



**INVESTMENTS**

WE KNOW YOUR VALUE

**786 INVESTMENTS LIMITED**



**786 SMART FUND**

**FOR THE QUARTER ENDED  
SEPTEMBER 30, 2023  
(UN-AUDITED)**

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## CORPORATE INFORMATION

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



## DIRECTORS' REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2023

The Board of Directors of 786 Investments Limited, referred to as '786' or 'the Company,' which serves as the Management Company of 786 Smart Fund (786 SF), is pleased to present the unaudited condensed Interim financial statements for the quarter ended September 30, 2023.

### Economic & Money Market Review:

The global economy is showing signs of recovery, with growth prospects better than earlier projections. However, challenges persist, including a slower rebound in China, core inflation, elevated interest rates, and geopolitical uncertainties.

Government's measures to curb hoarding and stabilize foreign exchange markets are helping moderate inflation, and therefore we expect interest rates to have peaked.

Pakistan's total liquid foreign exchange reserves increased to \$ 13.2 billion on September 26, 2023, as the SBP's reserves stood at \$ 7.7 billion and Commercial banks' reserves remained at \$ 5.5 billion.

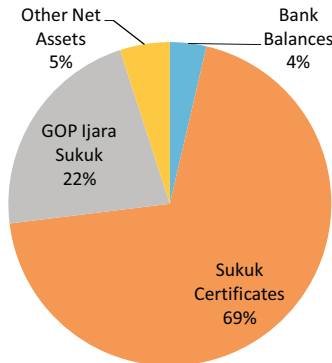
### Fund's Performance

786 SF is categorized as a Shariah Compliant Income Fund. Its objective is to deliver competitive returns through investments in Shariah-Compliant debt securities and money market instruments. However, the Fund is restricted from investing in equities. Additionally, the Fund's weighted average time to maturity must not exceed 4 years, excluding government securities.

As of September 30, 2023, net assets were PKR 719.21 million compared to PKR 721.07 million as of June 30, 2023. The Net Asset Value (NAV) per unit increased from PKR 82.41 to PKR 86.65 during the period, showing a return of 20.41% p.a. compared to its benchmark return of 7.60% p.a. for the same period. The performance of the Fund is net of management fees and other expenses.

The Fund's total income during the period stood at PKR 62.76 million, compared to an income of PKR 33.72 million. Total expenses were PKR 6.18 million, as compared to PKR 4.21 million in the same period last year. The net income is PKR 56.76 million, compared to PKR 29.50 million in the same period last year.

The asset allocation of 786 SF as on September 30, 2023 is as follows:





## Acknowledgement

The Directors wish to express their gratitude to the Securities & Exchange Commission of Pakistan and other regulatory bodies for their valuable support, assistance, and guidance. The Board also thanks the employees of the Asset Management Company and the Trustee for their dedication and hard work, as well as the unit holders for their confidence in the Management.

On behalf of the board of  
786 Investments Limited

\_\_\_\_SD\_\_\_\_  
Chairperson

\_\_\_\_SD\_\_\_\_  
Director

Date:  
Place: Karachi|

## ڈائریکٹرز کی رپورٹ

786-سارٹ فنڈ (786 SF) کی مینجمنٹ کمپنی، 786 انویسٹمنٹ لمیٹڈ (786 یا دی کمپنی) کے بورڈ آف ڈائریکٹرز 30 ستمبر 2023 کو ختم ہونے والی سہ ماہی کے غیر نظر ثانی شدہ کنڈینسڈ عبوری مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

### اقتصادی اور مٹی مارکیٹ کا جائزہ

عالمی معیشت میں بحالی کے آثار دکھائی دے رہے ہیں، بنمو کے امکانات پہلے کے اندازوں سے بہتر ہیں۔ تاہم، چین میں سست روی، بنیادی افراط زر، بلند شرح سود، اور جغرافیائی سیاسی غیر یقینی صورتحال سمیت مشکلات برقرار ہیں۔

ذخیرہ اندوزی کو روکنے اور غیر ملکی زر مبادلہ مارکیٹوں کے استحکام کے لیے کابوٹی اقدامات اعتدال پسند افراط زر میں مدد کر رہے ہیں، اور اس لیے ہمیں توقع ہے کہ شرح سود عروج پر پہنچ جائے گی۔ پاکستان کے کل ایکویٹیڈ زر مبادلہ کے ذخائر 26 ستمبر 2023 کو بڑھ کر 13.2 بلین ڈالر ہو گئے، کیونکہ اسٹیٹ بینک کے ذخائر 7.7 بلین ڈالر اور کمرشل بینکوں کے ذخائر 5.5 بلین ڈالر رہے۔

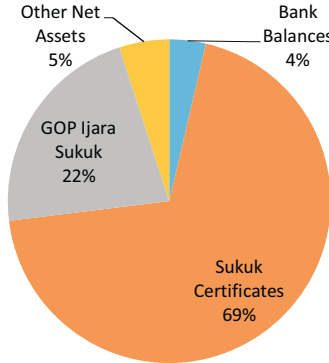
### فنڈ کی کارکردگی:

786 SF کی شریعہ کمپلائڈ آف فنڈ کے طور پر درجہ بندی کی گئی ہے۔ اس کا مقصد شریعہ کمپلائڈ ڈیٹ سیکورٹیز اور مٹی مارکیٹ انسٹرومنٹس میں سرمایہ کاری کے ذریعے مسابقتی منافع فراہم کرنا ہے۔ تاہم فنڈ ایکویٹیڈ میں سرمایہ کاری کی اجازت نہیں دیتا ہے۔ اس کے علاوہ، فنڈ کی میچورٹی کی اوسط مدت، گورنمنٹ سیکورٹیز کے علاوہ، 4 سال سے زائد نہیں ہونی چاہئے۔

30 جون 2023 کو 721.07 ملین روپے کے مقابلے میں 30 ستمبر 2023 کو خالص اثاثے 719.21 ملین روپے رہے۔ موجودہ مدت کے دوران خالص اثاثہ کی قیمت (NAV) فی یونٹ 82.41 روپے سے بڑھ کر 86.65 روپے ہو گئی، جو گزشتہ اسی مدت کے لئے 7.60 فیصد سالانہ کے بیچ مارک منافع کے مقابلے میں 20.41 فیصد سالانہ کا منافع ظاہر کر رہی ہے۔ فنڈ کی یہ کارکردگی مینجمنٹ فیسوں اور دیگر اخراجات کے بعد خالص ہے۔

فنڈ کی مجموعی آمدنی گزشتہ سال کی اسی مدت میں 33.72 بلین روپے کے مقابلے میں موجودہ مدت کے دوران 62.76 بلین روپے رہی۔ کل اخراجات گزشتہ سال کی اسی مدت میں 4.21 بلین روپے کے مقابلے میں موجودہ مدت میں 6.18 بلین روپے تھے۔ خالص آمدنی گزشتہ سال کی اسی مدت میں 29.50 بلین روپے کے مقابلے میں موجودہ مدت میں 56.76 بلین روپے ہے۔

30 ستمبر 2023 کو 786 SF کی ایسٹ ایلیکیشن حسب ذیل ہے:



اعلمہ تشکر

ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور دیگر ریگولیٹری اداروں کے قابل قدر تعاون، مدد اور رہنمائی کے لیے ان کا شکریہ ادا کرتے ہیں۔ بورڈ اعلیٰ معیار کی خدمات کے ملازمین، سرکاری کارکنان کی لگن اور محنت کے لیے، اور پونٹ ہولڈرز کا شہجنت پر ان کے اعتماد کے لیے بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ

786 انویسٹمنٹ لمیٹڈ

---SD---  
ڈائریکٹر

---SD---  
چیر پرسن

مقام: کراچی

تاریخ:



**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)  
AS AT SEPTEMBER 30, 2023**

		<i>Un-Audited September 30, 2023</i>	<i>Audited June 30, 2023</i>
	<i>Note</i>	<i>----- Rupees -----</i>	
<b>Assets</b>			
Balances with banks	5	26,291,073	72,439,135
Investments	6	657,128,832	635,574,526
Accrued income/profit	7	46,779,900	24,705,927
Security deposits	8	150,000	150,000
<b>Total Assets</b>		<b>730,349,805</b>	<b>732,869,588</b>
<b>Liabilities</b>			
Payable to 786 Investments Limited - Management Company	9	1,845,481	2,273,915
Payable to Digital Custodian Company Limited - Trustee	10	154,046	136,988
Payable to Securities and Exchange Commission of Pakistan	11	68,014	176,710
Accrued expenses and other liabilities	12	9,076,113	9,211,799
<b>Total Liabilities</b>		<b>11,143,654</b>	<b>11,799,412</b>
<b>Contingencies and Commitments</b>	13		
<b>Net Assets</b>		<b>719,206,151</b>	<b>721,070,176</b>
<b>Unit Holders' Funds</b>		<b>719,206,151</b>	<b>721,070,176</b>
		<i>(Number)</i>	
<b>Number of units in issue</b>	14	<b>8,300,408</b>	<b>8,750,090</b>
		<i>(Rupees)</i>	
<b>Net assets value per unit</b>		<b>86.65</b>	<b>82.41</b>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For 786 Investments Limited  
(Management Company)

---SD---  
Chief Executive Officer

---SD---  
Chief Financial Officer

---SD---  
Director



**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2023**

		<i>Quarter Ended</i>	
		<i>September 30,</i>	<i>September 30,</i>
		<i>2023</i>	<i>2022</i>
	<i>Note</i>	<i>----- Rupees -----</i>	
<b>Income</b>			
Income from investments and balances with banks	15	58,566,329	29,526,753
Reversal of impairment on investment at fair value through other comprehensive income	6.1.1	4,188,789	4,188,789
		<b>62,755,118</b>	<b>33,715,542</b>
<b>Expenses</b>			
Remuneration to the management company	9.1	4,266,576	2,939,283
Sindh sales tax on remuneration to the management company	9.2	554,626	382,106
Accounting and operational charges	9.3	284,426	195,952
Remuneration to the trustee	10.1	426,649	293,928
Sindh sales tax on trustee fee	10.2	55,461	38,211
Annual fee to Securities and Exchange Commission of Pakistan	11	212,775	39,177
Auditor's remuneration		151,950	143,450
Fees and subscription		54,822	49,278
Securities transactions cost		36,863	3,862
Printing and related charges		12,099	12,099
Legal and professional charges		111,081	112,268
Bank charges		12,385	1,719
		<b>6,179,713</b>	<b>4,211,333</b>
<b>Net income for the period before taxation</b>		<b>56,575,405</b>	<b>29,504,209</b>
Taxation		-	-
<b>Net income for the period after taxation</b>		<b>56,575,405</b>	<b>29,504,209</b>
<b>Allocation of net income for the period</b>			
Net income for the period		56,575,405	29,504,209
Income already paid on units redeemed		(10,065,377)	(2,734,017)
<b>Accounting income available for distribution:</b>		<b>46,510,028</b>	<b>26,770,192</b>
Relating to capital gain		-	-
Excluding capital gain		46,510,028	26,770,192
		<b>46,510,028</b>	<b>26,770,192</b>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For 786 Investments Limited  
(Management Company)

---SD---  
Chief Executive Officer

---SD---  
Chief Financial Officer

---SD---  
Director



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2023**

	<i>Quarter Ended</i>	
	<b>September 30,</b>	<i>September 30,</i>
	<b>2023</b>	<i>2022</i>
<b>Note</b>	<b>----- Rupees -----</b>	
Net income for the period after taxation	<b>56,575,405</b>	29,504,209
Unrealized loss on revaluation of investments classified as fair value through other comprehensive income - net	6.4 <span style="border: 1px solid black; padding: 2px;">(1,124,248)</span>	<span style="border: 1px solid black; padding: 2px;">(772,787)</span>
	<u>(1,124,248)</u>	<u>(772,787)</u>
<b>Total comprehensive income for the period</b>	<u><b>55,451,157</b></u>	<u>28,731,422</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For 786 Investments Limited  
(Management Company)

---SD---  
Chief Executive Officer

---SD---  
Chief Financial Officer

---SD---  
Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2023**

	September 30, 2023				September 30, 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>	934,791,485	(215,207,470)	1,486,161	721,070,176	736,657,526	(149,281,381)	1,956,922	589,333,067
<b>Issue of 6,722,601 units (2022: 3,702,362 units)</b>								
- Capital value (at net asset value per unit at the beginning of the period)	553,990,766	-	-	553,990,766	302,540,771	-	-	302,540,771
- Element of income	3,101,738	-	-	3,101,738	4,459,229	-	-	4,459,229
<b>Total proceeds on issuance of units</b>	557,092,504	-	-	557,092,504	307,000,000	-	-	307,000,000
<b>Redemption of 7,172,283 units (2022: 3,326,108 units)</b>								
- Capital value (at net asset value per unit at the beginning of the period)	(591,047,758)	-	-	(591,047,758)	(271,794,901)	-	-	(271,794,901)
- Amount paid out of element of income	-	(10,065,377)	-	(10,065,377)	-	(2,734,017)	-	(2,734,017)
- Refund/adjustment on units as element of income	(13,294,551)	-	-	(13,294,551)	(7,180,417)	-	-	(7,180,417)
<b>Total payments on redemption of units</b>	(604,342,309)	(10,065,377)	-	(614,407,686)	(278,975,318)	(2,734,017)	-	(281,709,335)
Net income for the period before taxation	-	56,575,405	-	56,575,405	-	29,504,209	-	29,504,209
Other comprehensive loss	-	-	(1,124,248)	(1,124,248)	-	-	(772,787)	(772,787)
	-	56,575,405	(1,124,248)	55,451,157	-	29,504,209	(772,787)	28,731,422
<b>Net assets at end of the period</b>	<b>887,541,680</b>	<b>(168,697,442)</b>	<b>361,913</b>	<b>719,206,151</b>	<b>764,682,208</b>	<b>(122,511,189)</b>	<b>1,184,135</b>	<b>643,355,155</b>
<b>Undistributed (loss)/income brought forward</b>								
- Realized loss		(215,207,470)				(149,281,381)		
- Unrealized income		-				-		
		(215,207,470)				(149,281,381)		
<b>Accounting income available for distribution</b>								
- Relating to capital gain		-				-		
- Excluding capital gain		46,510,028				26,770,192		
		46,510,028				26,770,192		
Distribution during the period		-				-		
Undistributed loss carried forward		(168,697,442)				(122,511,189)		
<b>Undistributed (loss) carried forward</b>								
- Realized loss		(168,697,442)				(122,511,189)		
		(168,697,442)				(122,511,189)		
Net assets value per unit at beginning of the year	82.41				81.72			
Net assets value per unit at end of the period	86.65				84.78			

The annexed notes from 1 to 27 form an integral part of these financial statements.

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

----SD----  
Chief Executive Officer

----SD----  
Chief Financial Officer

----SD----  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2023**

	<i>Quarter Ended</i>	
	<i>September 30, 2023</i>	<i>September 30, 2022</i>
<i>Note</i>	<i>----- Rupees -----</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net Income for the Period Before Taxation</b>	<b>56,575,405</b>	29,504,209
<b>Adjustments For:</b>		
Profit on bank balances and investments	<b>(58,566,329)</b>	(29,526,753)
Reversal of impairment on investment at fair value through other Comprehensive income	<b>(4,188,789)</b>	(4,188,789)
<b>Operating Profit Before Working Capital Changes</b>	<b>(62,755,118)</b>	(33,715,542)
<b>Increase in Assets</b>		
Advance income tax	-	(371,827)
	-	(371,827)
<b>(Decrease)/Increase in Liabilities</b>		
Payable to 786 Investments Limited - Management Company	<b>(428,434)</b>	(485,838)
Payable to Digital Custodian Company Limited - Trustee	<b>17,058</b>	19,707
Payable to Securities and Exchange Commission of Pakistan	<b>(108,696)</b>	(136,596)
Unclaimed dividend	-	(54,197)
Accrued expenses and other liabilities	<b>(135,686)</b>	(22,815)
	<b>(655,758)</b>	(679,739)
Proceeds from investments - net	<b>(18,489,765)</b>	258,921,530
Profit received on investments and balances with banks	<b>36,492,356</b>	25,829,039
<b>Net cash generated from operating activities</b>	<b>11,167,120</b>	279,487,670
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received against issue of units	<b>557,092,504</b>	307,000,000
Payment made against redemption of units	<b>(614,407,686)</b>	(281,709,335)
Dividend paid	-	-
<b>Net cash (used in)/generated from financing Activities</b>	<b>(57,315,182)</b>	25,290,665
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(46,148,062)</b>	304,778,335
Cash and cash equivalents at beginning of the year	<b>72,439,135</b>	298,014,919
<b>Cash and cash equivalents at end of the period</b>	<b>26,291,073</b>	602,793,254

The annexed notes from 1 to 27 form an integral part of these financial statements.

For 786 Investments Limited  
(Management Company)

---SD---  
Chief Executive Officer

---SD---  
Chief Financial Officer

---SD---  
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 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, BAHF retired and Digital Custodian Company Limited (formerly MCB Financial Services Limited (MCBFSL)) was appointed as the new trustee of the Fund and the name of the Fund was also changed from "Dawood Money Market Fund" to "Dawood Income Fund". These changes, after necessary regulatory approvals, were duly incorporated in the Trust Deed of the Fund by way of First Supplemental Trust Deed. On January 20, 2017, the Management Company has changed its name to 786 Investments Limited after completing regulatory formalities.
- 1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at G3, B.R.R Tower, Hassan Ali Street, I.I Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund is an open end mutual Fund and is listed on Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund.
- 1.4 The objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations.
- 1.5 Title to the assets of the Fund are held in the name of MCBFSL as the Trustee of the Fund (except for term finance certificate of New Allied industries limited as mentioned in note 7.3.1 which is a non-performing term finance certificate hence being unable to be transferred until final settlement, which is held in the name of BAHF 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.

**1.9 Significant events or transactions**

There are no significant events or transactions during the period.

**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 VIII A 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.

## 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.

		<i>Un-Audited September 30, 2023</i>	<i>Audited June 30, 2023</i>
<b>5</b>	<b>BALANCES WITH BANKS</b>	<b>----- Rupees -----</b>	
	- Saving accounts	5.1 <u>26,291,073</u>	<u>72,439,135</u>

5.1 These saving accounts carry profit at rates ranging from 18.50% (June 30, 2023: 15% to 19% ) per annum.

		<i>Un-Audited September 30, 2023</i>	<i>Audited June 30, 2023</i>
<b>6</b>	<b>INVESTMENTS</b>	<b>----- Rupees -----</b>	

### At fair value through other comprehensive income

Listed - Term finance certificates	6.1	-	-
Unlisted - Sukuk certificates	6.2	<b>499,128,832</b>	477,574,526
GOP Ijara Sukuk		<u>158,000,000</u>	<u>158,000,000</u>
		<u><b>657,128,832</b></u>	<u>635,574,526</u>

6.1 At fair value through other comprehensive income

	As at July 01, 2022	Purchases during the period	Matured/ Disposed During the period	As at Sept., 30, 2023	Cost/ Carrying Value	Market Value	% of Total 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	6,702	-	838	5,864	29,321,523	-	-
Provision held	6.3					(29,321,523)	-	-

**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. 4.18 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 01, 2022	Purchases during the period	Matured/Disposed During the period	As at Sept., 30, 2023	Cost/Carrying Value	Market Value	% of Total Investment
<i>Note</i>	----- Number of certificates -----				----- Rupees -----		
<b>Unlisted - term finance certificates</b>							
<b>face value of Rs. 5,000/- each</b>							
<b>Cable and electric goods</b>							
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)		
<b>At fair value through other comprehensive income</b>							
<b>Unlisted - Sukuk certificates</b>							
<b>Face Value of Rs. 1,000,000/- each</b>							
<b>Information Technology</b>							
Abhi Private Ltd Sukuk	6.3.3	90	-	90	90,000,000	90,000,000	14%
<b>Engineering</b>							
Agha Steel Industries Limited	6.3.4	15	-	15	10,200,000	10,200,000	2%
<b>Commercial Bank</b>							
Dubai Islamic Bank Limited	6.3.5	44	-	44	44,060,280	44,110,132	7%
<b>Services Allied (other)</b>							
Hub Power Company Limited	6.3.6	131	-	131	131,000,000	131,000,000	20%
<b>Power Generation &amp; Distribution</b>							
Lucky Electric Power Company Ltd. ST - Sukuk 7		35	-	35	-	-	0%
<b>Textile Composite</b>							
Nishat Mills Ltd - Sukuk (09-5-23)	6.3.7	65	-	65	48,750,000	48,750,000	7%
<b>Face value of Rs. 1000,000/- each</b>							
<b>Power Generation &amp; Distribution</b>							
K-Electric Company Limited - Sukuk (23-11-22)	6.3.8	1,000	-	1,000	102,242,800	101,068,700	15%
K-Electric Limited - Short Term Sukuk XIX (19)		-	74	74	74,000,000	74,000,000	11%
<b>Face value of Rs. 5,000/- each</b>							
Eden Housing Limited	6.3.9	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	6.3.10	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	6.3.11	1,000	-	1,000	5,027,500	-	-
Provision held	6.3				(5,027,500)		
					500,253,080	499,128,832	

### 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.

Name of non compliant investment	Type of Investment	Value of Investment before provision	Provision held if any	Value of Investment after provision	% of net assets	% of Gross Assets
Note		----- Rupees -----				
Dewan Cement Limited - Restructured	6.1.1	Pre-IPO investment	29,321,523	(29,321,523)	-	-
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	6.3.11	Sukuk certificates	5,027,500	(5,027,500)	-	-
Eden Housing Limited	6.3.9	Sukuk certificates	2,887,171	(2,887,171)	-	-
Amtex Limited	6.3.10	Sukuk certificates	22,500,000	(22,500,000)	-	-

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

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

**6.3.3** These 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 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.

**6.3.8** The K-Electric Company Limited - Sukuk (23-11-22) 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.



The K-Electric Limited Short-Term Sukuk XIX (19) are unsecured and offer a profit equal to 6-month KIBOR plus 0.45%, which is payable semi-annually in arrears. These certificates will mature in February 2024.

**6.3.9** 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 sukuku are held in CDC investor account of the Fund.

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

**6.3.11** 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.

		<i>Un-Audited</i>	<i>Audited</i>
		<b>September 30,</b>	<b>June 30,</b>
		<b>2023</b>	<b>2023</b>
		<b>----- Rupees -----</b>	
<b>6.4</b>	<b><i>Unrealized gain on revaluation of investments classified as fair value through other comprehensive income - net</i></b>		
	Fair value of investments	6.2 <b>499,128,832</b>	477,574,526
	Less: Cost/Carrying Value of Investment	<b>(499,782,319)</b>	<b>(479,216,047)</b>
		<b>653,487</b>	<b>(164,152,1)</b>
	Less: Net unrealized gain in fair value of investments - Opening	<b>(470,761)</b>	<b>1,170,760</b>
		<b>(1,124,248)</b>	<b>(470,761)</b>
<b>7</b>	<b><i>ACCRUED INCOME/PROFIT</i></b>		
	- Income from profit and loss sharing (PLS) accounts	<b>6,655,617</b>	4,819,685
	- Income from sukuk certificates	<b>29,325,917</b>	15,415,581
	- Income from GOP Ijara Sukuk	<b>10,798,366</b>	4,470,661
		<b>46,779,900</b>	<b>24,705,927</b>
<b>8</b>	<b><i>SECURITY DEPOSITS</i></b>		
	<b><i>Deposits - Central Depository Company</i></b>		
	- Deposits - Central depository company 786SF	<b>100,000</b>	100,000
	- Deposits - Central depository company FDMF	<b>50,000</b>	50,000
		<b>150,000</b>	<b>150,000</b>
<b>9</b>	<b><i>PAYABLE TO 786 INVESTMENTS LIMITED - MANAGEMENT COMPANY</i></b>		
	Management remuneration	9.1 <b>1,363,363</b>	1,212,282
	Sindh sales tax payable	9.2 <b>197,692</b>	178,081
	Accounting and operational charges	9.3 <b>284,426</b>	883,552
		<b>1,845,481</b>	<b>2,273,915</b>

- 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 2023: 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 2023: 13%) on Management Company's remuneration.
- 9.3 In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I)/2015 dated November 25, 2015, the Management Company of the Fund is entitled for reimbursement of fee and expenses incurred by the Management Company in relation to registrar service, accounting, operation and valuation services related to the Fund maximum up to 0.1% of average annual net assets of the scheme or actual which ever is less. Accordingly, the Management Company has charged accounting and operating expenses to the Fund at a rate of 0.1% per annum of the average annual net assets of the Fund for the year ended June 30, 2023.

		<i>Un-Audited September 30, 2023</i>	<i>Audited June 30, 2023</i>
<b>10 PAYABLE TO DIGITAL CUSTODIAN COMPANY LIMITED - TRUSTEE</b>	<b>Note</b>	<b>----- Rupees -----</b>	
Trustee Remuneration	10.1	<b>136,327</b>	121,228
Sindh sales tax payable on Trustee remuneration	10.2	<b>17,719</b>	15,760
		<b><u>154,046</u></b>	<b><u>136,988</u></b>

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

**On net assets:**

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

- 10.2 The Sindh Provincial Government has levied sindh sales tax at the rate of 13% (June 2023: 13%) on trustee's remuneration.

**11 ANNUAL FEE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

This represents the annual fee payable to SECP as amended in clause 'c' of Schedule II of the Non-Banking Financial Companies (NBFC) Regulation 2008, read in conjunction with regulation 62 of the NBFC Regulation 2008. This fee became applicable from July 1, 2023, and it mandates that the Fund must remit to SECP an amount equal to 0.075% of the average daily net assets. This payment is due within fifteen days following the conclusion of each calendar month of the Collective Investment Scheme.

Previously, the applicable fee was 0.02% of the average daily net assets, and it was payable within three months after the close of the accounting year/financial year.

		<i>Un-Audited September 30, 2023</i>	<i>Audited June 30, 2023</i>
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	<b>----- Rupees -----</b>	
Federal Excise Duty on Remuneration	12.1	<b>6,513,679</b>	6,513,679
Accrued expenses	12.2	<b>520,527</b>	657,425
Unclaimed dividend		<b>2,023,960</b>	2,023,960
Other liabilities		<b>5,115</b>	5,115
Zakat payable and withholding tax		<b>12,832</b>	11,620
		<b><u>9,076,113</u></b>	<b><u>9,211,799</u></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, 2023: 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. 0.78 (June 30, 2023: Rs. 0.74) per unit.

	<i>Un-Audited September 30, 2023</i>	<i>Audited June 30, 2023</i>
	----- Rupees -----	
<b>12.2 Accrued expenses</b>		
Auditors' remuneration payable	154,677	271,887
PSX fee payable	34,431	27,500
Printing and related expenditure payable	29,947	12,848
Shariah and tax advisors fee payable	253,581	222,750
	<u>520,527</u>	<u>534,985</u>
<b>13 CONTINGENCIES AND COMMITMENTS</b>		
There were no contingencies and commitments as at June 30, 2023.		
<b>14 NUMBER OF UNITS IN ISSUE</b>		
Total outstanding as of July 01	8,750,090	7,212,002
Issued during the period	6,722,601	22,840,520
Redemption during the period	(7,172,283)	(21,302,432)
Closing units	<u>8,300,408</u>	<u>8,750,090</u>
<b>15 INCOME FROM INVESTMENTS AND BALANCES WITH BANKS</b>		
<i>Income from:</i>		
- Sukuk certificates	40,477,079	1,502,417
- Profit and loss sharing (PLS) account	18,089,250	25,156,413
- Commercial Paper	-	2,867,923
	<u>58,566,329</u>	<u>29,526,753</u>

## 16 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the period ending on September 30, 2023, is 2.17%, which includes 0.29% representing government levies on the Fund, such as federal excise duties and sales taxes, as well as the annual fee payable to the SECP, among other expenses. 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'

## 17 TRANSACTIONS WITH RELATED PARTIES/CONNECTED PERSONS

Related party/connected person include 786 Investments Limited being the Management Company, other collective investment schemes managed by the Management company, 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.

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

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

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

	Note	Quarter Ended	
		September 30, 2023	September 30, 2022
		----- Rupees -----	
<b>17.1 Transactions during the Period Ended</b>			
<b>786 Investments Limited - Management Company</b>			
Remuneration of the management company	9.1	4,266,576	2,939,283
Sales tax on remuneration to the management company	9.2	554,626	382,106
Accounting and operational charges	9.3	284,426	195,952
Redemption of 23,426 units: (2022: Nil)		2,000,000	-
<b>Digital Custodian Company Limited (formerly MCB Financial Services Limited) - Trustee</b>			
Remuneration of the Trustee	10.1	426,649	293,928
Sales tax on Trustee fee	10.2	55,461	38,211
<b>Dawood Family Takaful Limited (Associate of Management Company)</b>			
Issue of units: 6,047,340 (2022: 3,026,733)		500,000,000	250,000,000
Redemption of 5,927,018 units: (2022: 3,139,740)		511,368,365	265,991,213
<b>First Dawood Investment Bank Limited-Employees Contributory Provident Fund - Employee Benefit Fund of Asset Management Company</b>			
Issue of units: 298,969 (2022: Nil)		25,000,000	-
<b>First Dawood Investment Bank Limited - Associate of Management Company</b>			
Issue of units: 59,616 (2022: Nil)		5,000,000	-

17.2 Balance as at period ended	Note	Un-Audited September 30, 2023	Audited June 30, 2023
----- Rupees -----			
<b>786 Investments Limited - Management Company</b>			
Remuneration payable to the management company	9	1,363,363	1,212,282
Sales tax payable on management company's remuneration	9	197,692	178,081
Accounting and operational charges	9	284,426	883,552
FED payable on management company's remuneration		6,513,679	6,513,679
Units held: 2,471,990 (June 2023: 2,495,416)		214,190,770	205,640,238
<b>Digital Custodian Company Limited (formerly MCB Financial Services Limited) - Trustee</b>			
Remuneration payable to the Trustee	10	136,327	121,228
Sales tax payable on Trustee fee	10	17,719	15,760
<b>Dawood Family Takaful Limited - Associate of Management Company</b>			
Units held: 120,451 (June 2023: Nil)		10,436,731	-
<b>BRR Guardian Limited (Associate of Management Company)</b>			
Units held: 436,920 (June 2023: 436,920)		37,857,850	36,005,353
<b>First Dawood Investment Bank Limited - Associate of Management Company</b>			
Units held: 59,616 (June 2023: Nil)		5,165,597	-
<b>First Dawood Investment Bank Limited -Employees Contributory Provident Fund- Employee Benefit Fund of Group Company</b>			
Units held: 609,464 (June 2023: 310,495)		52,808,317	25,587,055
<b>LADIESFUND Energy (Private) Limited (Connected Person due to Management Company)</b>			
Units held: 772,632 (June 2023: 772,632)		66,946,330	63,670,447
<b>Directors and key management personnel of the Management Company</b>			
Units held: 1,219,318 (June 2023: 1,219,318)		105,650,339	100,480,554

17.3 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.

#### 18 GENERAL

Figures have been rounded off to the nearest rupee.

#### 19 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the board of directors of the Management Company on **24 October 2023**.

For 786 Investments Limited  
(Management Company)

----SD----  
Chief Executive Officer

----SD----  
Chief Financial Officer

----SD----  
Director



**BOOK POST**



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**  
**Trustee: MCB Financial Services Limited**  
G-3, B.R.R. Tower, Hassan Ali Street,  
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