>                | (214,927,750)      | (63,983,852)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |                    |               |
| Amounts received against issue of units                          | 2,022,362,693      | 473,525,226   |
| Payment made against redemption of units                         | (1,941,436,474)    | (677,106,111) |
| Dividend paid  | (91,574,253)       | (41,950,376)  |
| <b>Net cash generated from financing Activities</b>              | (10,648,034)       | (245,531,261) |
| <b>Net decrease in cash and cash equivalents</b>                 | (225,575,784)      | (309,515,113) |
| Cash and cash equivalents at beginning of the year               | 298,014,919        | 607,530,032   |
| <b>Cash and cash equivalents at end of the period</b>            | 72,439,135         | 298,014,919   |

5

The annexed notes from 1 to 27 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, 2023

### 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 Digital Custodian Company Limited (formerly MCB Financial Services Limited) 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 Digital Custodian Company Limited (formerly MCB Financial Services Limited) 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).
- 1.6 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 23, 2022 and stability rating of "AA-(f)" to the Fund as at October 14, 2022.
- 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.

### 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 6.1, 6.2 and 6.3 below.

#### 2.3 Functional and presentation currency

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



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 2.4 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan which are effective in current period

The standards, amendments and interpretations are effective for the year ended June 30, 2023 are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

### 2.5 Amendments to standards and IFRS interpretations that are not yet effective

The following amendments to accounting standards and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

|  | <b>Effective from accounting period<br/>beginning on or after</b> |
|--|---|
| Amendments to IFRS 9 'Financial Instruments: Disclosures' and IAS 7 'Statement of Cash Flows': Amendments regarding supplier finance arrangements  | January 1, 2024   |
| Amendments to IAS 1 'Presentation of Financial Statements': Amendments regarding the classification of liabilities and disclosure of accounting policies                                   | January 1, 2023   |
| Amendments to IAS 1 'Presentation of Financial Statements': Amendments regarding the classification of debt with covenants   | January 1, 2024   |
| Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Amendments regarding the definition of accounting estimates   | January 1, 2023   |
| Amendments to IAS 12 'Income Taxes': Amendments regarding deferred tax on leases and decommissioning obligations   | January 1, 2023   |
| Amendments to IAS 12 'Income Taxes': Amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes      | January 1, 2023   |
| Certain amendments updating a reference to the Conceptual Framework and annual improvements have also been made to a number of standards, which have not been enumerated here for brevity. |   |
| IFRS 1 - First Time Adoption of International Financial Reporting Standards  |   |
| IFRS 17 - Insurance Contracts  |   |

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

### 4 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.

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years.

#### 4.1 Financial Assets

##### 4.1.1 Classification

###### Business model assessment

The Fund determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Fund's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

- The objectives for the portfolio, in particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

### Assessments whether contractual cash flows are solely payments of principal and interest (SPPI)

As a second step of its classification process the Fund assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Fund applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVOCI.

#### 4.1.2 Initial Measurement

Investments are initially measured at their cost which is equivalent to fair value at the time of acquisition.

#### Subsequent Measurement

#### Debt instruments at FVOCI

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

#### 4.1.3 Impairment of financial assets

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

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, October 24, 2012 will be followed.

#### 4.1.4 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

#### 4.1.5 Derivatives

Derivative financial instruments are initially recognised at fair value. Subsequent to initial measurement each derivative financial instrument is remeasured to its fair value as at that day. The resultant gain or loss is recognised in the income statement.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 4.2 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. These include balances with banks and other short-term highly liquid investments with original maturities of three months or less.

### 4.3 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

### 4.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities where there is a legally enforceable right to set off the recognised amount and there is an intention to settle on net basis, or to realise the assets and settle the liabilities simultaneously.

### 4.5 Collateral

Cash collateral provided by the Fund is identified in the statement of assets and liabilities as margin cash and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its statement of assets and liabilities separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

### 4.6 Provisions

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

### 4.7 Net asset value per unit

The Net Asset Value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

### 4.8 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the Second Schedule of the 'Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund is also exempt from provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

### 4.9 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

### 4.10 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received 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, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the Management Company as processing fee. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, applicable to units for which the redemption applications are received during business hours on that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.





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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 4.11 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

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

### 4.12 Revenue recognition

- Profit on bank deposits, money market placements and mark-up / return on government securities is recognised using effective yield method.
- Capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) on remeasurement of investments classified as 'financial assets at fair value through OCI' are included in the Statement of comprehensive income in the period in which they arise.
- Element income on issue and repurchase of units is recognised when the units are issued and redeemed at the transaction date.

### 4.13 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee to the Securities and Exchange Commission of Pakistan and etc.) are recognised in the income statement on an accrual basis.

### 4.14 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

|                              |             | 2023               | 2022        |
|------------------------------|-------------|--------------------|-------------|
| <b>5 BALANCES WITH BANKS</b> | <i>Note</i> | ----- Rupees ----- |             |
| - Saving accounts            | 5.1         | 72,439,135         | 298,014,919 |

5.1 These saving accounts carry profit at rates ranging from 15% to 19% (June 30, 2022: 5.5% to 13.75%) per annum.

|   |             | 2023               | 2022        |
|---|-------------|--------------------|-------------|
| <b>6 INVESTMENTS</b>                                    | <i>Note</i> | ----- Rupees ----- |             |
| <i>At fair value through other comprehensive income</i> |             |                    |             |
| Listed - Term finance certificates                      | 6.1         | -                  | -           |
| Unlisted - Sukuk certificates                           | 6.2         | 477,574,526        | 40,768,787  |
| GOP Ijara Sukuk   |             | 158,000,000        | -           |
|   |             | 635,574,526        | 40,768,787  |
| <i>At amortised cost</i>                                |             |                    |             |
| Commercial Paper  | 6.5         | -                  | 253,795,241 |
|   |             | 635,574,526        | 294,564,028 |



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 6.1 At fair value through other comprehensive income

|      |  | As at July 01,<br>2022             | Purchases<br>during the year | Matured/<br>Disposed During the<br>year | As at June<br>30, 2023 | Cost/<br>Carrying Value | Market<br>Value | % of Total<br>Investment |
|------|--|------------------------------------|------------------------------|---|------------------------|-------------------------|-----------------|--------------------------|
| 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 | 10,053 | - | 3,351 | 6,702 | 33,510,312   | - | - |
|  |  | Provision held               | 6.3   | -      | - | -     | -     | (33,510,312) | - | - |

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 recognized reversal of impairment amounting to Rs. 16.755 millions on receipt basis in current period. The Fund has suspended profit there against.

### 6.2 At fair value through other comprehensive income

|      |  | As at July<br>01, 2022             | Purchases<br>during the year | Matured/<br>Disposed During<br>the year | As at June 30,<br>2023 | Cost/<br>Carrying Value | Market Value | % of Total<br>Investment |
|------|--|------------------------------------|------------------------------|---|------------------------|-------------------------|--------------|--------------------------|
| Note |  | ----- Number of certificates ----- |                              |   | ----- Rupees -----     |                         |              |                          |

Unlisted - term finance certificates face value of Rs. 5,000/- 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) | - | - |
|  |  | New Allied Industries Limited | 6.3.2 | 3,417  | - | - | 3,417  | 7,222,749    | - | - |
|  |  | Provision held                | 6.3   | -      | - | - | -      | (7,222,749)  | - | - |

At fair value through other comprehensive income

**Unlisted - Sukuk certificates**

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

**Information Technology**

|  |  |                        |       |   |    |   |    |            |            |     |
|--|--|------------------------|-------|---|----|---|----|------------|------------|-----|
|  |  | Abhi Private Ltd Sukuk | 6.3.3 | - | 90 | - | 90 | 90,000,000 | 90,000,000 | 14% |
|--|--|------------------------|-------|---|----|---|----|------------|------------|-----|

**Engineering**

|  |  |                               |       |    |   |   |    |            |            |    |
|--|--|-------------------------------|-------|----|---|---|----|------------|------------|----|
|  |  | Agha Steel Industries Limited | 6.3.4 | 15 | - | - | 15 | 11,085,287 | 10,271,446 | 2% |
|--|--|-------------------------------|-------|----|---|---|----|------------|------------|----|

**Coal**

|  |  |   |  |   |    |    |   |   |   |   |
|--|--|---|--|---|----|----|---|---|---|---|
|  |  | China Power Hub Generation Ltd Sukuk (07-12-22) |  | - | 50 | 50 | - | - | - | - |
|--|--|---|--|---|----|----|---|---|---|---|

**Commercial Bank**

|  |  |                            |       |    |    |    |    |            |            |    |
|--|--|----------------------------|-------|----|----|----|----|------------|------------|----|
|  |  | Dubai Islamic Bank Limited |       | 26 | -  | 26 | -  | -          | -          | 0% |
|  |  | Dubai Islamic Bank Limited | 6.3.5 | -  | 44 | -  | 44 | 44,000,000 | 44,060,280 | 7% |

**Services Allied (other)**

|  |  |                           |       |   |     |    |     |             |             |     |
|--|--|---------------------------|-------|---|-----|----|-----|-------------|-------------|-----|
|  |  | Hub Power Company Limited | 6.3.6 | - | 200 | 69 | 131 | 131,000,000 | 131,000,000 | 21% |
|--|--|---------------------------|-------|---|-----|----|-----|-------------|-------------|-----|

**Power Generation & Distribution**

|  |  |  |       |   |     |     |    |            |            |    |
|--|--|--|-------|---|-----|-----|----|------------|------------|----|
|  |  | Lucky Electric Power Company Ltd. ST - Sukuk   |       | - | 125 | 125 | -  | -          | -          | -  |
|  |  | Lucky Electric Power Company Ltd. ST - Sukuk 6 |       | - | 25  | 25  | -  | -          | -          | -  |
|  |  | Lucky Electric Power Company Ltd. ST - Sukuk 7 | 6.3.7 | - | 35  | -   | 35 | 35,000,000 | 35,000,000 | 6% |



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

|   | <i>As at July 01, 2022</i>                | <i>Purchases during the year</i> | <i>Matured/ Disposed During the year</i> | <i>As at June 30, 2023</i> | <i>Cost/ Carrying Value</i> | <i>Market Value</i> | <i>% of Total Investment</i> |     |
|---|---|----------------------------------|--|----------------------------|-----------------------------|---------------------|------------------------------|-----|
| <i>Note</i>   | ----- <i>Number of certificates</i> ----- |                                  |  |                            | ----- <i>Rupees</i> -----   |                     |                              |     |
| <b>Textile Composite</b>                            |   |                                  |  |                            |                             |                     |                              |     |
| Nishat Mills Ltd - Sukuk (01-11-22)                 | -   | 120                              | 120                                      | -                          | -                           | -                   | 0%                           |     |
| Nishat Mills Ltd - Sukuk (09-5-23)                  | 6.3.8                                     | -                                | 65                                       | -                          | 65                          | 65,000,000          | 65,000,000                   | 10% |
| <b>Face value of Rs. 1,000,000/- each</b>           |   |                                  |  |                            |                             |                     |                              |     |
| <b>Power Generation &amp; Distribution</b>          |   |                                  |  |                            |                             |                     |                              |     |
| K-Electric Company Limited - Sukuk (23-11-22)       | 6.3.9                                     | -                                | 1,000                                    | -                          | 1,000                       | 101,960,000         | 102,242,800                  | 16% |
| K-Electric Company Limited - Sukuk (26-10-22)       |   | -                                | 150                                      | 150                        | -                           | -                   |                              |     |
| <b>Chemical</b>                                     |   |                                  |  |                            |                             |                     |                              |     |
| Engro Polymer & Chemical Ltd - sukuk (11-01-19)     |   | -                                | 1,250                                    | 1,250                      | -                           | -                   |                              |     |
| <b>Face value of Rs. 5,000/- each</b>               |   |                                  |  |                            |                             |                     |                              |     |
| Eden Housing Limited                                | 6.3.10                                    | 2,933                            | -  | -                          | 2,933                       | 2,887,171           | -                            | -   |
| Provision held                                      | 6.3                                       |                                  |  |                            |                             | (2,887,171)         | -                            | -   |
| <b>Face value of Rs. 5,000/- each</b>               |   |                                  |  |                            |                             |                     |                              |     |
| Amtex limited                                       | 6.3.11                                    | 6,000                            | -  | -                          | 6,000                       | 22,500,000          | -                            | -   |
| Provision held                                      | 6.3                                       |                                  |  |                            |                             | (22,500,000)        | -                            | -   |
| <b>Face value of Rs. 5,000/- each</b>               |   |                                  |  |                            |                             |                     |                              |     |
| New Allied Electronics Industries (Private) Limited | 6.3.12                                    | 1,000                            | -  | -                          | 1,000                       | 5,027,500           | -                            | -   |
| Provision held                                      | 6.3                                       |                                  |  |                            |                             | (5,027,500)         | -                            | -   |
|   |   |                                  |  |                            | <b>478,045,287</b>          | <b>477,574,526</b>  |                              |     |

### 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.

| <i>Name of non compliant investment</i> | <i>Note</i> | <i>Type of Investment</i> | <i>Value of Investment before provision</i> | <i>Provision held if any</i> | <i>Value of Investment after provision</i> | <i>% of net assets</i> |
|---|-------------|---------------------------|---|------------------------------|--|------------------------|
|   |             |                           | ----- <i>Rupees</i> -----                   |                              |  |                        |
| Dewan Cement Limited - Restructured     | 6.1.1       | Pre-IPO investment        | 33,510,312                                  | (33,510,312)                 | -  | -                      |
| 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           | 6.3.12      | Sukuk certificates        | 5,027,500                                   | (5,027,500)                  | -  | -                      |
| Eden Housing Limited                    | 6.3.10      | Sukuk certificates        | 2,887,171                                   | (2,887,171)                  | -  | -                      |
| Amtex Limited                           | 6.3.11      | Sukuk certificates        | 22,500,000                                  | (22,500,000)                 | -  | -                      |



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

- 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 Abhi Private Ltd sukuk certificates carry a profit equal to six months KIBOR plus 2.6%, which is receivable along with the principal amount at the date of maturity in arrears. These certificates will mature in 6 months from May 11, 2023, and the principal amount is redeemable at the date of maturity.
- 6.3.4 Agha Steel Industries Limited is presenting Pakistan's inaugural over-the-counter listed sukuk issue. Priced through competitive bidding, this sukuk is supported by diminishing musharaka and offers a profit equivalent to 3-month KIBOR plus 0.8%. The maturity date for this sukuk is August 2023. According to the Trust Deed and Conditions, the Issuer intends to fully exercise the Call Option for the outstanding Sukuk Certificates. This process involves disbursing the Sukuk amount to investors, who will then reinvest the same sum in exchange for an equal number of certificates.
- 6.3.5 The Dubai Islamic Bank Limited's sukuk certificates are unsecured and carry a profit equal to 6-month KIBOR plus 0.70%, which is receivable half-yearly in arrears. These certificates will mature in December 2032.
- 6.3.6 These Hub Power Company Limited's sukuk certificates carry profit equal to six months KIBOR plus 0.3% receivable with the principle amount at the date of maturity in arrears and will mature in 6 months in November, 2023. The principal amount is redeemable at the date of maturity.
- 6.3.7 The Lucky Electric Power Company Limited's sukuk certificates are unsecured and carry a profit of 6-month KIBOR plus 0.65%, which is receivable half-yearly in arrears. These certificates will mature in August 2023.
- 6.3.8 The Nishat Mills Limited's sukuk certificates are unsecured and carry a profit equal to 6-month KIBOR plus 0.25%, which is receivable quarterly in arrears. The principal amount is redeemable on the date of maturity in November 2023.
- 6.3.9 The sukuk certificates issued by K-Electric Limited are unsecured and offer a profit equivalent to 3-month KIBOR plus 1.70%. This profit is payable quarterly in arrears. Additionally, the principal amount will be repaid in 20 equally distributed quarterly installments, starting from February 23, 2025, and continuing until the maturity date of November 23, 2029. These certificates will mature in November 2023.
- 6.3.10 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.
- 6.3.11 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 on 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.
- 6.3.12 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.

|  |     | 2023                    | 2022                 |
|--|-----|-------------------------|----------------------|
| <i>Note</i>  |     | ----- Rupees -----      |                      |
| <b>6.4 Unrealized gain on revaluation of investments classified as fair value through other comprehensive income - net</b> |     |                         |                      |
| Fair value of investments  | 6.2 | 477,574,526             | 40,768,787           |
| Less: Cost/Carrying Value of Investment  |     | <u>(479,216,047)</u>    | <u>(103,842,597)</u> |
|  |     | <b>(1,641,521)</b>      | <b>(63,073,810)</b>  |
| Less: Net unrealized gain in fair value of investments - Opening   |     | <u>1,170,760</u>        | 64,244,570           |
|  |     | <u><b>(470,761)</b></u> | <u>1,170,760</u>     |



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

|  | <i>Note</i> | 2023               | 2022             |
|--|-------------|--------------------|------------------|
|  |             | ----- Rupees ----- |                  |
| <b>7 ACCRUED INCOME/PROFIT</b>                                       |             |                    |                  |
| - Income from profit and loss sharing (PLS) accounts                 |             | 4,819,685          | 5,758,971        |
| - Income from sukuk certificates                                     |             | 15,415,581         | 1,828,761        |
| - Income from GOP Ijara Sukuk  |             | 4,470,661          | -                |
| - Income from term deposit receipt (TDR)                             |             | -                  | 399,453          |
|  |             | <u>24,705,927</u>  | <u>7,987,185</u> |
| <b>8 SECURITY DEPOSITS</b>   |             |                    |                  |
| <b>Deposits - Central Depository Company</b>                         |             |                    |                  |
| - Deposits - Central depository company 786SF                        |             | 100,000            | 100,000          |
| - Deposits - Central depository company FDMF                         |             | 50,000             | 50,000           |
|  |             | <u>150,000</u>     | <u>150,000</u>   |
| <b>9 PAYABLE TO 786 INVESTMENTS LIMITED<br/>- MANAGEMENT COMPANY</b> |             |                    |                  |
| Management remuneration  | 9.1         | 1,212,282          | 898,448          |
| Sindh sales tax payable  | 9.2         | 178,081            | 137,283          |
| Accounting and operational charges                                   | 9.3         | 883,552            | 878,866          |
|  |             | <u>2,273,915</u>   | <u>1,914,597</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 2022: 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 2022: 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 whichever 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, 2023.

|  | <i>Note</i> | 2023               | 2022           |
|--|-------------|--------------------|----------------|
|  |             | ----- Rupees ----- |                |
| <b>10 PAYABLE TO DIGITAL CUSTODIAN COMPANY LIMITED - TRUSTEE</b> |             |                    |                |
| Trustee Remuneration   | 10.1        | 121,228            | 89,845         |
| Sindh sales tax payable on Trustee remuneration                  | 10.2        | 15,760             | 11,680         |
|  |             | <u>136,988</u>     | <u>101,525</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.



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

10.2 The Sindh Provincial Government has levied sindh sales tax at the rate of 13% (June 2022: 13%) on trustee's remuneration.

### 11 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.

|  | <i>Note</i> | <i>2023</i>               | <i>2022</i>      |
|--|-------------|---------------------------|------------------|
|  |             | <i>----- Rupees -----</i> |                  |
| <b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b> |             |                           |                  |
| Federal Excise Duty on Remuneration              | 12.1        | <b>6,513,679</b>          | 6,513,679        |
| Accrued expenses                                 | 12.2        | <b>657,425</b>            | 534,985          |
| Other liabilities                                |             | <b>5,115</b>              | 5,115            |
| Zakat payable and withholding tax                |             | <b>11,620</b>             | 11,620           |
|  |             | <b>7,187,839</b>          | <b>7,065,399</b> |

12.1 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. 6.51 million (June 30, 2022: Rupees. 6.51 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, 2023 would have been higher by Rs. 0.74 (June 30, 2022: Rs. 0.90) per unit.

|  |  | <i>2023</i>               | <i>2022</i>    |
|--|--|---------------------------|----------------|
|  |  | <i>----- Rupees -----</i> |                |
| <b>12.2 Accrued expenses</b>             |  |                           |                |
| Auditors' remuneration payable           |  | <b>357,327</b>            | 271,887        |
| PSX fee payable                          |  | <b>55,000</b>             | 27,500         |
| Printing and related expenditure payable |  | <b>17,848</b>             | 12,848         |
| Shariah and tax advisors fee payable     |  | <b>227,250</b>            | 222,750        |
|  |  | <b>657,425</b>            | <b>534,985</b> |

### 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2023.



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

|   | 2023                        | 2022              |
|---|-----------------------------|-------------------|
|   | ----- Number of Units ----- |                   |
| <b>14 NUMBER OF UNITS IN ISSUE</b>  |                             |                   |
| Total outstanding as of July 01   | 7,212,002                   | 9,190,455         |
| Issued during the period  | 22,840,520                  | 5,636,846         |
| Redemption during the period  | (21,302,432)                | (7,615,299)       |
| Closing units   | <u>8,750,090</u>            | <u>7,212,002</u>  |
| <b>15 INCOME FROM INVESTMENTS AND BALANCES WITH BANKS</b>   |                             |                   |
| <i>Income from:</i>   |                             |                   |
| - Sukuk certificates  | 58,395,391                  | 4,552,533         |
| - Profit and loss sharing (PLS) account   | 75,198,128                  | 44,332,039        |
| - Term deposits receipts (TDR)  | -                           | 15,444,653        |
| - Commercial Paper  | 12,776,457                  | 17,304,207        |
|   | <u>146,369,976</u>          | <u>81,633,432</u> |
| <b>16 AUDITORS' REMUNERATION</b>  |                             |                   |
| Annual Audit Fee  | 245,000                     | 245,000           |
| Half Yearly Review of Financial Statements  | 90,000                      | 90,000            |
| Other Services  | 39,976                      | 27,282            |
| Out of Pocket Expenses  | 60,000                      | 60,000            |
|   | <u>434,976</u>              | <u>422,282</u>    |
| Sales Tax   | 37,824                      | 33,518            |
|   | <u>472,800</u>              | <u>455,800</u>    |
| <b>17 ADVANCE INCOME TAX</b>  |                             |                   |
| <p>The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90 percent of accounting income, the income distributed through bonus units shall not be dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001.</p> |                             |                   |
| <b>18 TOTAL EXPENSE RATIO</b>   |                             |                   |
| <p>The total expense ratio (TER) of the Fund for the year ended June 30, 2023 is 2.12% which includes 0.23% 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".</p>  |                             |                   |
| <b>19 TRANSACTIONS WITH RELATED PARTIES/CONNECTED PERSONS</b>   |                             |                   |
| <p>Related party/connected person include 786 Investments Limited being the Management Company, other collective investment schemes managed by the Management company, Digital Custodian Company Limited (formerly 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.</p>  |                             |                   |
| <p>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.</p>   |                             |                   |



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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:

|  |      | 2023                 | 2022               |
|--|------|----------------------|--------------------|
|  | Note | ----- Rupees -----   |                    |
| <b>19.1 Transactions during the Year Ended</b>   |      |                      |                    |
| <b>786 Investments Limited - Management Company</b>  |      |                      |                    |
| Remuneration of the management company   | 9.1  | <u>13,253,285</u>    | <u>13,182,987</u>  |
| Sales tax on remuneration to the management company  | 9.2  | <u>1,722,925</u>     | <u>1,713,790</u>   |
| Accounting and operational charges   | 9.3  | <u>883,552</u>       | <u>878,866</u>     |
| Issue of units: 2,150,212 (2022: Nil)  |      | <u>204,609,179</u>   | <u>-</u>           |
| Redemption of 2,315,452 units: (2022: Nil)   |      | <u>219,876,756</u>   | <u>-</u>           |
| Re-Invest of units : 4,574 (2022: 182,720)   |      | <u>375,341</u>       | <u>14,918,986</u>  |
| Refund of capital units 343,089 : (2022: Nil)  |      | <u>28,152,749</u>    | <u>-</u>           |
| <b>Digital Custodian Company Limited<br/>(formerly MCB Financial Services Limited) - Trustee</b>                               |      |                      |                    |
| Remuneration of the Trustee  | 10.1 | <u>1,325,329</u>     | <u>1,318,298</u>   |
| Sales tax on Trustee fee   | 10.2 | <u>172,293</u>       | <u>171,381</u>     |
| <b>Dawood Family Takaful Limited<br/>(Connected person due to group company)</b>   |      |                      |                    |
| Issue of units: 14,749,384 (2022: 1,166,597)   |      | <u>1,290,000,000</u> | <u>100,850,308</u> |
| Redemption of 15,380,562 units: (2022: 3,515,320)  |      | <u>1,391,499,821</u> | <u>315,000,767</u> |
| Refund of capital units 33,894 : (2022: 53,098)  |      | <u>2,781,382</u>     | <u>4,335,420</u>   |
| <b>Dawood Family Takaful Limited - Employees contributory provident fund -<br/>Associate of Management Company</b>             |      |                      |                    |
| Re-Invest of units : 9,952 (2022: Nil)   |      | <u>816,641</u>       | <u>-</u>           |
| Dividend Paid  |      | <u>-</u>             | <u>505,383</u>     |
| <b>BRR Guardian Modaraba<br/>(Connected person due to group company)</b>   |      |                      |                    |
| Issue of units: 3,700 (2022: Nil)  |      | <u>349,664</u>       | <u>-</u>           |
| Re-Invest of units : 35,882 (2022: Nil)  |      | <u>2,944,365</u>     | <u>-</u>           |
| Dividend Paid  |      | <u>1,548,391</u>     | <u>2,778,746</u>   |
| Refund of capital units 562 : (2022: Nil)  |      | <u>46,172</u>        | <u>-</u>           |
| <b>First Dawood Investment Bank Limited-Employees Contributory Provident Fund -<br/>Employee Benefit Fund of Group Company</b> |      |                      |                    |
| Issue of units: Nil (2022: 29,377)   |      | <u>-</u>             | <u>2,500,000</u>   |
| Redemption of 20,001 units: (2022: 88,388)   |      | <u>1,700,000</u>     | <u>7,800,000</u>   |
| Re-Invest of units : 43,345 (2022: 25,027)   |      | <u>3,556,736</u>     | <u>2,043,439</u>   |
| Refund of capital units Nil : (2022: 1,293)  |      | <u>-</u>             | <u>105,599</u>     |





786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

|  | 2023               | 2022               |
|--|--------------------|--------------------|
|  | ----- Rupees ----- |                    |
| <b><i>BRR Investments Limited</i></b>  |                    |                    |
| <b><i>(Connected person due to group company)</i></b>                              |                    |                    |
| Issue of units: 662,700 (2022: 177,572)  | <u>56,081,901</u>  | <u>15,000,000</u>  |
| Redemption of 632,589 units: (2022: 177,572)                                       | <u>54,000,000</u>  | <u>15,619,053</u>  |
| Re-Invest of units : 2,144 (2022: Nil)   | <u>175,889</u>     | <u>-</u>           |
| Refund of capital units 2,364 : (2022: Nil)  | <u>193,969</u>     | <u>-</u>           |
| <b><i>BRR Financial Services (Private) Limited</i></b>                             |                    |                    |
| <b><i>(Connected Person due to Group Company)</i></b>                              |                    |                    |
| Issue of units: 29,741 (2022: Nil)   | <u>2,500,000</u>   | <u>-</u>           |
| Redemption of 1,778 units: (2022: Nil)   | <u>150,000</u>     | <u>-</u>           |
| Re-Invest of units : 7,608 (2022: 2,570)   | <u>642,287</u>     | <u>209,874</u>     |
| Refund of capital units 866 : (2022: Nil)  | <u>71,036</u>      | <u>-</u>           |
| <b><i>LADIESFUND Energy (Private) Limited</i></b>                                  |                    |                    |
| <b><i>(Connected Person due to Group Company)</i></b>                              |                    |                    |
| Issue of units: 664,836 (2022: Nil)  | <u>63,365,940</u>  | <u>-</u>           |
| Re-Invest of units : 408 (2022: Nil)   | <u>33,511</u>      | <u>-</u>           |
| Refund of capital units 107,388 : (2022: Nil)                                      | <u>8,811,930</u>   | <u>-</u>           |
| <b><i>Directors and Key Management Personnel<br/>of the Management Company</i></b> |                    |                    |
| Issue of 1,050,720 units: (2022: 2,676,744)  | <u>100,143,665</u> | <u>223,906,931</u> |
| Redemption of units: 1,740,659 (2022: 1,549,382)                                   | <u>165,723,970</u> | <u>139,026,533</u> |
| Re-Invest of units : 644 (2022: Nil)   | <u>52,885</u>      | <u>-</u>           |
| Refund of capital units 169,473 : (2022: Nil)                                      | <u>13,906,413</u>  | <u>-</u>           |
| <b><i>Dawood family takaful limited balance fund</i></b>                           |                    |                    |
| Purchase of K electric limited sukuks  | <u>54,284,370</u>  | <u>-</u>           |
| Sales of GOP ijarah sukuks   | <u>109,673,590</u> | <u>-</u>           |
| <b><i>Dawood family takaful limited PTF individuals</i></b>                        |                    |                    |
| Purchase of K electric limited sukuks  | <u>43,485,940</u>  | <u>-</u>           |
| Sales of GOP ijarah sukuks   | <u>27,166,853</u>  | <u>-</u>           |
| <b><i>Dawood family takaful limited income fund</i></b>                            |                    |                    |
| Purchase of K electric limited sukuks  | <u>38,050,197</u>  | <u>-</u>           |
| Sales of k-electric limited sukuks   | <u>67,594,838</u>  | <u>-</u>           |
| <b><i>Dawood family takaful limited Group</i></b>                                  |                    |                    |
| Sales of GOP ijarah sukuks   | <u>16,098,876</u>  | <u>-</u>           |
| <b><i>Dawood family takaful limited aggressive fund</i></b>                        |                    |                    |
| Sales of GOP ijarah sukuks   | <u>10,061,797</u>  | <u>-</u>           |



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

| <i>19.2 Balance as at year ended</i>  | <i>Note</i> | <i>2023</i>               | <i>2022</i>        |
|---|-------------|---------------------------|--------------------|
|   |             | <i>----- Rupees -----</i> |                    |
| <b><i>786 Investments Limited - Management Company</i></b>  |             |                           |                    |
| Remuneration payable to the management company  | 9           | <u>1,212,282</u>          | <u>898,448</u>     |
| Sales tax payable on management company's remuneration  | 9           | <u>178,081</u>            | <u>137,283</u>     |
| Accounting and operational charges  | 9           | <u>883,552</u>            | <u>878,866</u>     |
| FED payable on management company's remuneration  |             | <u>6,513,679</u>          | <u>6,513,679</u>   |
| Units held: 2,495,416 (June 2022: 2,312,993)  |             | <u>205,640,238</u>        | <u>189,007,617</u> |
| <b><i>Digital Custodian Company Limited<br/>(formerly MCB Financial Services Limited) - Trustee</i></b>                               |             |                           |                    |
| Remuneration payable to the Trustee   | 10          | <u>121,228</u>            | <u>89,845</u>      |
| Sales tax payable on Trustee fee  | 10          | <u>15,760</u>             | <u>11,680</u>      |
| <b><i>Dawood Family Takaful Limited<br/>(Connected Person due to Group Company)</i></b>   |             |                           |                    |
| Units held: Nil (June 2022: 597,284)  |             | <u>-</u>                  | <u>48,807,398</u>  |
| <b><i>Dawood Family Takaful Limited - Employees contributory provident fund -<br/>Associate of Management Company</i></b>             |             |                           |                    |
| Units held: 71,291 (June 2022: 61,339)  |             | <u>5,874,892</u>          | <u>5,012,342</u>   |
| <b><i>BRR Guardian Modaraba<br/>(Connected person due to group Company)</i></b>   |             |                           |                    |
| Units held: 436,920 (June 2022: 396,776)  |             | <u>36,005,353</u>         | <u>32,422,753</u>  |
| <b><i>First Dawood Investment Bank Limited -Employees Contributory Provident<br/>Fund- Employee Benefit Fund of Group Company</i></b> |             |                           |                    |
| Units held: 310,495 (June 2022: 287,151)  |             | <u>25,587,055</u>         | <u>23,464,727</u>  |
| <b><i>BRR Investment (Pvt) Ltd<br/>(Connected Person due to Group Company)</i></b>  |             |                           |                    |
| Units held: 34,619 (June 2022: Nil Units)   |             | <u>2,852,873</u>          | <u>-</u>           |
| <b><i>BRR Financial Services (Private) Limited<br/>(Connected Person due to Group Company)</i></b>                                    |             |                           |                    |
| Units held: 68,975 (June 2022: 32,538)  |             | <u>5,684,041</u>          | <u>2,658,881</u>   |
| <b><i>LADIESFUND Energy (Private) Limited<br/>(Connected Person due to Group Company)</i></b>   |             |                           |                    |
| Units held: 772,632 (June 2022: Nil)  |             | <u>63,670,447</u>         | <u>-</u>           |
| <b><i>Directors and key management personnel<br/>of the Management Company</i></b>  |             |                           |                    |
| Units held: 1,219,318 (June 2022: 1,739,139)  |             | <u>100,480,554</u>        | <u>142,114,783</u> |

19.3 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.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

| <i>As at June 30, 2023</i> |   |              |
|----------------------------|---|--------------|
| <i>At amortized cost</i>   | <i>Financial asset at fair value through other comprehensive income</i> | <i>Total</i> |
| <i>----- Rupees -----</i>  |   |              |

**20 FINANCIAL INSTRUMENTS BY CATEGORY**

**Financial assets**

|                       |                   |                    |                    |
|-----------------------|-------------------|--------------------|--------------------|
| Balances with banks   | 72,439,135        | -                  | 72,439,135         |
| Investments           | -                 | 635,574,526        | 635,574,526        |
| Accrued income/profit | 24,705,927        | -                  | 24,705,927         |
| Security deposits     | 150,000           | -                  | 150,000            |
|                       | <b>97,295,062</b> | <b>635,574,526</b> | <b>732,869,588</b> |

**Financial liabilities**

|   |                  |          |                  |
|---|------------------|----------|------------------|
| Payable to 786 Investments Limited - Management Company   | 2,095,834        | -        | 2,095,834        |
| Payable to Digital Custodian Company Limited - Trustee    | 121,228          | -        | 121,228          |
| Payable to Securities and Exchange Commission of Pakistan | 176,710          | -        | 176,710          |
| Unclaimed dividend  | 2,023,960        | -        | 2,023,960        |
| Accrued expenses and other liabilities                    | 662,540          | -        | 662,540          |
|   | <b>5,080,272</b> | <b>-</b> | <b>5,080,272</b> |

| <i>As at June 30, 2022</i> |   |              |
|----------------------------|---|--------------|
| <i>At amortized cost</i>   | <i>Financial asset at fair value through other comprehensive income</i> | <i>Total</i> |
| <i>----- Rupees -----</i>  |   |              |

**Financial assets**

|                       |                    |                   |                    |
|-----------------------|--------------------|-------------------|--------------------|
| Balances with banks   | 298,014,919        | -                 | 298,014,919        |
| Investments           | 253,795,241        | 40,768,787        | 294,564,028        |
| Accrued income/profit | 7,987,185          | -                 | 7,987,185          |
| Security deposits     | 150,000            | -                 | 150,000            |
|                       | <b>559,947,345</b> | <b>40,768,787</b> | <b>600,716,132</b> |

**Financial liabilities**

|   |                  |          |                  |
|---|------------------|----------|------------------|
| Payable to 786 Investments Limited - Management Company   | 1,777,314        | -        | 1,777,314        |
| Payable to Digital Custodian Company Limited - Trustee    | 89,845           | -        | 89,845           |
| Payable to Securities and Exchange Commission of Pakistan | 175,773          | -        | 175,773          |
| Unclaimed dividend  | 2,125,770        | -        | 2,125,770        |
| Accrued expenses and other liabilities                    | 540,100          | -        | 540,100          |
|   | <b>4,708,802</b> | <b>-</b> | <b>4,708,802</b> |



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 21 RISK MANAGEMENT FRAMEWORK

#### 21.1 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.

#### 21.2 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.

##### 21.2.1 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.

##### 21.2.2 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, 2022, 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.

| <i>Change in Basis Point</i> | <i>Effect on Income</i> |              |
|------------------------------|-------------------------|--------------|
|                              | <i>2023</i>             | <i>2022</i>  |
|                              | -----Rupees-----        |              |
| + 100                        | <b>70,801,366</b>       | 59,257,895   |
| - 100                        | <b>(70,801,366)</b>     | (59,257,895) |

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.



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

| ----- June 30, 2023 -----                                 |                               |  |                               |  |                    |
|---|-------------------------------|--|-------------------------------|--|--------------------|
| <i>Exposed to Yield / interest rate risk</i>              |                               |  |                               |  |                    |
| <i>Yield /<br/>Effective<br/>Interest Rate (%)</i>        | <i>Up to Three<br/>months</i> | <i>More than three<br/>months and up to<br/>one year</i> | <i>More than one<br/>year</i> | <i>Not exposed to<br/>Yield / interest rate<br/>risk</i> | <i>Total</i>       |
| ----- (Rupees) -----                                      |                               |  |                               |  |                    |
| <b>On-Balance Sheet</b>                                   |                               |  |                               |  |                    |
| <b>Financial Assets</b>                                   |                               |  |                               |  |                    |
| Balance with banks  | 72,439,135                    | -  | -                             | -  | 72,439,135         |
| Investments   | -                             | -  | 635,574,526                   | -  | 635,574,526        |
| Accrued income / profit                                   | -                             | -  | -                             | 24,705,927   | 24,705,927         |
| Security Deposit  | -                             | -  | -                             | 150,000  | 150,000            |
|   | <b>72,439,135</b>             | <b>-</b>   | <b>635,574,526</b>            | <b>24,855,927</b>  | <b>732,869,588</b> |
| <b>Financial Liabilities</b>                              |                               |  |                               |  |                    |
| Payable to 786 Investments Limited - Management Company   | -                             | -  | -                             | 2,273,915  | 2,273,915          |
| Payable to Digital Custodian Company Limited - Trustee    | -                             | -  | -                             | 136,988  | 136,988            |
| Payable to Securities and Exchange Commission of Pakistan | -                             | -  | -                             | 176,710  | 176,710            |
| Unclaimed dividend  | -                             | -  | -                             | 2,023,960  | 2,023,960          |
| Accrued expenses and other liabilities                    | -                             | -  | -                             | 7,187,839  | 7,187,839          |
|   | <b>-</b>                      | <b>-</b>   | <b>-</b>                      | <b>11,799,412</b>  | <b>11,799,412</b>  |
| <b>On-Balane Sheet Gap</b>                                |                               |  |                               |  |                    |
|   | <b>-</b>                      | <b>-</b>   | <b>-</b>                      | <b>11,799,412</b>  | <b>11,799,412</b>  |

There is no off-balance sheet financial instrument that exist as at year end June 30, 2023.

| ----- June 30, 2023 -----                                 |                               |  |                               |  |                    |
|---|-------------------------------|--|-------------------------------|--|--------------------|
| <i>Exposed to Yield / interest rate risk</i>              |                               |  |                               |  |                    |
| <i>Yield /<br/>Effective<br/>Interest Rate (%)</i>        | <i>Up to Three<br/>months</i> | <i>More than three<br/>months and up to<br/>one year</i> | <i>More than one<br/>year</i> | <i>Not exposed to<br/>Yield / interest rate<br/>risk</i> | <i>Total</i>       |
| ----- (Rupees) -----                                      |                               |  |                               |  |                    |
| <b>On-Balance Sheet</b>                                   |                               |  |                               |  |                    |
| <b>Financial Assets</b>                                   |                               |  |                               |  |                    |
| Balance with banks  | 298,014,919                   | -  | -                             | -  | 298,014,919        |
| Investments   | -                             | -  | 294,564,028                   | -  | 294,564,028        |
| Accrued income / profit                                   | -                             | -  | -                             | 7,987,185  | 7,987,185          |
| Security Deposit  | -                             | -  | -                             | 150,000  | 150,000            |
|   | <b>298,014,919</b>            | <b>-</b>   | <b>294,564,028</b>            | <b>8,137,185</b>   | <b>600,716,132</b> |
| <b>Financial Liabilities</b>                              |                               |  |                               |  |                    |
| Payable to 786 Investments Limited - Management Company   | -                             | -  | -                             | 2,273,915  | 2,273,915          |
| Payable to Digital Custodian Company Limited - Trustee    | -                             | -  | -                             | 136,988  | 136,988            |
| Payable to Securities and Exchange Commission of Pakistan | -                             | -  | -                             | 176,710  | 176,710            |
| Unclaimed dividend  | -                             | -  | -                             | 2,023,960  | 2,023,960          |
| Accrued expenses and other liabilities                    | -                             | -  | -                             | 7,187,839  | 7,187,839          |
|   | <b>-</b>                      | <b>-</b>   | <b>-</b>                      | <b>11,799,412</b>  | <b>11,799,412</b>  |
| <b>On-Balane Sheet Gap</b>                                |                               |  |                               |  |                    |
|   | <b>-</b>                      | <b>-</b>   | <b>-</b>                      | <b>11,799,412</b>  | <b>11,799,412</b>  |



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 21.2.3 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.

### 21.3 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.

21.3.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2023.

| Name of Bank                 | Rating agency | Latest published rating |           | Percentage of bank balance |
|------------------------------|---------------|-------------------------|-----------|----------------------------|
|                              |               | Short term              | Long term |                            |
| Bank Islami Pakistan Limited | PACRA         | A1                      | A+        | 0.01%                      |
| Dubai Islamic Bank Limited   | JCR-VIS       | A1+                     | AA        | 99.99%                     |

#### Sukuks other than GOP ijarah sukuks

| Name of issuer/issue date                      | Rating agency | Latest published rating of the instrument | Percentage of Sukuks |
|--|---------------|---|----------------------|
| Agha Steel Industries Limited                  | JCR-VIS       | A+  | 9.23%                |
| Abhi Private Ltd Sukuk                         | PACRA         | AA  | 2.15%                |
| Dubai Islamic Bank Limited                     | JCR-VIS       | A+  | 7.33%                |
| Hub Power Company Limited                      | PACRA         | AA+                                       | 21.41%               |
| Lucky Electric Power Company Ltd. ST - Sukuk 7 | PACRA         | AA  | 13.61%               |
| Nishat Mills Ltd - Sukuk (09-5-23)             | PACRA         | AA  | 18.85%               |
| K-Electric Company Limited - Sukuk (23-11-22)  | PACRA         | AA  | 27.43%               |

#### 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.

### 21.3.2 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, 2023**

| 2023  | <i>Within 1 Month</i> | <i>1 to 3 Months</i> | <i>3 to 12 Months</i> | <i>1 to 5 Years</i> | <i>More than 5 years</i> | <i>Total</i>     |
|---|-----------------------|----------------------|-----------------------|---------------------|--------------------------|------------------|
|   | ----- (Rupees) -----  |                      |                       |                     |                          |                  |
| <b>Financial Liabilities</b>                              |                       |                      |                       |                     |                          |                  |
| Payable to 786 Investments Limited - Management Company   | 2,095,834             | -                    | -                     | -                   | -                        | 2,095,834        |
| Payable to Digital Custodian Company Limited - Trustee    | 121,228               | -                    | -                     | -                   | -                        | 121,228          |
| Payable to Securities and Exchange Commission of Pakistan | -                     | 176,710              | -                     | -                   | -                        | 176,710          |
| Unclaimed dividend  | 2,023,960             | -                    | -                     | -                   | -                        | 2,023,960        |
| Accrued expenses and other liabilities                    | 662,540               | -                    | -                     | -                   | -                        | 662,540          |
|   | <b>4,903,562</b>      | <b>176,710</b>       | -                     | -                   | -                        | <b>5,080,272</b> |
|   | ----- (Rupees) -----  |                      |                       |                     |                          |                  |
| 2022  | <i>Within 1 Month</i> | <i>1 to 3 Months</i> | <i>3 to 12 Months</i> | <i>1 to 5 Years</i> | <i>More than 5 years</i> | <i>Total</i>     |
|   | ----- (Rupees) -----  |                      |                       |                     |                          |                  |
| <b>Financial Liabilities</b>                              |                       |                      |                       |                     |                          |                  |
| Payable to 786 Investments Limited - Management Company   | 1,777,314             | -                    | -                     | -                   | -                        | 1,777,314        |
| Payable to Digital Custodian Company Limited - Trustee    | 89,845                | -                    | -                     | -                   | -                        | 89,845           |
| Payable to Securities and Exchange Commission of Pakistan | -                     | 175,773              | -                     | -                   | -                        | 175,773          |
| Unclaimed dividend  | 2,125,770             | -                    | -                     | -                   | -                        | 2,125,770        |
| Accrued expenses and other liabilities                    | 540,100               | -                    | -                     | -                   | -                        | 540,100          |
|   | <b>4,533,029</b>      | <b>175,773</b>       | -                     | -                   | -                        | <b>4,708,802</b> |

**22 UNIT HOLDERS' FUND RISK MANAGEMENT**

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.



786 Smart Fund

**NOTES TO THE FINANCIAL STATEMENTS  
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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.

**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.

|  |        | 30-Jun-23         |             |             |             |         |         |
|--|--------|-------------------|-------------|-------------|-------------|---------|---------|
|  |        | Carrying amount   |             |             | Fair value  |         |         |
|  |        | At amortised cost | FVTOCI      | Total       | Level 1     | Level 2 | Level 3 |
| Note   |        | Rupees            |             |             |             |         |         |
| <b>Financial assets measured at fair value</b>     |        |                   |             |             |             |         |         |
| Investments  |        |                   |             |             |             |         |         |
| Unlisted - Sukuk certificates                      | 23.1.1 | -                 | 635,574,526 | 635,574,526 | 635,574,526 | -       | -       |
|  |        | -                 | 635,574,526 | 635,574,526 | 635,574,526 | -       | -       |
| <b>Financial assets not measured at fair value</b> |        |                   |             |             |             |         |         |
|  | 23.1.2 |                   |             |             |             |         |         |
| Balances with banks                                |        | 72,439,135        | -           | 72,439,135  |             |         |         |
| Commerical Paper                                   |        | -                 | -           | -           |             |         |         |
| Accrued income/profit                              |        | 24,705,927        | -           | 24,705,927  |             |         |         |
| Security deposits                                  |        | 150,000           | -           | 150,000     |             |         |         |
|  |        | 97,295,062        | -           | 97,295,062  |             |         |         |





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**NOTES TO THE FINANCIAL STATEMENTS  
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|   | Note   | Carrying amount   |          |                  |
|---|--------|-------------------|----------|------------------|
|   |        | At amortised cost | FVTOCI   | Total            |
|   |        | -----Rupees-----  |          |                  |
| <b>Financial liabilities not measured at fair value</b>   |        |                   |          |                  |
|   | 24.1.2 |                   |          |                  |
| Payable to 786 Investments Limited - Management Company   |        | 2,095,834         | -        | 2,095,834        |
| Payable to Digital Custodian Company Limited - Trustee    |        | 121,228           | -        | 121,228          |
| Payable to Securities and Exchange Commission of Pakistan |        | 176,710           | -        | 176,710          |
| Unclaimed dividend  |        | 2,023,960         | -        | 2,023,960        |
| Accrued expenses and other liabilities                    |        | 662,540           | -        | 662,540          |
|   |        | <b>5,080,272</b>  | <b>-</b> | <b>5,080,272</b> |

| 30-Jun-22         |        |       |            |         |         |
|-------------------|--------|-------|------------|---------|---------|
| 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 | - | 40,768,787 | 40,768,787 | 40,768,787 | - |
|                               | - | 40,768,787 | 40,768,787 | 40,768,787 | - |

*Financial assets not measured at fair value*

|                       |                    |          |                    |
|-----------------------|--------------------|----------|--------------------|
| Balances with banks   | 298,014,919        | -        | 298,014,919        |
| Commercial Paper      | 253,795,241        | -        | 253,795,241        |
| Accrued income/profit | 7,987,185          | -        | 7,987,185          |
| Security deposits     | 150,000            | -        | 150,000            |
|                       | <b>559,947,345</b> | <b>-</b> | <b>559,947,345</b> |

| Carrying amount   |        |       |
|-------------------|--------|-------|
| At amortised cost | FVTOCI | Total |
| -----Rupees-----  |        |       |

*Financial liabilities not measured at fair value*

|   |                  |          |                  |
|---|------------------|----------|------------------|
| Payable to 786 Investments Limited - Management Company   | 1,777,314        | -        | 1,777,314        |
| Payable to Digital Custodian Company Limited - Trustee    | 89,845           | -        | 89,845           |
| Payable to Securities and Exchange Commission of Pakistan | 175,773          | -        | 175,773          |
| Unclaimed dividend  | 2,125,770        | -        | 2,125,770        |
| Accrued expenses and other liabilities                    | 540,100          | -        | 540,100          |
|   | <b>4,708,802</b> | <b>-</b> | <b>4,708,802</b> |



786 Smart Fund

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

|                                  | As at 30 June 2023     |                   |                       | As at 30 June 2022     |                   |                       |
|----------------------------------|------------------------|-------------------|-----------------------|------------------------|-------------------|-----------------------|
|                                  | Number of Unit Holders | Investment Amount | Percentage Investment | Number of Unit Holders | Investment Amount | Percentage Investment |
|                                  |                        | Rupees            |                       |                        | Rupees            |                       |
| Individuals                      | 714                    | 95,288,021        | 13.21%                | 656                    | 114,969,238       | 19.51%                |
| Associated Companies & Directors | 8                      | 355,860,299       | 49.35%                | 9                      | 443,465,492       | 75.25%                |
| Insurance Companies              | 2                      | 100,213,299       | 13.90%                | 3                      | 4,300,501         | 0.73%                 |
| Retirement Funds                 | 5                      | 7,985,660         | 1.11%                 | 5                      | 3,364,786         | 0.57%                 |
| Others                           | 25                     | 161,722,897       | 22.43%                | 18                     | 23,233,051        | 3.94%                 |
|                                  | 754                    | 721,070,176       | 100.00%               | 691                    | 589,333,068       | 100.00%               |

### 24.2 Details of Investment Committee

| Name of Member       | Designation                                   | Qualification                  | Experience |
|----------------------|---|--------------------------------|------------|
| Ms. Tara Uzra Dawood | Chief Executive Officer                       | Doctorate of Juridical Science | 19 years   |
| Mr. Noman Shakir     | Chief Financial Officer and Company Secretary | ACMA                           | 13 years   |
| Mr. Muhammad Abbas   | Fund Manager                                  | MBA Finance                    | 23 years   |
| Mr. Muhammad Ali     | Head of Compliance                            | MA Economic                    | 2 years    |

### 24.3 Details of Fund Manager

Mr. Muhammad Abbas is fund manager of 786 smart fund.

### 25 Details of Board of Director's meetings

| Name of Director       | September 26, 2022 | October 28, 2022 | February 27, 2023 | April 11, 2023 |
|------------------------|--------------------|------------------|-------------------|----------------|
| Mr. Ahmed Salman Munir | Present            | Present          | Present           | Present        |
| Miss Tara Uzra Dawood  | Present            | Present          | Present           | Present        |
| Syed Shababat Hussain  | Present            | Present          | Present           | Present        |
| Mr. Naveed Ahmed       | Present            | Present          | Present           | Present        |
| Syed Musharaf Ali      | Present            | Present          | Present           | Present        |
| Mr. Iqbal Shafiq       | Present            | Present          | Present           | Present        |
| Mr. Ahmer Zia Sarwar*  | Present            | Present          | Present           | Present        |

\* Mr. Ahmer Zia Sarwar's SECP approval was obtained on August 22, 2022.

### 26 GENERAL

Figures have been rounded off to the nearest rupee.

### 27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the board of directors of the Management Company on 27 September 2023.

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

Chief Financial Officer

Chief Executive Officer

Director



786 Smart Fund

PERFORMANCE TABLE / KEY FINANCIAL DATA

|  | Year      |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 2023      | 2022      | 2021      | 2020      | 2019      | 2018      |
| Net Assets (Rs in million)                 | 721.07    | 589.33    | 746.11    | 626.50    | 445.69    | 334.72    |
| Net Asset Value per Units (Rs.)            | 82.41     | 81.72     | 81.18     | 81.00     | 80.43     | 88.31     |
| Offer Price per Unit                       | 83.23     | 82.54     | 81.99     | 81.81     | 81.23     | 89.19     |
| Redemption Price per Unit                  | 82.41     | 81.72     | 81.18     | 81.00     | 80.43     | 88.31     |
| Number of Units                            | 8,750,090 | 7,212,002 | 9,190,455 | 7,734,563 | 5,541,116 | 3,790,392 |
| Net Profit for the year (Rs in million)    | 142.86    | 87.59     | 31.35     | 50.32     | 50.43     | 35.11     |
|  |           |           |           |           |           |           |
| <i>Income Distribution (Rs in million)</i> |           |           |           |           |           |           |
| Final                                      | 91.57     | 41.95     | 31.29     | 49.34     | 80.54     | -         |
| Interim                                    | -         | -         | -         | -         | -         | -         |
|  |           |           |           |           |           |           |
|  |           |           |           |           |           |           |
| <i>Average Annual Return (%)</i>           | 17.14%    | 10.42%    | 5.12%     | 10.93%    | 11.12%    | 11.89%    |



**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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**BOOK POST**

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If undelivered, please return to:

**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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