

LAKSON INCOME FUND
Annual Report 2018



LAKSON INVESTMENTS
WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN










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



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==== **Vision** ====

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.



==== **Mission** ====

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.



Fund's Information

Management Company

Lakson Investments Limited
Head Office
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phone: (9221) 3840.0000
Fax: (9221) 3568.1653
Web site: www.li.com.pk
E-mail: info@li.com.pk

Lakson Investments Limited
(Regulated by the DFSA as a Representative Office)
Level 15, Gate Building
DIFC, P.O. Box 507054
Dubai, U.A.E.
Phone: +971.4 401.9284
Fax: +971.4 401.9578

Board of Directors of the Management Company

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. Jamil Ahmed Mughal (March 30, 2018)
Mr. Mahomed J. Jaffer
Mr. Amin Mohammed Lakhani
Mr. Jacques John Visser
Mr. Daniel Scott Smaller
Mr. Zahid Zakiuddin
Mr. Aziz H. Ebrahim (Till February 02, 2018)

Chief Financial Officer & Company Secretary of the Management Company

Mr. Salman Shafiq Hashmi

Audit Committee

Mr. Zahid Zakiuddin - Chairman
Mr. Amin Mohammed Lakhani
Mr. Iqbal Ali Lakhani
Mr. Aziz H. Ebrahim (Till February 02, 2018)

Human Resource and Remuneration Committee

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani
Mr. Daniel Scott Smaller

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B, S.M.C.H.S,
Main Shakra-e-Faisal,
Karachi, Pakistan.

Auditors

BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block C,
Lakson Square, Building No. 1,
Sarwar Shaheed Road,
Karachi - 74200.



Bankers to the Fund

AlBaraka Bank Pakistan limited
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Faysal Bank Limited
FINCA Microfinance Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
National Bank of Pakistan
MCB Bank Limited
Silk Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Telenor Microfinance Bank Limited
United Bank Limited
NRSP Microfinance Bank Limited
Mobilink Microfinance Bank Limited

Legal Adviser

Fazleghani Advocates
F-72/1, Block 8, KDA-5,
Kehkashan, Clifton,
Karachi, Pakistan.

Registrar

Lakson Investments Limited
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan

Distributors

Adam Securities
Amir Noorani
BMA Financial
Elixir Securities (Pvt.) Limited
Ismail Iqbal Securities
Metro Securities Pvt. Limited
Pearl Securities Pvt. Limited
Rabia Fida
Topline Securities (Pvt.) Limited
Vector Capital (Pvt.) Limited

Rating by PACRA

A+(f) : Fund Stability Rating
AM2+ : Asset Manager Rating



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Income Fund ('LIF' or 'Fund') is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2018.

Fund Objective

The investment objective of the Scheme is to provide competitive total returns through investment in a diversified portfolio of fixed income securities. The Scheme shall invest in various fixed income securities with a mix of short term, medium term, and longer term maturities depending on the assessment by the Management Company of interest rate trends and prospective returns.

Principal activities

The Fund is an open-end income fund and is listed on Pakistan Stock Exchange Limited. LIF invests in Investment-grade Debt Securities, Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts, and other fixed income instruments. The overall duration of the portfolio is kept below 4 years while at least 25% of Net Assets are kept in the form of cash or Treasury Bills of maximum 90 days maturity. LIF is managed through a team-driven, top-down process utilizing active sector rotation, duration and yield curve management. Economic conditions are constantly monitored to forecast interest rate changes. The added value for LIF comes from identifying opportunities to shift investments between various maturities and between different instruments. LIF is allowed to borrow up to 15% of Net Assets to meet redemptions however LIF did not utilize this facility during the period under review.

Development and Performance Review

The LIF yielded an annualized return of 5.23% in the FY18 compared to the Benchmark return of 6.35% p.a. The LIF underperformed by 112bps. As of June 29, 2018, the LIF portfolio was invested 70.5% in cash, 10.6% in placements with Banks & DFIs, 6% in TFCs, 4.8% in Sukuks, 1.5% in Commercial paper, and 1% in MTS while the weighted average maturity of the LIF portfolio stood at 294 days. The fund size of the LIF as of June 29, 2018 is PKR 4,693 million.

Earnings Per Unit (EPU)

EPU is not being disclosed as we feel determination of weighted average units for calculating EPU is not practicable for open end funds.

Income Distribution

The Board of Directors of the Management Company in its meeting held on July 03, 2018, declared a final payout of PKR 5.0027 per unit for the year ended June 30, 2018.

Principal Risk and Uncertainties

The economic instability, escalating current account deficits and oil prices, consistent depleting FX reserves, declining financial aid by US and other friendly countries, higher devaluation of Pak Rupee against US Dollar, going back to IMF program, monetary tightening by central bank and worsening of external relations remains a risk for all business sectors in Pakistan. These risks could push the foreign and local investors to liquidate their investments which may affect the financial market adversely and may affect the Fund's profitability as well.

Asset Manager and Fund Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has upgraded the asset manager rating of the Management Company to AM2+ from AM2. The PACRA has maintained the Fund Stability Rating of LIF at "A+(f)".

Additional Matters:

1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. During the year ended June 30, 2018, the Directorship of Mr. A. Aziz H. Ebrahim was ceased on February 2, 2018 due to his sad demise (May Allah rest his departed soul in eternal peace). The Board Members placed their gratitude on record for the services rendered by him for the Lakson Group and the Company.



Mr. Jamil Ahmed Mughal was appointed as a Director to fill the casual vacancy with effect from March 30, 2018. The Securities & Exchange Commission of Pakistan pursuant to the requirement of the Non-Banking Finance Companies & Notified Entities Regulations, 2008, accorded its approval for the appointment of Mr. Jamil Ahmed Mughal.

3. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.
4. Proper books of accounts of the Fund have been maintained.
5. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
6. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations'), directives issued by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
7. The system of internal control is adequate and sound in design and has been effectively implemented and monitored.
8. There are no significant doubts upon the Fund's ability to continue as a going concern.
9. Key financial data as has been summarized in this Annual Report.
10. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in these financial statements.
11. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
12. The pattern of unit holding as at June 30, 2018 is given in note No. 25.1 of the Financial Statements.
13. A performance table / key financial data is annexed to this annual report.

External Auditor

The existing auditors M/s. BDO Ebrahim & Co., Chartered Accountants being eligible have given their consent for reappointment as auditors for the year ending June 30, 2019. The Board of Directors, on the recommendations of the Audit Committee, has reappointed M/s. BDO Ebrahim & Co., Chartered Accountants for the year ending June 30, 2019.

Economy review

Inflation was recorded at 5.21% YoY in June, which is the highest growth in 44 months (since October 2014). This brought the FY18 inflation to 3.92%, which is lower than FY17 average of 4.15%. Recent inflationary pressures are mostly attributable to local fuel prices, which have surged following the rise in international crude oil prices. CPI growth is expected to remain north of 5.5% for the remainder of the year due to the base effect as well as high fuel prices. Going forward oil prices are expected to remain high due to the upcoming sanctions on Iran, which will affect a majority of the 2.5m b/d of oil that Iran currently exports. Furthermore, economic problems in Venezuela may also disrupt supply in that country and thereby prop up oil prices. On the other hand the trade war may restrain oil prices because disruption in trade will affect global economic growth.

Pakistan's external position remained problematic in June as PKR depreciated by 5.1% during the month to reach PKR 121.4972/USD. During FY18 PKR depreciated by 15.9%, while in 1HCY18 it depreciated by 10.0%. Due to Pakistan's heightened external vulnerability, Moody's changed the outlook on its rating for Pakistan, B3, to "Negative" from its previous outlook of "Stable". In order to stabilize the external position, the government has borrowed USD 1bn from China in June and may borrow further from the country. Moreover, the government appears to be upbeat over attracting foreign exchange through its amnesty scheme, the deadline for which has been extended till the end of July. According to news sources, revenue worth PKR 65bn had been generated through this scheme till the end of June.



Fixed income markets review

SBP raised its policy rate by 75bps in the second half of the fiscal year as the deteriorating external position and inflationary threats called for monetary tightening. PKR devalued by a further 10.0% in 2HFY18 after losing 5.3% of its value against the USD in 1HFY18. In total PKR depreciated by 15.9% during FY18. The PKR devaluation led to inflationary pressures, resulting in average CPI growth of 4.09% for 2HFY18 compared to 3.75% in 1HFY18. Hike in fuel prices as OPEC decided to increase output also contributed to domestic inflation. Inflation was recorded at 3.92% in FY18 versus 4.15% in FY17.

Due to market participants' outlook on interest rates ahead of the hike, SBP was unable to get acceptable bids for PIB auctions from Aug 2017 to Mar 2018; hence, it rejected all bids during this period. To resolve the issue, SBP introduced floating rate PIBs in May 2018. The floating rate of such PIBs is based on the weighted average yield of the 6-month MTB as determined in the latest successful 6-month MTB auction held prior to the floating rate PIB's auction and/or the start of the coupon period (plus/minus a margin decided in the auction).

Yields rose by a greater amount for middle tenor instruments than for the short or long end during FY18. For 1 to 8 year instruments, yields rose in the range of 107 to 185bps, while for instruments with tenor shorter than 1 year, yields rose in the range of 63 to 102bps. Similarly, yields rose by only 39 to 98bps in the long end. This shows the market's expectations that inflation will be high in the medium term and then decline in the long-term. This thesis is supported by the point of view that upward pressure on oil price is mostly short term (Iran and Venezuela's issues), while downward pressure, on the back of slowing global economic growth and rising US production, is long-term.

Broad Money (M2) growth slowed to 10.59% in FY18 compared to 13.69% in FY17 and 13.67% in FY16. The slowdown was mostly due to a decline in net foreign assets of the banking system of PKR 793 billion. This decline partly compensated for the rise in Government's borrowing for budgetary support (PKR 1.4 trillion) and increment in credit to private sector (PKR 768 billion).

Future Outlook

Since the end of the fiscal year the central bank has already increased the policy rate by a further 100bps. Nevertheless, further tightening is on the cards due to the inflationary threats ahead. Crude oil prices are expected to remain at an elevated level because supply disruption due to sanctions on Iran and economic problems in Venezuela are likely to be countered by prospects of slowdown in global growth due to the US-China trade war. Moreover, the recent PKR devaluation is likely to have a lagged effect on inflation in the coming months. Given the outlook on the exchange rate and inflation, further policy rate hike of 50bps is expected in the upcoming monetary policy which is expected in Sept'18.

Despite greater energy availability and improvement in physical infrastructure, economic growth is likely to slow in FY19. The World Bank in its report issued in June commented that Pakistan's growth in FY19 is likely to moderate to 5.0% (against 5.8% estimated for FY18) due to tighter policies to improve macroeconomic stability.

The general elections brought the Pakistan Tehreek e Insaaf (PTI) to power at the head of a coalition government. The immediate concerns which need to be addressed are the current account and fiscal deficits which threaten to derail macroeconomic stability.

Tough decisions in the form of fiscal and monetary adjustments will have to be made which will test the resolve and vision of the new government. Austerity measures including reduction in subsidies, lower development spending and rationalization of gas/power tariffs will have to be complemented by a comprehensive reform program targeting tax collection and loss making public sector enterprises.

Higher interest rates, currency depreciation and increase in import duties will be employed to defuse inflationary pressures and contain the external account as FX reserves have dipped to dangerously low levels. There is an emergent need to obtain funding from multilateral creditors (IMF/WB/ADB/IDB) and friendly countries (KSA/UAE/China) to plug a financing gap of over USD 20 billion.

As a result of these expected measures, FY19 is expected to be a year of macroeconomic consolidation with GDP projected to slow down to 4.8%.



Post elections the weighted average yields for 3M and 6M tenor have remained flat at 7.75% and 7.85%, respectively. Moreover, notably participation has been visible in 3M papers likewise the trend which has been visible for the last few quarters indicating further monetary tightening. The increase in yield (~100bps) across different tenors was recorded pre-elections (recall SBP raised key policy rate by 100bps to 7.5% and DR to 8.0% on 14th July '18 whereas elections took place on 25th July). Aug'18 CPI clocked in at 5.84% YoY while core inflation was at 7.7%, YoY which re-iterates market expectations of future interest rate hikes, thus rates will rise in the upcoming auctions in line with spike in IR.

Acknowledgment

The Board is thankful to its valued investors, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the management of the Pakistan Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

For and on behalf of the Board

Chief Executive Officer

Director

**Dated: August 15, 2018
Karachi**





لیکسن انکم فنڈ

30 جون 2018 کو ختم ہونے والے سال کے لیے

مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن انکم فنڈ ("LIF" یا فنڈ) کی مینجمنٹ کمپنی 30 جون 2018 کو ختم ہونے والے سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

فنڈ کا مقصد

اس ایکس کی انویسٹمنٹ کا مقصد گلڈ انکم سیکیورٹیز کے متنوع پورٹ فولیو میں انویسٹمنٹ کے ذریعے مسابقتی مجموعی منافع جات فراہم کرنا ہے۔ یہ ایکس مینجمنٹ کمپنی کی طرف سے انٹرسٹ ریٹ ٹریڈرز اور مکمل منافع جات کے حوالے سے مینجمنٹ کمپنی کی تشخیص کے لحاظ سے مختصر مدتی، وسط مدتی اور طویل مدتی میچورٹیز کے استخراج کے ساتھ مختلف گلڈ انکم سیکیورٹیز میں سرمایہ کاری کرے گی۔

نمایاں سرگرمیاں

LIF ایک اوپن اینڈ انکم فنڈ ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں اسٹڈ ہے۔ LIF انویسٹ گریڈ ڈیٹ سیکیورٹیز، گورنمنٹ سیکیورٹیز، سرٹیفکیٹس آف انویسٹمنٹس، Clean Placements، بزم ڈپازٹس اور دیگر گلڈ انکم انٹرسٹ منس میں سرمایہ کاری کرتا ہے۔ پورٹ فولیو کا مجموعی دورانیہ 4 سال سے کم رکھا جاتا ہے اور خالص اثاثوں کا کم از کم 25% کمیشن یا زیادہ سے زیادہ 90 دن کی میچورٹی والے ٹریڈز کی شکل میں رکھا جاتا ہے۔ LIF کا لٹم ونسٹ ٹیم کے بل پر پیش قدمی کرنے والی، اوپر سے نیچے تک شعبوں کی توازن سے استعمال کے عمل کو استعمال کرنے والی، دورانیے اور پیداوار میں توازن پر یقین رکھنے والی مینجمنٹ چلاتی ہے۔ انٹرسٹ ریٹ میں تبدیلیوں کی پیش گوئی کے لیے معاشی صورت حال کی مسلسل نگرانی کی جاتی ہے۔ LIF کی قدر و قیمت میں اصل اضافہ مختلف میچورٹیز اور مختلف انٹرسٹ منس کے درمیان انویسٹمنٹس کی منتقلی کے مواقع کی شناخت سے آتا ہے۔ LIF کو ریڈ میپشنز کی تکمیل کے لیے خالص اثاثوں کے 15 فی صد تک قرض لینے کی اجازت ہے، تاہم LIF نے اس سہولت کو زیر جائزہ مدت کے دوران استعمال نہیں کیا۔

پیش رفت اور کارکردگی کا جائزہ

LIF نے سالانہ شیٹ مارک منافع 6.35% کے مقابلے میں مالی سال 5.17% سالانہ منافع پیش کیا۔ LIF کا کارکردگی 112 بنیادی پوائنٹس کم رہی۔ 29 جون 2018 کے مطابق LIF پورٹ فولیو نے کمیشن میں 70.5% بینکس اور DFIs میں Placements میں 10.6% TFCs میں 6%، سٹاک میں 4.8%، کرش ہیب میں 1.5%، اور MTS میں 1% سرمایہ کاری کی جبکہ LIF پورٹ فولیو کی تخمینہ شدہ اوسط میچورٹی 294 دن ہے۔ 29 جون 2018 کے مطابق LIF کے فنڈ کا حجم 4,693 ملین روپے تھا۔

نی پیونٹ آمدنی (EPU)

نی پیونٹ آمدنی (EPU) ظاہر نہیں کی گئی ہے کیوں کہ ہم محسوس کرتے ہیں کہ EPU شمار کرنے کے لیے تخمینہ شدہ اوسط پوائنٹس کا تعین اوپن اینڈ فنڈز کے لیے



قابل عمل نہیں ہے۔

آمدنی کی تقسیم

میٹجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے 03 جولائی 2018 کو منعقد ہونے والے اجلاس میں ختم ہونے والے سال 30 جون 2018 کے لیے 5.0027 پاکستانی روپے فی یونٹ کی حتمی ادائیگی کا اعلان کیا ہے۔

نمایاں خطرات اور خدشات

معاشی عدم استحکام، کرنٹ اکاؤنٹ کے خساروں اور تیل کی قیمتوں میں اضافہ، مسلسل کم ہوتے زرمبادلہ کے ذخائر، امریکا اور دیگر دوست ممالک کی طرف سے مالی امداد میں کمی، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں بھاری کمی، آئی ایم ایف پروگرام کی طرف واپسی، مرکزی بینک کی طرف سے مالیاتی سختی اور بگڑتے خارجہ تعلقات پاکستان میں تمام کاروباری شعبوں کے لیے خطرات بنے رہے۔ یہ خطرات غیر ملکی اور مقامی سرمایہ کاروں اپنی سرمایہ کاریوں سے پیسہ نکلانے پر مجبور کر سکتے ہیں جس کے مالیاتی مارکیٹ پر منفی اثرات مرتب ہو سکتے اور فنڈ کی منافع کمانے کی اہلیت بھی متاثر ہو سکتی ہے۔

ایسٹ نیچر اینڈ فنڈ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے میٹجمنٹ کمپنی کی AM2 ایسٹ نیچر اینڈ فنڈ ریٹنگ کو بڑھا کر AM2+ کر دیا ہے۔ PACRA نے LIF کی فنڈ اسٹیبلیٹی ریٹنگ "A+(f)" پر برقرار رکھی ہے۔

اضافی معاملات

- 1- میٹجمنٹ کمپنی کے ڈائریکٹرز کی تفصیل اس سالانہ رپورٹ میں ظاہر کی گئی ہے۔
- 2- مالی سال 30 جون 2018 کے دوران، 2 فروری 2018 کو جناب عزیز ایچ اے ایم صاحب کا انتقال ہو گیا تھا (اللہ ان کی مغفرت فرمائے اور جنت میں اعلیٰ مقام عطا فرمائے) جس کے باعث ان کی ڈائریکٹر شپ ختم ہو گئی۔ بورڈ کے ارکان نے ان کی خدمات کو کنکسن گروپ اور کمپنی کے لیے کو سراہا ہے۔
- 30 مارچ 2018 کو جناب جمیل احمد فضل صاحب کو بورڈ آف ڈائریکٹرز نے تیسرا نائب کیا گیا۔ سیکرٹری اینڈ ایگزیکٹو کمیشن آف پاکستان نے نان بینکنگ فنانس کمپنیز اور مطلع شدہ اداروں کی ریگولیشنز، 2008 کے مطابق جناب جمیل احمد فضل کی تقرری کی منظوری دی ہے
- 3- میٹجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو ز اور یونٹ ہولڈرز کے فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 4- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 5- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل بیرونی کی گئی ہے اور شرایعاتی تخمینے مناسب اور معقول نظر میں لیا جاتا ہے۔
- 6- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، نان بینکنگ فنانس کمپنیز (ایگزیکٹو اینڈ ریگولیشن) رولز 2003 کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ منیجر ریگولیشنز، 2008 (NBFC ریگولیشنز)، سیکورٹیز اینڈ ایگزیکٹو کمیشن آف پاکستان کے جاری کردہ ڈائریکٹرز اور فنڈ کی تشکیل دینے والے دستاویزات کے تقاضوں کی بیرونی کی گئی ہے اور ان سے کسی بھی انحراف کی مناسب انداز میں نشان دہی کی گئی ہے۔
- 7- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔



- 8- فنڈ کی روائی دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 9- اہم مالیاتی ڈیٹا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔
- 10- ٹیکسز، ڈیویڈنڈ ہجھولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 11- پروویڈنٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارہ فنڈ پر قابل اطلاق نہیں ہے جیسا کہ ایسے اخراجات منجمنٹ کمیٹی کی طرف سے برداشت کیے جاتے ہیں۔
- 12- 30 جون 2018 کے مطابق اینٹ ہولڈنگ کا پیرن مالیاتی گوشوارے کے نوٹ نمبر 25.1 میں دیا گیا ہے۔
- 13- کارکردگی کی جدول/ اہم اقتصادی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

بیرونی آڈیٹر

موجودہ آڈیٹرز میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہلیت کی بنیاد پر 30 جون 2019 کو ختم ہونے والے سال کیلئے بطور آڈیٹرز دوبارہ تقرر کیے لیے اپنی رضامندی ظاہر کی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو 30 جون 2019 کو ختم ہونے والے سال کے لیے دوبارہ تقرر کر دیا ہے۔

معاشی جائزہ

جون میں سال بہ سال بنیاد پر 15.21% افراط زر ریکارڈ کیا گیا جو 44 مہینوں میں (اکتوبر 2014 سے) بلند ترین نمونہ ہے۔ اس نے مالی سال 2018 کے افراط زر کو 3.92% تک پہنچا دیا جو مالی سال 2017 کی 4.15% اوسط سے کم ہے۔ افراط زر کا حالیہ باؤڈ زیادہ تر فنڈوں کی مقامی قیمتوں کا نتیجہ ہے، جن میں خام تیل کی بین الاقوامی قیمتوں میں اضافے کے بعد تیزی آئی ہے۔ گزشتہ عرصے میں افراط زر کی کم ترین سطح کے اثرات (Base effect) اور فنڈوں کی بلند قیمتوں کی وجہ سے سال کی باقی مدت میں CPI نمو 5.5% کے لگ بھگ رہنے کی توقع ہے۔ آئندہ سبھی ایران پر لاگو ہونے والی پابندیوں کی وجہ سے تیل کی قیمتیں بلند رہنے کی توقع ہے جس سے 2.5 ملین ہیرل روزانہ تیل کا بڑا حصہ متاثر ہوگا جو ایران اس وقت برآمد کرتا ہے۔ مزید برآں وینیزویلا میں معاشی مسائل بھی اس ملک کی سپلائی معطل کر سکتے ہیں جس کے نتیجے میں تیل کی قیمتوں میں اضافہ ہو جائے گا۔ دوسری طرف تجارتی جنگ تیل کی قیمتوں کو محدود کر سکتی ہے کیوں کہ تجارت میں بندش عالمی معاشی نمونہ متاثر کرے گی۔

پاکستان کی بیرونی صورت حال جون میں پریشان کن رہی جیسا کہ مہینے کے دوران روپے کی قدر 5.1% کم ہو کر 121.4972 روپے فی امریکی ڈالر تک پہنچ گئی۔ مالی سال 2018 میں روپے کی قدر میں 15.9% کمی ہوئی، جب کہ موجودہ سال 2018 کے پہلے نصف میں اس کی قدر 10.0% گر گئی۔ پاکستان کی برصغیر کی بیرونی کمزور حالت کی وجہ سے موڈیز نے پاکستان کے لیے تو قعات پر اپنی ریٹنگوں، سابقہ تو قعات B3 "مستحکم" سے کم کر کے "مغنی" کر دی۔ بیرونی صورت حال کو مستحکم کرنے کے لیے حکومت نے جون چین سے ایک ارب ڈالر قرض لیا ہے اور اس ملک سے مزید قرض لیا جا سکتا ہے۔ مزید برآں حکومت اپنی ایمنسٹی اسکیم کے ذریعے، جس کی آخری تاریخ جولائی تک بڑھادی گئی ہے، زرمبادلہ کو راغب کرنے کے بارے میں پُر امید ہے۔ خبروں کے ذرائع کے مطابق اس اسکیم کے ذریعے جون کے آخر تک 65 ارب روپے اکٹھے کیے جا چکے ہیں۔

گلفڈ اگم مارکیٹس کا جائزہ

SBP نے مالی سال کے دوسرے نصف میں اپنے پالیسی ریٹ میں 75 بنیادی پوائنٹس کا اضافہ کر دیا، جیسا کہ بیگزنی ہوئی بیرونی صورت حال اور افراط زر کے خطرات مالیاتی سختی کا قضا کرتے تھے۔ مالی سال 2018 کے پہلے نصف میں امریکی ڈالر کے مقابلے میں اپنی 3.3% قدر کو کھنڈے کے بعد مالی



سال 2018 کے دوسرے نصف میں پاکستانی روپے کی قدر میں مزید 10% کمی کی گئی۔ مجموعی طور پر مالی سال 2018 میں روپے کی قدر میں 15.9% کمی ہوئی۔ روپے کی قدر میں کمی کا نتیجہ افراتر کے دباؤ کی صورت میں نکلا جس کے نتیجے میں مالی سال 2018 کے پہلے نصف میں 3.75% کے مقابلے میں مالی سال 2018 کے دوسرے نصف میں اوسطاً CPI نمو 4.09% رہی۔ فیول کی قیمتوں میں اضافے نے بھی ملکی افراتر میں اپنا حصہ شامل کیا جیسا کہ اوپیک نے پیداوار میں اضافے کا فیصلہ کیا۔ مالی سال 2017 میں 4.15% کے مقابلے میں 2018 میں 3.92% افراتر پیکار ڈی گئی۔

اضافے سے پہلے شرح سود پر مارکیٹ کے شرکاء کی توقعات کے باعث SBP اگست 2017 سے مارچ 2018 تک PIB کی بنیادوں کے لیے قابل قبول پیشکشیں حاصل کرنے میں ناکام رہا لہذا اس نے اس مدت کے دوران تمام پیشکشیں مسترد کر دیں۔ اس مسئلہ کو حل کرنے کے لیے SBP نے مئی 2018 میں فلوئنگ ریٹ والے PIBs متعارف کرائے۔ ایسے PIBs کا فلوئنگ ریٹ MTB کے جیسے ماہ کے لیے تخمینہ شدہ اوسط منافع ہے جس کا تعین PIB کے فلوئنگ والی بنیاد اور ایکوینٹیٹی بیئر (بنیادی میں فیصلہ شدہ مثبت / منفی منافع) سے قبل منعقدہ MTB کی تازہ ترین کامیاب ششماہی بنیاد پر کیا جاتا ہے۔

مالی سال 2018 کے دوران مختصر یا طویل میعاد کے مقابلے میں درمیانی مدت والے تسکات کے منافع جات کی مالیت میں زیادہ اضافہ ہوا۔ ایک تا آٹھ سال میعاد کے تسکات کے منافع جات میں 107 تا 185 بنیادی پوائنٹس کا اضافہ ہوا جب کہ ایک سال سے کم میعاد والے تسکات میں 63 تا 102 بنیادی پوائنٹس کی حد میں بڑے۔ اس طرح طویل میعاد والے تسکات کے منافع جات میں صرف 39 تا 98 بنیادی پوائنٹس کا اضافہ ہوا۔ اس سے مارکیٹ کی توقعات کا اظہار ہوتا ہے کہ افراتر میں درمیانی میعاد میں اضافہ ہوگا اور پھر طویل میعاد میں کمی آئے گی۔ اس نظریے کو اس نکتہ نظر سے تقویت ملتی ہے کہ تیل کی قیمتوں میں اوپر کی جانب جاب دباؤ (ایران اورویتزو ویلا کے مسائل) زیادہ تر مختصر مدتی ہوتے ہیں، جب کہ عالمی اقتصادی نمونوں میں مندی اور امریکا کی طرف سے تیل کی پیداوار میں اضافے کے پس منظر میں شیجے کے جانب دباؤ طویل مدتی ہوگا۔

مالی سال 2016 میں 13.67% اور مالی سال 2017 میں 13.69% کے مقابلے میں برادھنی (M2) کی نمو مالی سال 2018 میں کم ہو کر 10.59% رہ گئی۔ یہ مندی بنیادی طور پر 793 ارب روپے کے بینکنگ سسٹم کے خالص غیر ملکی اثاثہ جات میں کمی کا نتیجہ تھی۔ حکومت کی طرف سے بجٹ میں معاونت کے لیے حاصل کردہ قرض (1.4 ٹریلین روپے) اور نئی شے کے حاصل کردہ قرضوں میں اضافے (768 ارب روپے) نے اس کمی کی جزوی تلافی کر دی۔

مستقبل کی توقعات

اگرچہ مالی سال کے اختتام سے اب تک مرکزی بینک پہلے ہی پالیسی ریٹ میں مزید 100 بنیادی پوائنٹس کا اضافہ کر چکا ہے، تاہم مستقبل میں افراتر کے خطرات کی وجہ سے سختی متوقع ہے۔ ایران پر پابندیوں اور ویتزو ویلا میں اقتصادی مسائل کی وجہ سے چلائتی میں خلل کی وجہ سے خام کی قیمتیں بلند سطح پر برقرار رہنے کی توقع ہے اور چینی امریکی تجارتی جنگ کی وجہ سے عالمی نمونوں میں مندی کے امکانات ہیں۔ مزید برآں روپے کی قدر میں حالیہ کمی کے آئندہ نمونوں افراتر پر تاخیر سے اثرات مرتب ہونے کے امکانات ہیں۔ شرح مبادلہ اور افراتر کے حوالے سے توقعات کے پیش نظر پالیسی ریٹ میں 50 بنیادی پوائنٹس کے مزید اضافے کی توقع ہے۔

نئی کی بہتر دستیابی اور فریگیل انفراسٹرکچر میں بہتری کے باوجود، مالی سال 2019 میں معاشی نمونہ سست رہنے کے امکانات ہیں۔ ورلڈ بینک نے جن میں جاری کردہ اپنی رپورٹ میں تبصرہ کیا ہے کہ مجموعی اقتصادی استحکام میں بہتری کے لیے نسبتاً سخت پالیسیوں کی وجہ سے مالی سال 2019 میں پاکستان کی نمو 5.0% تک متوسط رہنے کا امکان ہے۔

عام انتخابات پاکستان تحریک انصاف (PTI) کو ایک اتحادی حکومت کے بل پر اقتدار میں لے آئے۔ فوری خدشات جن سے عہدہ برآ ہونے کی ضرورت ہے، کرنٹ اور مالیاتی خسارہ ہیں جن سے مجموعی اقتصادی استحکام کے پڑی سے اترنے کا خطرہ درپیش ہے۔

مالیاتی اور مالیاتی ایدہ پیشکش کی شکل میں مشکل فیصلے کرنے پڑیں گے جوئی حکومت کے عزم اور بصیرت کی آزمائش کریں گے۔ سادگی پسندانہ اقدامات بشمول سوسٹی بزنس



میں کی، ترقیاتی مصارف میں کٹوتی اور گیس / بجلی کے نرخوں کے عقل پرندہ زمین کو جامع اصلاحاتی پروگرام سے تقویت دینی ہوگی جس کا ٹیکس جمع کرنا اور خسارے میں چلنے والے سرکاری ادارے ہدف ہوں۔

بلند شرح سود، کرنسی کی قدر میں کمی اور ایپورٹ ڈیویڈنڈ میں اضافے سے افراط زر کا دباؤ کم کیا جائے گا اور بیرونی اکاؤنٹ کو تقابلاً میں رکھا جائے گا جیسا کہ زر مبادلہ کے ذخائر کو محفوظ رکھنا ایک سطح تک گریچے ہیں۔ 20 ارب امریکی ڈالر سے زائد کا مالیاتی خلیفہ کرنے کے لیے متعدد قرض فراہم کرنے والوں (IMF/WB/ADB/IDB) اور دوست ممالک (سعودی عرب / متحدہ عرب امارات / چین) سے فنڈ حاصل کرنے کی ہنگامی ضرورت ہے۔ ان متوقع اقدامات کے نتیجے میں مالی سال 2019 کے مجموعی اقتصادی استحکام کا سال بننے کی توقع ہے، جیسا کہ GDP میں 4.8% تک مندی کی پیش گوئی کی جاتی ہے۔

انتخابات کے بعد تین ماہ اور چھ ماہ کی مدتوں کے لیے تخمینہ شدہ اوسط منافع جات بالترتیب 7.75% اور 7.85% پر بہم آ رہی۔ مزید برآں تین ماہ کے تسکات میں نمایاں شمولیت دیکھی گئی ہے اور اور گزشتہ دو سہ ماہیوں میں بھی ایسا ہی رجحان نظر آیا ہے جو مزید مالیاتی تنگی کی نشان دہی کرتا ہے۔ انتخابات سے پہلے مختلف مبادعاتوں میں منافع جات میں اضافہ (100~ بنیادی پوائنٹس) ریکارڈ کیا گیا (یاد رہے کہ SBP نے 14 جولائی 2019 کو پالیسی ریٹ 100 بنیادی پوائنٹ اضافے کے ساتھ 7.5% DR کو 8.0% تک بڑھا دیا تھا جب کہ انتخابات 25 جولائی کو منعقد ہوئے تھے۔)

اگست 2018 میں CPI نے سال بہ سال بنیاد پر 5.84% کی سطح چھو لی جب کہ مرکزی افراط زر سال بہ سال بنیاد پر 7.7% تھی جو مارکیٹ کی طرف سے مستقبل میں شرح سود میں مزید اضافے کی توقعات کا اعادہ کرتی ہے، چنانچہ آنے والی بنیادیوں میں شرح سود میں اضافے کے مطابق شرحوں میں اضافہ ہوگا۔

اظہار تشکر

یہ بورڈ اپنے قابل قدر انویسٹرز، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینٹرل ڈیپازٹری کمیٹی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسچینج کی مینجمنٹ کا، ان کے مسلسل تعاون اور مدد پر شکر گزار ہے۔ مینجمنٹ کمیٹی کے ڈائریکٹرز فنڈ کی ترقی اور عمدہ نظم و نسق کے لیے اپنی ٹیم کی کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے اور از طرف بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

بتاریخ: 15 اگست 2018

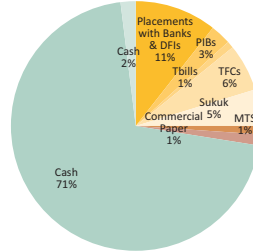


**REPORT OF THE FUND MANAGER
FOR THE YEAR ENDED JUNE 30, 2018**

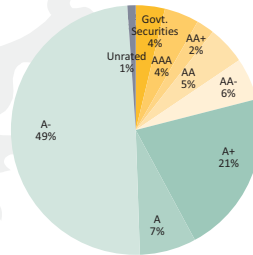
Fund Facts

Fund Type	Open-End
Category	Income Fund
Net Assets (PKR Mil.)	4,693
NAV (30.06.2018)	105,942
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	BDO Ebrahim & Co.
Management Fee	1.50%
Front End Load	1.50%
Back End Load	None
Launch Date	November 13, 2009
Benchmark	Average daily rate of 6M KIBOR (Ask)
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM (Mon-Fri)
Fund Rating	'A+' by PACRA
Asset Manager Rating	AM2+

Asset Allocation



Credit Split



Morningstar	LIF	Benchmark
FY18 - YTD	5.23%	6.35%
May-18	4.85%	7.20%
2 Months	5.31%	6.96%
3 Months	5.33%	6.85%
6 Months	5.36%	6.64%
12 Months	5.23%	6.35%
CY18 - YTD	5.36%	6.64%

Simple Annualized	LIF	Benchmark
FY18 - YTD	5.23%	6.35%
May-18	4.75%	6.97%
2 Months	5.20%	6.77%
3 Months	5.22%	6.68%
6 Months	5.29%	6.53%
12 Months	5.23%	6.35%
CY18 - YTD	5.29%	6.53%
3 Years	7.39%	6.94%
5 Years	10.23%	9.48%
Since Inception	12.65%	10.54%

Investment Committee

Babar Ali Lakhani	Chief Executive Officer
Kashif Mustafa	Executive Director & COO
Mustafa O. Pasha, CFA	Chief Investment Officer
Syed Saifullah Kazmi	
Shahbaz Ashraf, CFA	
Hassan Bin Nasir	
Junaid Arshad, ACCA	
M.Fakhir Musharaf	

Fund Objective

The investment objective of the Scheme is to provide competitive total returns through investment in a diversified portfolio of fixed income securities. The Scheme shall invest in various fixed income securities with a mix of short term, medium term, and longer- term maturities depending on the assessment by the Management Company of interest rate trends and prospective returns.

Investment Strategy

The LIF focused on the constructing a liquid, diverse and high credit quality portfolio in accordance with its Investment Objective. Exposure of the LIF in T-Bills, TDRs, TFCs and other money market placements was managed based on the relative yield analysis of these instruments and the yield curve management. The LIF maintained an average exposure of 1% in risk free T-Bills and 69% in cash in order to maintain liquidity. During the period under review, the LIF built and maintained a significant



exposure to cash in order to benefit from the projected reversal in interest rate cycle. Average exposure towards TFCs and Sukuks was 10.61%. At the end of 1HFY18 LIF kept the Weighted Average Maturity ("WAM") of its portfolio at 182 days. As of June 30, 2018, the WAM of the LIF portfolio stood at 294 days. The exposure of the LIF in debt securities stood at 11.0% (6.0% in TFCs and 5.0% in Sukuks). The LIF also had exposure in the Margin Trading System ("MTS") during the year however exposure was taken only in fundamentally sound stocks and kept at a manageable level of 1.0%.

Fund Profile

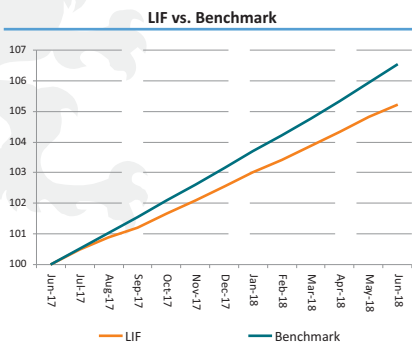
The Fund is an open-end income fund and is listed on Pakistan Stock Exchange Limited. LIF invests in Investment-grade Debt Securities, Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts, and other fixed income instruments. The overall duration of the portfolio is kept below 4 years while at least 25% of Net Assets are kept in the form of cash or Treasury Bills of maximum 90 days maturity. LIF is managed through a team-driven, top-down process utilizing active sector rotation, duration and yield curve management. Economic conditions are constantly monitored to forecast interest rate changes. The added value for LIF comes from identifying opportunities to shift investments between various maturities and between different instruments. LIF is allowed to borrow up to 15% of Net Assets to meet redemptions however LIF did not utilize this facility during the period under review.

Fund Performance

The LIF yielded an annualized return of 5.23% in the FY18 compared to the Benchmark return of 6.35% p.a. The LIF underperformed by 112bps. As of June 29, 2018, the LIF portfolio was invested 70.5% in cash, 10.6% in placements with Banks & DFIs, 6% in TFCs, 4.8% in Sukuks, 1.5% in Commercial paper, and 1% in MTS while the weighted average maturity of the LIF portfolio stood at 294 days. The fund size of the LIF as of June 29, 2018 is PKR 4,693 million.

Performance Table	FY18	FY17
Net Assets - Beginning (PKR Mil.)	3,624	2,915
Net Assets - Ending (PKR Mil.)	4,693	3,624
Highest Offer Price (PKR)	107.5154	108.5328
Lowest Offer Price (PKR)	100.4407	102.0811
Highest Redemption Price (PKR)	105.9265	106.9288
Lowest Redemption Price (PKR)	98.9563	100.5725
Beginning NAV - Ex-Div. (PKR)	100.6760	101.1380
Interim Distributions (PKR)	-	7.4452
Final Distribution (PKR)	5.0027	-
Ending NAV - Ex-Div. (PKR)	100.9393	100.4407
Return	5.23%	6.92%
Net Income (PKR Mil.)	235.00	30.00

Distributions	FY18	FY17
	PKR per Unit	
1st Interim Distribution	-	7.4452
Final Distribution	5.0027	-
NAV before Distribution	105.9420	107.8859
NAV after Distribution	100.9393	100.4407
Distribution Date	03-Jul-18	22-Jun-17





Fixed Income Market Review

SBP raised its policy rate by 75bps in the second half of the fiscal year as the deteriorating external position and inflationary threats called for monetary tightening. PKR devalued by a further 10.0% in 2HFY18 after losing 5.3% of its value against the USD in 1HFY18. In total PKR depreciated by 15.9% during FY18. The PKR devaluation led to inflationary pressures, resulting in average CPI growth of 4.09% for 2HFY18 compared to 3.75% in 1HFY18. Hike in fuel prices as OPEC decided to increase output also contributed to domestic inflation. Inflation was recorded at 3.92% in FY18 versus 4.15% in FY17.

Due to market participants' outlook on interest rates ahead of the hike, SBP was unable to get acceptable bids for PIB auctions from Aug 2017 to Mar 2018; hence, it rejected all bids during this period. To resolve the issue, SBP introduced floating rate PIBs in May 2018. The floating rate of such PIBs is based on the weighted average yield of the 6-month MTB as determined in the latest successful 6-month MTB auction held prior to the floating rate PIB's auction and/or the start of the coupon period (plus/minus a margin decided in the auction).

Yields rose by a greater amount for middle tenor instruments than for the short or long end during FY18. For 1 to 8 years instruments, yields rose in the range of 107 to 185bps, while for instruments with tenor shorter than 1 year, yields rose in the range of 63 to 102bps. Similarly, yields rose by only 39 to 98bps in the long end. This shows the market's expectations that inflation will be high in the medium term and then decline in the long-term. This thesis is supported by the point of view that upward pressure on oil price is mostly short term (Iran and Venezuela's issues), while downward pressure, on the back of slowing global economic growth and rising US production, is long-term.

Broad Money (M2) growth slowed to 10.59% in FY18 compared to 13.69% in FY17 and 13.67% in FY16. The slowdown was mostly due to a decline in net foreign assets of the banking system of PKR 793 billion. This decline partly compensated for the rise in Government's borrowing for budgetary support (PKR 1.4 trillion) and increment in credit to private sector (PKR 768 billion).

Future Outlook

Since the end of the fiscal year the central bank has already increased the policy rate by a further 100bps. Nevertheless, further tightening is on the cards due to the inflationary threats ahead. Crude oil prices are expected to remain at an elevated level because supply disruption due to sanctions on Iran and economic problems in Venezuela are likely to be countered by prospects of slowdown in global growth due to the US-China trade war. Moreover, the recent PKR devaluation is likely to have a lagged effect on inflation in the coming months. Given the outlook on the exchange rate and inflation, further policy rate hike of 50bps is expected in the upcoming monetary policy which is expected in Sept'18.

Despite greater energy availability and improvement in physical infrastructure, economic growth is likely to slow in FY19. The World Bank in its report issued in June commented that Pakistan's growth in FY19 is likely to moderate to 5.0% (against 5.8% estimated for FY18) due to tighter policies to improve macroeconomic stability.

Post elections the weighted average yields for 3M and 6M tenor have remained flat at 7.75% and 7.85%, respectively. Moreover, notably participation has been visible in 3M papers likewise the trend which has been visible for the last few quarters indicating further monetary tightening. The increase in yield (~100bps) across different tenors was recorded pre-elections (recall SBP raised key policy rate by 100bps to 7.5% and DR to 8.0% on 14th July '18 whereas elections took place on 25th July). Aug'18 CPI clocked in at 5.84% YoY while core inflation was at 7.7%, YoY which re-iterates market expectations of future interest rate hikes, thus rates will rise in the upcoming auctions in line with spike in IR.

Income Distribution

The Board of Directors of the Management Company in its meeting held on July 03, 2018, declared a final payout of PKR 5.0027 per unit for the year ended June 30, 2018.



Circumstances Materially Affecting Interests of Unit Holders

PACRA upgraded the Asset manager Rating of Lakson Investments to 'AM2+' during FY18.

The economic instability, escalating current account deficits and oil prices, consistent depleting FX reserves, declining financial aid by US and other friendly countries, higher devaluation of Pak Rupee against US Dollar, going back to IMF program, monetary tightening by central bank and worsening of external relations remains a risk for all business sectors in Pakistan. These risks could push the foreign and local investors to liquidate their investments which may affect the financial market adversely and may affect the Company's profitability as well.

As of June 30, 2018, the LIF has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of PKR 9.39mn. If the same were not made the NAV per unit of the LIF would be higher by PKR 0.2121. If the LIF would not have made the SWWF provisions during FY-18, the year to date annualized return of the LIF for FY18 would be higher by 0.11%.

Other Disclosures

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 29, 2018, the LIF does not employ any leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
1 - 100	7	294
101 - 500	4	1,389
501 - 1,000	4	3,356
1,001 - 5,000	5	16,188
5,001 - 10,000	2	13,051
10,001 - 50,000	12	214,084
50,001 - 100,000	1	83,197
100,001 - 500,000	3	476,947
500,001 - 1,000,000	7	5,184,433
1,000,001 - 5,000,000	10	23,747,931
5,000,001 - above	2	14,559,288
	57	44,300,157



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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S.M.C.H.S., Main Shakra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Lakson Income Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Affab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 19, 2018





INDEPENDENT AUDITOR'S REPORT
Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lakson Income Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund 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

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 year. 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 matters:

S.#	Key audit matters	How the matter was addressed in our audit
1.	<p>Amendment to the NBFC Regulations, 2008</p> <p>The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations).</p> <p>The said notification included a definition and explanation relating to "element of income" and excluded the element of income from the expression "accounting income" as described in Regulation 63 of the Regulations (amount distributable to unit holders) of the NBFC Regulations.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into capital value" and "income already paid on units redeemed". - We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents



S.#	Key audit matters	How the matter was addressed in our audit
	<p>Previously, an equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.</p> <p>As per the revised methodology mentioned in the notification referred above, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund.</p> <p>Furthermore, the amendments also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the said amendments.</p> <p>The above mentioned revision in the treatment of element of income caused a significant change in the financial results of the Fund including substantial changes in disclosures of the Fund's financial statements. (Refer Notes 4.9 and 4.21 to the financial statements of the Fund)</p>	<p>and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</p> <ul style="list-style-type: none"> - We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the amended provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the revised Regulations and assessed its implementation by the Fund. - We evaluated the adequacy of disclosures regarding the change in accounting policy with respect to element of income / loss along with the adequacy of additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.
<p>2.</p>	<p>Existence and valuation of investments</p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2018, the investments held by the Fund comprised of debt instruments which represent around 27% of the total assets of the Fund as at the year end.</p> <p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is one of the main drivers of movements in the performance of the Fund.</p> <p>In view of the significance of these debt instruments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such debt instruments as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of debt instruments. Our key procedures included the following:</p> <ul style="list-style-type: none"> - We tested controls over acquisition, disposals and periodic valuation of debt instruments portfolio. - We performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement, and related reconciliations and re-performance of debt instruments valuations on the basis of prices provided by the Mutual Fund Association of Pakistan (MUFAP). - We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) and constitutive documents in relation to the concentration of debt instruments and



S.#	Key audit matters	How the matter was addressed in our audit
		<p>exposure limits prescribed in such Regulations and the adequacy of disclosures as may be applicable in situations of non-compliance.</p> <ul style="list-style-type: none"> - We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the debt instruments portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of debt instruments are compliant with the relevant accounting standards
3.	<p>Significant expenses of the Fund based on Net Assets Value of the Fund</p> <p>A substantial portion of the expense of the Fund comprise of remuneration to Management Company, Trustee fee and the Securities and Exchange Commission of Pakistan's fee which is determined on the basis of the NAV of the Fund, as disclosed in notes 10, 11 and 12 to the accompanying financial statements for the year ended June 30, 2018.</p> <p>We considered measurement of such expenses as a key audit matter due to their significance in relation to the expenses and the net income of Fund and the daily changes in the NAV which is factored in the expenses computation.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - We tested key controls over the process for the computation of the subject expenses and its interaction with the NAV determined on a daily basis. - We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated NAV reports. - We also checked the appropriateness of the rates and computation basis used by the Fund for the subject expenses in accordance with the terms of the applicable regulations and the Trust Deed / offering document of the Fund. - We also evaluated the disclosures in the financial statements in relation to the aforementioned expenses.

Information other than the financial statements and auditor's report thereon

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance 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 the Management Company and its Board of Directors



The Management Company ("Lakson Investments Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the Management Company 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, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



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

We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

Date: August 15, 2018

Karachi

BDO EBRAHIM & CO.
Chartered Accountants



Statement of Assets and Liabilities
As at 30 June 2018

	Note	2018	2017
		(Rupees)	
ASSETS			
Bank balances	5	3,336,896,309	2,265,077,568
Investments	6	1,255,021,735	1,494,044,252
Receivable from Margin Trading System	7	49,017,877	63,070,755
Mark-up receivable	8	54,374,364	27,097,050
Deposits, prepayments and other receivables	9	36,644,053	75,370,082
TOTAL ASSETS		4,731,954,338	3,924,659,707
LIABILITIES			
Payable to the Management Company	10	25,035,159	23,883,864
Remuneration payable to the Trustee	11	440,234	380,129
Annual fee payable to Securities and Exchange			
Commission of Pakistan	12	3,450,936	2,560,322
Accrued expenses and other liabilities	13	9,778,864	35,580,863
Payable against purchase of investments		-	236,784,730
Payable against redemption of units		-	1,293,408
Dividend payable		-	3,107
TOTAL LIABILITIES		38,705,193	300,486,423
NET ASSETS		4,693,249,145	3,624,173,284
UNIT HOLDERS' FUND (as per statement of movement in unit holders' fund)		4,693,249,145	3,624,173,284
CONTINGENCIES AND COMMITMENTS			
	14		(Number of units)
Number of units in issue	15	44,300,157	35,998,375
			(Rupees)
Net assets value per unit		105.9420	100.6760

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



Income Statement
For the year ended 30 June 2018

	Note	2018	2017
		(Rupees)	
INCOME			
Mark-up income	16	337,304,988	243,766,360
Income from Margin Trading System		2,076,406	18,531,831
Gain / (loss) on sale of held for trading investments - net		1,192,204	(1,718,466)
Unrealised (diminution) / appreciation in the fair value of investments classified as 'held for trading' - net	6.1, 6.2, 6.3, 6.4 & 6.5	(12,138,766)	829,434
Reversal of provision against Workers' Welfare Fund	13.1	-	11,784,214
		<u>328,434,832</u>	<u>273,193,373</u>
EXPENSES			
Remuneration to the Management Company	10.1	69,018,691	51,206,425
Sales tax on remuneration to the Management Company	10.2	8,972,430	6,656,835
Remuneration to the Trustee	11	5,373,677	4,238,082
Annual fee to the Securities and Exchange Commission of Pakistan	12	3,450,935	2,560,321
Auditors' remuneration	17	241,826	261,409
Fees and subscription		458,411	662,374
Legal and professional charges		342,000	-
Printing charges		94,564	76,183
Brokerage expenses		131,678	315,370
Bank, custody and settlement charges		726,099	3,118,931
Sindh Workers' Welfare Fund for prior years	13.1	-	3,990,011
		<u>88,810,311</u>	<u>73,085,941</u>
Net income from operating activities		<u>239,624,521</u>	<u>200,107,432</u>
Element of loss and capital losses included in the prices of units issued prices of units issued less those in units redeemed - net		-	(169,436,920)
Sindh Workers' Welfare Fund for current year		(4,792,490)	(613,410)
Net income for the year before taxation		<u>234,832,031</u>	<u>30,057,102</u>
Taxation	19	-	-
Net income for the year after taxation		<u>234,832,031</u>	<u>30,057,102</u>
Allocation of Net Income for the year			
Net income for the year after taxation		234,832,031	
Less: Income already paid on units redeemed		(76,987,316)	
		<u>157,844,715</u>	
Accounting income available for distribution			
Relating to capital gains		-	
Excluding capital gains		157,844,715	
Accounting income available for distribution		<u>157,844,715</u>	

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



**Statement of Comprehensive Income
For the year ended 30 June 2018**

	2018	2017
	(Rupees)	
Net income for the year after taxation	234,832,031	30,057,102
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>234,832,031</u></u>	<u><u>30,057,102</u></u>

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



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

Chief Executive Officer

Chief Financial Officer

Director



**Statement Of Movement in Unit Holders' Fund
For the year ended June 30, 2018**

	2018		2017		Total
	Capital Value	Undistributed Income	Capital Value	Undistributed Income	
Net assets at beginning of the year	3,599,837,473	24,335,811	2,882,204,173	32,799,545	2,915,003,718
Total proceeds on issuance of 48,040,630 units (2017: 74,700,973 units)	4,992,756,945	-	7,470,097,300	250,023,085	7,720,120,385
Total payments on redemption of 39,738,848 units (2017: 67,524,640 units)	(4,081,525,999)	(76,987,316)	(6,752,464,000)	(419,460,005)	(7,171,924,005)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	-	-	-	-	-
Total comprehensive income for the year	-	234,832,031	-	169,436,920	169,436,920
Distribution during the year	-	(234,832,031)	-	(30,057,102)	(30,057,102)
Net income for the year less distribution	-	234,832,031	-	(38,520,836)	(38,520,836)
Net assets at end of the year	4,511,068,619	182,180,526	3,599,837,473	24,335,811	3,624,173,284
Undistributed income brought forward					
Realised gain	23,506,377			27,390,308	
Unrealised gain	829,434			5,409,237	
	24,335,811			32,799,545	
Accounting (loss) / income available for distribution					
Relating to capital gains	157,844,715				
Excluding capital gains	157,844,715				
Net income for the year after taxation					
Distribution during the year					
Undistributed income carried forward	182,180,526			30,057,102	
Undistributed income carried forward comprises of:					
Realised income	194,319,292			23,506,377	
Unrealised (loss)	(12,138,766)			829,434	
	182,180,526			24,335,811	
					(Rupees)
Net assets value per unit at beginning of the year					101.1380
Net assets value per unit at end of the year					100.6760

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

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

Chief Executive Officer

Chief Financial Officer

Director



Cash Flow Statement
For the year ended 30 June 2018

	2018	2017
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	234,832,031	30,057,102
Adjustments for non-cash charges and other items:		
Unrealised diminution / (appreciation) in the fair value of investments classified as 'held for trading' - net	12,138,766	(829,434)
Element of loss and capital losses included in prices of units issued less those of units redeemed - net	-	169,436,920
	246,970,797	198,664,588
Decrease / (increase) in assets		
Investments - net	226,883,751	(339,549,271)
Loans and receivables	-	(437,857,534)
Receivable against Margin Trading System	14,052,878	(50,028,720)
Mark-up receivable	(27,277,314)	(9,204,850)
Deposits, prepayments and other receivables	38,726,029	(71,159,431)
	252,385,344	(907,799,806)
Increase / (decrease) in liabilities		
Payable to the Management Company	1,151,295	440,468
Payable to the Trustee	60,105	26,271
Annual fee payable to Securities and Exchange Commission of Pakistan	890,614	(216,431)
Accrued expenses and other liabilities	(25,801,999)	8,481,879
Payable against purchase of investments	(236,784,730)	236,784,730
Payable against redemption of units	(1,293,408)	1,293,408
Dividend payable	(3,107)	3,107
	(261,781,230)	246,813,432
Net cash generated from / (used in) operating activities	237,574,911	(462,321,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issue of units	4,992,756,945	7,720,120,385
Cash paid on redemption of units	(4,158,513,115)	(7,171,924,005)
Cash dividend paid	-	(38,520,836)
Net cash generated from financing activities	834,243,830	509,675,544
Net increase in cash and cash equivalents	1,071,818,741	47,353,758
Cash and cash equivalents at the beginning of the year	2,265,077,568	2,217,723,810
Cash and cash equivalents at the end of the year	3,336,896,309	2,265,077,568

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



Notes to the Financial Statements For the year ended 30 June 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

Lakson Income Fund (the "Fund") was established under the Trust Deed executed on August 18, 2009 between the Lakson Investments Limited as its Management Company and the Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a Notified Entity on September 18, 2009 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14-Ali Block, New Garden Town, Lahore.

The Fund is an open end mutual fund and is listed on Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorised as "Income Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and it primarily invests in Government securities, certificates of investment, certificates of deposits, term deposit receipts, commercial papers, reverse repo, preference shares, spread transactions and corporate debt securities, etc. subject to the guidelines issued by SECP from time to time.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

The Pakistan Credit Rating Agency Limited (PACRA) has maintained A+(f) (Fund Stability Rating) to the Fund on May 30, 2018 and also maintained asset manager rating of the Management Company to AM2+ (stable outlook), on December 22, 2017 (June 30, 2017: AM2+ as on May 15, 2017).

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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



2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except certain investments that are stated at fair values.

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

2.3 Functional and presentation currency

These financial statements are prepared in Pakistani Rupees, which is presentation and functional currency of the Fund.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, 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 results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

Classification and valuation of investments

For details please refer notes 4.1 and 23 to these financial statements.

Impairment of investment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria for non performing exposures as per the requirements Circular No. 33 of 2012 dated October 24, 2012.

Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net

For details please refer note 4.9 to these financial statements.

Provision for taxation

For details please refer notes 4.7 and 19 to these financial statements.

Workers' Welfare Fund

For details please refer note 13.1 to these financial statements.



Other assets

Judgment is involved in assessing the realisability of other assets balances.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Amendments that are effective in current year but not relevant to the Fund

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 1, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 1, 2017

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 12	Disclosure of Interests in Other Entities	January 1, 2017
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3.2 Amendments not yet effective

The following amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

	Conceptual framework for Financial reporting 2018-Original Issue	March 2018
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 is applied
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018



		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 1, 2018
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements-Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Applies when IFRS 9 is applied
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018
The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:		
Annual Improvements to IFRSs (2014 – 2016) Cycle:		
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018
Annual Improvements to IFRSs (2015 – 2017) Cycle:		
IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019



3.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 1, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Fund's future financial statements.

The Fund expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

4.1 Investments

4.1.1 All investments are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged to the income statement.

4.1.2 The Fund classifies its investments in the following categories:

a) Financial assets at fair value through profit or loss

This category has two sub-categories, namely; financial instruments classified as held for trading, and those designated at fair value through profit or loss upon initial recognition:

- i) Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- ii) Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented investment strategy.



After initial recognition, above investments are remeasured at fair value determined with reference to the period-end quoted rates. Gains or losses on re-measurement and sale of these investments are recognised in income statement.

b) Available for sale

Investments which do not fall under the above categories and which may be sold in response to the need for liquidity or changes in market rates are classified as available-for-sale. After initial recognition, investments classified as available-for-sale are remeasured at fair value, determined with reference to the year-end quoted rates. Gains or losses on remeasurement of these investments are recognised in the unit holders' funds through other comprehensive income until the investment is sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in unit holders' funds is included in income.

c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses on these instruments are also recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

4.1.3 Basis of valuation of investments

Fair value of the investments in Government Securities comprising Treasury Bills and Pakistan Investment Bonds are determined by reference to the quotations obtained from the PKRV rate notified by the Mutual Fund Association of Pakistan (MUFAP) as of the period end.

The fair value of term finance certificates is determined on the basis of rates notified by the Mutual Funds Association of Pakistan (MUFAP) as at the period end.

All regular way purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investments.

Income accrued on Market Treasury Bills are included in the carrying value of investments.

4.2 Receivable against Margin Trading System (MTS)

Securities purchased under Margin Trading System are entered into contracted rates for specified rates for specified period of time. Amount paid under these agreements are recognised as receivable in respect of MTS. Cash releases are adjusted against the receivable as reduction in the amount of receivable. The maximum maturity of a MTS contract is 60 days out of which 25% exposure will be automatically released at expiry of every 15th day from the date of contract.

4.3 Securities under resale / repurchase agreements

Transactions of purchase under resale (reverse-repo) of marketable and Government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.



4.4 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

4.5 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received (however units are issued on realisation of cheques). The offer price represents the net assets value of units at end of the day plus the allowable sales load (if any).

Units are redeemed at the redemption price prevalent on the day on which the applications for the redemption of units are received. The redemption price represents the net assets value at end of the day.

4.6 Net assets value per unit

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

4.7 Taxation

The Fund is exempt from taxation on income under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its income excluding realised and unrealised capital gain for the year is distributed amongst the unit holders.

4.8 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as held for trading are included in the income statement in the period in which they arise.
- Interest income on Government Securities, reverse repurchase arrangements, margin trading system, certificates of investment, certificates of deposits, term deposit receipts, commercial paper, placements, bank deposits and investment in other debt securities are recognised in the income statement at rate of return implicit in the instrument on a time proportionate basis.

4.9 Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. The income already paid on redemption of units during the year are taken separately in statement of movement in unitholders' fund.



4.10 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Fund loses control of the contractual rights that comprises that financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. The particular recognition method adopted for measurement of financial liabilities investments subsequent to initial recognition is disclosed in the individual policy statement associated with each item.

4.11 Offsetting of financial assets and financial liabilities

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

4.12 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

Provision for diminution in the value of debt securities is made as per the requirements of Circular No. 33 of 2012 dated October 24, 2012 (which is essentially the same as contained in Circular No. 1 of 2009 previously issued by the SECP) and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular.

In case of impairment of other available-for-sale investments, the cumulative loss that has been recognised directly in statement of comprehensive income is taken to the income statement.

Other individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in income statement.

4.13 Derecognition

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

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

4.14 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.



4.15 Provisions

A provision is recognised in the balance sheet when the Fund has a present legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.16 Cash and cash equivalents

Cash and cash equivalent comprise of bank balances including term deposits with banks (that are readily convertible to known amount of cash) are subject to an insignificant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

4.17 Cash and bank balances

Cash and bank balances are carried at nominal value, except the foreign currency account balances which are translated into rupees at the rates of exchange approximating those prevailing at the balance sheet date.

4.18 Dividend (including bonus units)

Dividend (including bonus units) declared subsequent to the balance sheet date are recorded in the period in which they are approved.

4.19 Transactions with related parties / connected persons

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

4.20 Other assets

Other assets are stated at cost less impairment losses, if any.

4.21 Change in accounting policy

Up to June 30, 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement on a net basis.

Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 03, 2017 has made certain amendments in NBFC Regulations. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.



The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. MUFAP, in consultation with the SECP, has specified a methodology for the determination of income paid on units redeemed (income already paid) under which such income is paid on gross element receipt basis and is calculated from the latest date at which the Fund achieved net profitability during the year.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 01, 2017 as clarified by SECP vide its email dated February 07, 2018. Accordingly, corresponding figures have not been restated. Had the element of income been recognized as per the previous accounting policy, the income of the Fund would have been higher by Rs. 3.984 million in respect of element of income and consequently NAV per unit would have been lower by Re 0.0018.

	Note	2018 (Rupees)	2017
5	BANK BALANCES		
	Cash at bank in :		
	Local currency		
	In profit and loss sharing accounts	5.1 3,336,888,767	1,965,062,203
	In current accounts	7,542	15,365
	Term Deposit Receipts	-	300,000,000
		<u>3,336,896,309</u>	<u>2,265,077,568</u>
5.1	These represents profit and loss account maintained with banks carrying profit rates ranging from 3.75% to 7.30% (2017: 3.75% to 6.70%) per annum.		
6	INVESTMENTS		
	At fair value through profit or loss - held for trading		
	Government Securities		
	Market Treasury Bills	6.1 49,708,000	99,575,000
	Pakistan Investment Bonds - Fixed Rate	6.2 -	-
	Pakistan Investment Bonds - Floating Rate	6.3 124,475,000	
	Term Finance Certificates - Listed	6.4 138,987,304	141,649,221
	Term Finance Certificates - Unlisted	6.5 146,648,318	106,837,252
	Sukuk Certificates- Listed	6.6 225,738,418	121,953,960
	Spread transaction		
	Listed Equity Securities	6.7 -	232,868,190
	Derivative financial instrument	6.8 -	3,303,095
	Pre IPO Subscription	-	80,000,000
		<u>685,557,040</u>	<u>786,186,718</u>
	Loans and receivables		
	Term deposit receipts	6.9 500,000,000	707,857,534
	Commercial Paper	6.10 69,464,695	-
		569,464,695	707,857,534
		<u>1,255,021,735</u>	<u>1,494,044,252</u>



6.1 Market Treasury Bills

Note	Number of treasury bills				Balance as at June 30, 2018			Market value as a percentage of net assets of the fund	Market value as a percentage of total investments	
	Number of holdings at the beginning of the year	Acquired during the year	Disposed/ matured during the year	Number of holdings at the end of the year	Carrying value	Market value	Unrealized appreciation / (diminution)			
Treasury Bills - 3 months (face value of Rs. 100,000 each)	6.1.1	1,000	9,750	10,250	500	49,717,181	49,708,000	(9,181)	1.06%	7.25%
Total as at June 30, 2018						49,717,181	49,708,000	(9,181)	1.06%	7.25%
Total as at June 30, 2017						99,579,393	99,575,000	(4,393)	2.75%	12.67%

6.1.1 This represents investments in 3 month Government Market Treasury Bills carrying effective yield at a rate of 6.50% (June 30, 2017: 5.98%) per annum and having maturity on August 02, 2018. The face value of Market Treasury Bills is Rs.50 million (June 30, 2017: Rs. 100 million). Market Treasury Bills having face value of Rs. 25 million are pledged with National Clearing Company of Pakistan.

6.2 Pakistan Investment Bonds - Fixed Rate

Note	Number of Pakistan Investment Bonds				Balance as at June 30, 2018			Market value as a percentage of net assets of the fund	Market value as a percentage of total investments
	Number of holdings at the beginning of the year	Acquired during the year	Disposed/ matured during the year	Number of holdings at the end of the year	Carrying value	Market value	Unrealized appreciation / (diminution)		
5 years Pakistan Investment Bond (face value of Rs. 100,000 each)		7,100	7,100						
Total as at June 30, 2018									
Total as at June 30, 2017									

6.3 Pakistan Investment Bonds - Floating Rate

Note	Number of Pakistan Investment Bonds				Balance as at June 30, 2018			Market value as a percentage of net assets of the fund	Market value as a percentage of total investments
	Number of holdings at the beginning of the year	Acquired during the year	Disposed/ matured during the year	Number of holdings at the end of the year	Carrying value	Market value	Unrealized appreciation / (diminution)		
5 years Pakistan Investment Bond (face value of Rs. 100,000 each)	6.3.1	1,250		1,250	125,000,000	124,475,000	(525,000)	2.65%	18.16%
Total as at June 30, 2018					125,000,000	124,475,000	(525,000)	2.65%	18.16%
Total as at June 30, 2017									

6.3.1 This represent the Pakistan Investment Bond (PIB) with floating rate coupon carry a rate of 6.85% (June 30, 2017: Nil) per annum and having maturity on May 31, 2028. The coupon will be paid and reset semi-annually. The face value of PIB - Floating rate is Rs. 125 million (June 2017: Nil)

6.4 Held for trading investments - Term Finance Certificates (listed debt securities)

Name of Security	Note	Number of term finance certificates				Balance as at June 30, 2018			Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
		Number of holdings at the beginning of the year	Acquired during the year	Disposed/ matured during the year	Number of holdings at the end of the year	Carrying Value	Market value	Unrealized diminution			
Commercial Banks											
Bank Alfalah Limited - V (face value of Rs. 5,000 each)	6.4.1	12,950	-	-	12,950	66,465,896	64,984,054	(1,481,842)	1.38%	9.48%	1.30%
HBL Tier-II TFCs 10 years (face value of Rs. 100,000 each)	6.4.2	750	-	-	750	75,127,425	74,003,250	(1,124,175)	1.58%	10.79%	0.75%
Total as at June 30, 2018						141,593,321	138,987,304	(2,606,017)	2.96%	20.27%	2.05%
Total as at June 30, 2017						140,942,891	141,649,221	706,330	3.91%	18.02%	2.05%

6.4.1 These represent listed term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Interbank Offer Rate (KIBOR) per annum plus margin of 1.25% receivable semi-annually in arrears with no floor or cap and will mature in February 2021. The principal repayment for all the units shall be Rs. 12,950 per six months, except in case of the last six monthly installment, where it shall be Rs. 64.556 million. These term finance certificates are unsecured. The rating of the instrument is AA.

6.4.2 These represent listed term finance certificates and carry a rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 0.50%. These term finance certificates are unsecured and the rating of the instrument is AA+.



6.5 Held for trading investments - Term Finance Certificates (un-listed debt securities)

Name of Security	Note	Number of term finance certificates				Balance as at June 30, 2018			Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
		Number of holdings at beginning of the year	Acquired during the year	Disposed / matured during the year	Number of holdings at the end of the year	Carrying Value	Market value	Unrealized diminution			
(Rupees)											
Microfinance Bank											
NRSP Microfinance Bank PPTFC (face value of Rs. 5,000 each)	6.5.1	20,000	-	20,000	-	-	-	-	-	-	
Commercial Bank											
Askari Bank Limited - IV 10 years privately placed (face value of Rs. 1,000,000 each)	6.5.2	56	-	56	-	-	-	-	-	-	
Silk Bank Limited PPTFC - 08 years (face value of Rs. 5,000 each)	6.5.3	-	16,000	-	16,000	79,991,824	70,753,868	(9,237,956)	1.51%	10.32%	
Investment Company											
Jahangir Siddiqui Company Limited PPTFC (face value of Rs. 5,000 each)	6.5.4	-	15,000	-	15,000	75,000,000	75,894,450	894,450	1.62%	11.07%	
Total as at June 30, 2018						154,991,824	146,648,318	(8,343,506)	3.12%	21.39%	
Total as at June 30, 2017						106,640,018	106,837,252	197,234	2.95%	13.59%	

6.5.1 This represent unlisted term finance certificates and carry rate of mark-up equal to the base rate of 3 months Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 2.35% receivable quarterly in arrears with no floor or cap and have matured in June 30, 2018. The principal amount was redeemable at Rs. 12.5 million on 08 equal quarterly installments. These term finance certificates were secured. The rating of the instrument was A.

6.5.2 These represented unlisted term finance certificates and carried a rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum (plus margin of 1.75% for the first five periods and 2.20% for the remaining period) receivable semi-annually in arrears with no floor or cap and will mature in December 2021. The principal shall be redeemed by Rs. 200 per six months in the first 96 months and the balance shall be redeemed in four equal semi annually installments. These term finance certificates are unsecured. The rating of the instrument is AA-.

6.5.3 This represents unlisted term finance certificates issued by Silk Bank Limited. Total size of the issue is Rs. 2,000 million and the term of the TFCs is eight years commencing from the date of issue of TFCs which was August 2017 and ending on August 2025. Profit on the instrument shall be payable semi-annually in arrears on the outstanding balance and the first such profit payment shall fall due 6 months from the issue date and subsequently every six months thereafter. Profit rate shall be the average six months KIBOR + 1.85% per annum. The instrument will be structured to redeem 0.14% of the issue amount during the first 7 years and remaining 99.86% in the last two semi annual instalments of 49.93% each. The instrument is unsecured and subordinated to all other indebtedness of the Bank. The rating of the instrument is A-.

6.5.4 This represent unlisted term finance certificates and carry rate of mark-up equal to the base rate of 6 months Karachi Inter Bank Offer Rate (KIBOR) per annum (plus margin of 1.40%) receivable semi-annually in arrears with no floor or cap and will mature in July 2022. The principal shall be redeemed in 8 equal semi annually installments. These term finance certificates are secured. The rating of the instrument is AA+.



6.6 Sukuk Certificates- Listed

Name of Security	Note	Number of sukuk certificates				Balance as at June 30, 2018			Market value as percentage of net assets of the Fund	Market value as percentage of total investment	Face value as percentage of size of the issue
		Number of holdings at beginning of the year	Acquired during the year	Disposed / matured during the year	Number of holdings at the end of the year	Carrying Value	Market value	Unrealized appreciation			
Investment Company											
Dawood Hercules Corporation Limited - 05 Years (Face value of 100,000 each)	6.6.1	-	420	-	420	42,000,000	42,084,000	84,000	0.90%	6.14%	0.70%
Dawood Hercules Corporation Limited - 05 Years (Face value of 100,000 each)	6.6.2	-	1,430	-	1,430	143,000,000	143,092,378	92,378	3.05%	20.87%	2.38%
K-Electric- Sukuk Certificates - 5 Years (face value of Rs. 5,000 each)	6.6.3	8,000	-	-	8,000	41,393,480	40,562,040	(831,440)	0.86%	5.92%	0.67%
Pak Elektron Limited - Sukuk Certificates - (face value of Rs. 1,000,000 each)	6.6.4	-	80	80	-	-	-	-	-	-	-
Total as at June 30, 2018						226,393,480	225,738,418	(655,062)	4.81%	32.93%	3.75%
Total as at June 30, 2017						121,792,360	121,953,960	161,600	3.37%	15.51%	8.13%

- 6.6.1 This represent sukuk certificates having face value of Rs. 100,000 each issued by Dawood Hercules Corporation Limited having issue size of Rs. 5,200 million and tenor of 05 years which is from November 2017 to November 2022. The profit rate shall be paid on quarterly basis and carry rate of profit equal to the base rate of 3 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 1.00% per annum. Principal amount shall be redeemed in 08 equal semi-annual installments starting from 18th month from the issue date. The rating of the instrument is AA.
- 6.6.2 This represent sukuk certificates having face value of Rs. 100,000 each issued by Dawood Hercules Corporation Limited having issue size of Rs. 6,000 million and tenor of 05 years which is from February 2018 to February 2023. The profit rate shall be paid on quarterly basis and carry rate of profit equal to the base rate of 3 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 1.00% per annum. Principal amount shall be redeemed in 08 equal semi-annual installments starting from 18th month from the issue date. The rating of the instrument is AA.
- 6.6.3 These represent Sukuk certificates having face value of Rs. 5,000 each and carry a rate of profit equal to the base rate of 3 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 2.75%. These sukuk certificates will mature on March 2019. The rating of the instrument is AA.
- 6.6.4 These represent sukuk certificates having face value of Rs. 1,000,000 each and carry rate of profit equal to the base rate of 3 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 2.50%. These sukuk certificates were matured on November 25, 2017. The rating of the instrument is A+.

*The term "listed" indicated in note 6.4 and 6.6 refer to listing in the stock exchange. However, their rates are quoted by MUFAP.



6.7 Listed Equity Securities (Spread Transactions)

Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Sector / Companies	Number of Shares						Market Value (Rupees)				Market Value (%)	
	Number of holdings at the beginning of the year	Acquired during the year	Bonus shares / letter of right received during the year	Disposed during the year	Number of holdings at the end of the year	Carrying value	Unrealised gain / (loss)	Market value as percentage of total investments	Market value as percentage of net assets	Par value of shares as a percentage of total paid up capital of the investee company		
Commercial Banks												
Bank Alfalah Limited	555,500	805,500	-	1,361,000	-	-	-	-	-	-	-	-
Cement												
D.G. Khan Cement Limited	48,500	-	-	48,500	-	-	-	-	-	-	-	-
Power Generation & Distribution												
The Hub Power Company Limited	200,000	-	-	200,000	-	-	-	-	-	-	-	-
Oil and Gas Marketing Companies												
Pakistan State Oil Company Limited	60,000	-	-	60,000	-	-	-	-	-	-	-	-
Oil and Gas Exploration Companies												
Oil & Gas Development Company Limited	200,000	202,000	-	402,000	-	-	-	-	-	-	-	-
Engineering												
International Steels Limited	85,000	-	-	85,000	-	-	-	-	-	-	-	-
Cable and Electrical Goods												
Pak Elektron Limited	299,000	213,000	-	512,000	-	-	-	-	-	-	-	-
Fertilizers												
Engro Corporation Limited	250,000	-	-	250,000	-	-	-	-	-	-	-	-
Technology and Communication												
TRE Pakistan Limited	-	441,000	-	441,000	-	-	-	-	-	-	-	-
Total as at June 30, 2018												
Total as at June 30, 2017						236,402,622	(3,534,432)	29.62%	232,868,190	6.43%	0.22%	



- 6.8 The corresponding figure represents the unrealized gain on remeasurement of future contracts recognised as derivative financial instrument.
- 6.9 This represents term deposits receipts which carries profit rate ranging from 7.75% to 9.50% (June 30, 2017: 6.80% to 11.49%) per annum and having maturity from August 31, 2018 to September 28, 2018.
- 6.10 This represents commercial papers of Crescent Steel and Allied Products Limited carrying mark up rate of 7.50% (June 30, 2017: Nil) per annum and having maturity on August 10, 2018. The placement amounts of commercial papers are Rs. 156.72 million (June 30, 2017: Nil). The rating of the instruments is A-2.

7 RECEIVABLE AGAINST MARGIN TRADING SYSTEM

This represent the amount receivable against margin trading system and carries average rate of 11.59% (2017: 8.75%) and are matured at the option of financier / finance subject to maximum period of 60 days.

	2018	2017
	(Rupees)	
8 MARK-UP RECEIVABLE		
Considered good		
Mark-up / return receivable on :		
Term Deposit Receipts	5,328,765	5,861,099
Profit and loss sharing bank balances	37,770,332	15,891,887
Term Finance Certificates	9,077,965	3,642,400
Government securities - Pakistan		
Investment Bonds	725,581	-
Sukuk certificates	1,435,762	816,087
Margin Trading System	35,959	885,577
	<u>54,374,364</u>	<u>27,097,050</u>

9 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits

Central Depository Company of Pakistan Limited	100,000	100,000
National Clearing Company of Pakistan Limited	2,750,000	2,750,000
	<u>2,850,000</u>	<u>2,850,000</u>

Prepayments

Credit rating fee	-	120,911
National Clearing Company of Pakistan Limited - annual fee	63,014	63,014
	<u>63,014</u>	<u>183,925</u>

Receivables

Against Margin Trading System	1,069,800	7,637,054
Advance Tax	285,452	-
Principal Redemption of NRSP TFC	12,500,000	-
NCCPL Margin - Ready Market	19,000,000	35,800,000
NCCPL Margin - Future Market	875,787	28,899,103
	<u>33,731,039</u>	<u>72,336,157</u>
	<u>36,644,053</u>	<u>75,370,082</u>



	Note	2018	2017	
		(Rupees)		
10	PAYABLE TO THE MANAGEMENT COMPANY			
	Remuneration payable to the Management Company	10.1	5,743,186	4,724,340
	Sindh Sales Tax on remuneration to Management Company	10.2	3,114,898	2,982,449
	Federal Excise Duty on remuneration to Management Company	10.3	16,177,075	16,177,075
			<u>25,035,159</u>	<u>23,883,864</u>
10.1	The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding 1.5% per annum of the average daily net assets of the Fund. Currently, the remuneration of the Management Company has been charged at the rate of 1.5% of the average daily net assets of the Fund. The remuneration is paid to the Management Company monthly in arrears.			
10.2	The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on Management Company's remuneration. Above liability includes Rs. 2,368,285 (June 30, 2017: Rs. 2,368,285) accrued on Federal Excise Duty (FED) charged on the management remuneration as more fully explained in note 10.3 below. Had the provision relating to FED not been made, net asset value per unit of the Fund as at June 30, 2018 would have been higher by Re. 0.0535 (June 30, 2017: Re. 0.0658) per unit.			
10.3	As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the High Court of Sindh (SHC) on September 4, 2013.			
	While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 16, 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.			
	Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.			
	However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from June 13, 2013 to June 30, 2016 aggregating to Rs. 16.177 million. Had the provision not been made, net assets value per unit of the Fund as at June 30, 2018 would have been higher by Re. 0.37 (June 30, 2017: Re. 0.45) per unit.			
11	REMUNERATION PAYABLE TO THE TRUSTEE			
	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed.			
	Net assets up to Rs. 1 billion			



0.17% per annum of the daily average net assets of the Fund.

Net assets ranging between Rs. 1 billion to Rs. 5 billion

Rs. 1.70 million plus 0.085% per annum of the daily average net assets of the Fund exceeding Rs. 1 billion.

Exceeding Rs. 5 billion

Rs. 5.1 million plus 0.07% per annum of the daily average net assets of the Fund exceeding Rs. 5 billion.

12 ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, whereby the Fund is required to pay annual fee to SECP at the rate of 0.075% of the average daily net assets of the Fund.

		2018	2017
		(Rupees)	
13	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Auditors' remuneration	163,860	159,635
	Payable to Sindh Workers' Welfare Fund 13.1	9,395,911	4,603,421
	Brokerage payable	26,480	35,054
	NCCPL payable	34,875	18,975
	Printing and stationery payable	20,550	20,552
	Withholding tax payable	66,323	62,759
	Withholding tax on dividend payable	-	3,902,489
	CGT payable	-	26,654,199
	Others	70,865	123,779
		<u>9,778,864</u>	<u>35,580,863</u>

13.1 Payable to Sindh Workers' Welfare Fund

Provision for Sindh Workers' Welfare Fund is being made on a daily basis going forward pursuant to MUFAP's recommendation to all its members on January 12, 2017 against the backdrop of the Sindh Revenue Board (SRB) letter to mutual funds in January 2016 whereby SRB directed the mutual funds to register and pay Sindh Workers' Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. This is on the premise that mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001 hence WWF is payable by them. Though MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs /mutual funds excluded from the applicability of SWWF, but as a matter of abundant caution management has recorded SWWF with effect from the date of the applicability of the SWWF Act, 2014 (i.e. with effect from July 01, 2014).

Total provision for SWWF as of June 30, 2018 amounted to Rs. 9.396 million. Had the provision not been made the net assets value per unit of the Fund as at June 30, 2018 would have been higher by Re. 0.2121 per unit (2017: Re. 0.1279 per unit)

Furthermore on November 10, 2016, Honourable Supreme Court of Pakistan (SCP) passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have



been struck down by the SCP. The Federal Board of Revenue has filed a petition with the SCP against the said judgment, which is pending hearing. While the petitions filed by the Collective Investment Schemes (CISs) on the matter are still pending before the High Court of Sindh (SHC), the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) have taken legal and tax opinions on the impact of the SCP's judgement on the CISs petition before the SHC. Both the legal and tax advisors consulted were of the view that the SCP's judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed off in light of the earlier judgement of the SCP.

Pursuant to above MUFAP recommended that the entire provision of Rs. 11.784 million against WWF held by the CISs till June 30, 2015, was reversed on January 12, 2017.

14 CONTINGENCIES AND COMMITMENTS**14.1 Contingencies**

There were no contingencies as at June 30, 2018 (2017: nil).

14.2 Commitments

	2018	2017
	(Rupees)	
Margin trading system transactions entered into by the Fund in respect of which purchase transactions have not been settled	<u>3,078,037</u>	<u>-</u>
Margin trading system transactions entered into by the Fund in respect of which release transactions have not been settled	<u>4,379,328</u>	<u>9,512,814</u>
Sale of future stock contracts	<u>-</u>	<u>237,926,185</u>

15 NUMBER OF UNITS IN ISSUE

	(Number of Units)	
Total units in issue at beginning of the year	35,998,375	28,822,042
Sales during the year	48,040,630	74,700,973
Redemption during the year	<u>(39,738,848)</u>	<u>(67,524,640)</u>
Total units in issue at the end of the year	<u>44,300,157</u>	<u>35,998,375</u>

Face value of the unit is Rs. 100 each.

16 MARK-UP INCOME

Mark-up / return on financial assets comprises of:

Certificate of investments	-	4,786,849
Term deposits receipts with banks	53,783,197	63,142,185
Profit and loss sharing account	230,530,540	134,096,812
Market Treasury Bills	2,677,182	2,507,624
Pakistan Investment Bonds	950,792	8,991,783
Term finance certificates	28,906,798	20,891,430
Sukuk certificates	11,916,795	9,349,677
Income on NCCPL Exposure Deposit	659,806	-
Commercial Paper	7,879,878	-
	<u>337,304,988</u>	<u>243,766,360</u>



	2018	2017
	(Rupees)	
17 AUDITORS' REMUNERATION		
Annual audit fee	116,760	116,760
Fee for review of half yearly financial statements	81,000	81,000
Fee for review of statement of compliance with the best practices of Code of Corporate Governance	-	26,250
Other services	15,750	15,750
Out of pocket expenses	28,316	21,649
	<u>241,826</u>	<u>261,409</u>

18 INTERIM DISTRIBUTIONS DURING THE YEAR

Date of distributions	For the year ended June 30, 2018	
	Distribution Rs. per unit	Cash (Rupees)
	-	-
		<u>-</u>
		<u>-</u>
		<u>-</u>
Date of distributions	For the year ended June 30, 2017	
	Distribution Rs. per unit	Cash (Rupees)
June 22, 2017	7.4452	38,520,836
		<u>38,520,836</u>

19 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 amongst 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. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 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 provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute at least 90% of the income earned during the year by the Fund to the unit holders.

20 TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, SIZA Services (Private) Limited being the holding company of the Management Company, associated companies of the Management Company, key management personnel, other funds being managed by the Management Company and unit holders holding more than 10% in the units of the Funds as at the balance sheet.



Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively. Other transactions are in normal course of business, at contracted rates and terms determined in accordance with the market rates.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

		2018	2017
		(Rupees)	
20.1	Balance as at year end		
	Lakson Investments Limited - Management Company		
	Remuneration payable 10.1	<u>5,743,186</u>	<u>4,724,340</u>
	Sindh Sales Tax and Federal Excise Duty on Remuneration to Management Company 10.2 & 10.3	<u>19,291,973</u>	<u>19,159,524</u>
	Central Depository Company of Pakistan Limited - Trustee		
	Remuneration payable	<u>440,234</u>	<u>380,129</u>
	Security deposit	<u>100,000</u>	<u>100,000</u>

20.2 Unit Holders' Fund

	Year ended June 30, 2018									
	Number of Units					Rupees				
	Number of Units as at July 01, 2017	Units issued during the year	Bonus units issued during the period	Units redeemed during the year	Number of units as at June 30, 2018	Balance as at July 01, 2017	Units issued during the year	Bonus units issued during the period	Units redeemed during the year	Balance as at June 30, 2018 (Investment at current NAV)
Lakson Investments Limited - Management Company	1,103,683	1,089,735	-	1,103,681	1,089,737	111,114,360	115,431,832	-	116,909,110	115,448,674
Directors, Chief Executive and their spouse and minors	3,371,871	1,980,143	-	21,621	5,330,393	339,466,528	200,000,000	-	2,227,337	564,712,495
Associated companies / undertakings of the Management Company										
SIZA (Private) Limited	1,059,782	-	-	-	1,059,782	106,694,615	-	-	-	112,275,427
Premier Fashions (Private) Limited	637,527	187	-	-	637,714	64,183,665	19,180	-	-	67,560,654
Alan (Private) Limited	20,460	-	-	-	20,460	2,059,794	-	-	-	2,167,535
Colgate Palmolive (Pakistan) Limited	9,943,076	28,625,634	-	29,126,704	9,442,006	1,001,029,089	3,000,000,000	-	3,051,203,357	1,000,304,957
Haasali & Gulbano Lakhani Foundation	-	852,493	-	320,484	532,009	-	88,597,000	-	32,321,085	56,362,112
SIZA Services (Private) Limited	3,671,449	-	-	669,150	3,002,299	369,626,789	-	-	70,000,000	318,069,599
Sylbrid (Private) Limited	298,266	825,424	-	285,852	837,838	30,028,246	85,000,000	-	30,000,000	88,762,309
Lakson Business Solution Limited-ECFFT	-	4,091	-	-	4,091	-	433,337	-	-	433,400
*Gul Ahmed Energy Limited (10% or more holding)	-	7,628,587	-	4,011,954	5,117,282	-	784,800,000	-	421,178,838	542,135,090

*Holding increased above 10% due to investment of Unit holder / divestment from other Unit holders.



	Year ended June 30, 2017						Balance as at June 30, 2017 (Investment at current NAV)		
	Number of Units			Rupees					
	Number of Units as at July 01, 2016	Units issued during the year	Units redeemed during the year	Number of units as at June 30, 2017	Balance as at July 01, 2016	Units issued during the year	Bonus units issued during the year	Units redeemed during the year	
Lakson Investments Limited - Management Company	909,416	1,249,449	-	1,103,683	91,976,515	126,000,000	-	112,829,368	111,114,360
Directors, Chief Executive and their spouse and minors	3,160,993	210,878	-	3,371,871	319,696,510	21,180,777	-	-	339,466,528
Associated companies / undertakings of the Management Company									
SIZA (Private) Limited	-	2,253,382	-	1,193,600	1,059,782	231,584,927	-	127,039,479	106,694,615
Premier Fashions (Private) Limited	-	1,309,309	-	671,782	637,526.96	133,117,681	-	71,756,120	64,183,665
SIZA Commodities (Private) Limited	-	1,706,354	-	1,706,354	-	177,300,000	-	181,868,012	-
Alan (Private) Limited	22,457	20,459	-	22,456	20,460	2,057,641	-	2,385,697	2,059,794
Colgate Palmolive (Pakistan) Limited	3,954,992	18,577,896	-	12,589,812	9,943,076	399,999,981	1,900,000,000	1,344,580,800	1,001,029,089
Hasanali & Gulbano Lakhani Foundation	80,504	143,712	-	224,216	8,142,014	15,286,394	-	23,431,487	-
SIZA Services Private Limited	-	7,247,587	-	3,576,138	3,671,449	745,805,084	-	382,386,647	369,626,789
Sybird Private Limited	-	748,507	-	450,241	298,266	77,500,000	-	48,141,955	30,028,246
Lakson Power Limited	-	4,047	-	4,047	-	432,690	-	432,565	-
Others - Connected Person due to holding more than 10% of outstanding units	*13,627,831	-	-	3,111,829	*1,378,291,595	-	-	418,617,610	-
	*6,719,648	-	-	-	*679,611,759	-	-	-	-

* Holding reduced to below 10% due to divestment of Unit holder(s) / investment from other Unit holders.



	Note	2018 (Rupees)	2017
20.3 Transactions during the year			
Lakson Investments Limited - Management Company of the Fund			
Remuneration to the Management Company		<u>69,018,691</u>	<u>51,206,425</u>
Sindh Sales Tax on remuneration to Management Company	10.2	<u>8,972,430</u>	<u>6,656,835</u>
Central Depository Company of Pakistan Limited- Trustee of the Fund			
Remuneration to the Trustee	11	<u>5,373,677</u>	<u>4,238,082</u>
Settlement charges		<u>75,086</u>	<u>49,582</u>

21 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This disclosure presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

21.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from debt securities held, bank balances and mark-up / return receivable, etc.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:



- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analysing credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with minimum long term credit rating of A+.

Exposure to credit risk

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk at year end was as follows:

	Note	June 30, 2018		June 30, 2017	
		Statement of Assets and Liabilities	Maximum exposure	Statement of Assets and Liabilities	Maximum exposure
		----- (Rupees) -----		----- (Rupees) -----	
Bank balances including profit receivables	5	3,374,666,641	3,374,666,641	2,280,969,455	2,280,969,455
Investments including profit receivables	6	1,271,589,808	1,096,681,227	1,504,363,838	1,404,788,838
Margin Trading System including profit receivables	7	49,053,836	49,053,836	63,956,332	63,956,332
Deposits and other receivables	9	36,295,587	36,295,587	75,186,157	75,186,157
		<u>4,731,605,872</u>	<u>4,556,697,291</u>	<u>3,924,475,782</u>	<u>3,824,900,782</u>

Difference in the balances as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investments [including mark-up thereon Rs. 0.726 million (2017: nil)] of Rs. 174.908 million (2017: Rs. 99.575 million) relates to investments in Government Securities which are not considered to carry credit risk.

Past due / impaired assets

None of the financial assets of the Fund are past due or impaired as at year end.

Credit ratings and Collaterals

Credit risk arising on debt securities is mitigated by investing primarily in investment-grade rated instruments. In case of debt securities the minimum rating of the instrument has to be A- while the entity's rating has to be BBB+. Further credit risk arising from bank balances is mitigated through deposits held with banks which are rated BBB+ or above. The Fund is required to follow the guidelines / restrictions imposed in its offering document and the SECP in respect of the minimum ratings prior to any investment.

Details of the credit ratings of investments in debt securities (other than Government securities) and bank balances including term deposits receipts as at year end are as follows:



Ratings	June 30, 2018		June 30, 2017	
	Debt securities (including profit due) % of balance (Instrument rating)	Bank balances (including profit due) % of balance (Entity's rating)	Debt securities (including profit due) % of balance (Instrument rating)	Bank balances (including profit due) % of balance (Entity's rating)
AAA		6.20	18.77	1.63
AA+	29.31	0.94	-	18.15
AA	56.85	0.00	10.34	0.02
AA-	-	6.00	30.78	57.34
A+	-	19.48	20.12	0.00
A-	13.84	66.94	19.98	-
A		0.45	-	22.85
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Above ratings are assigned by PACRA and JCR-VIS. The investments in debt securities and bank balances are unsecured.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 3.70% (2017: 2.54%) of the Fund's financial assets are in Government securities which are not exposed to the credit risk, while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	June 30, 2018		June 30, 2017	
	(Rupees)	(%)	(Rupees)	(%)
Commercial banks	2,911,997,079	63.91	2,372,769,935	62.03
Microfinance Banks	1,196,457,432	26.26	976,332,195	25.53
Electricity	40,961,336	0.90	65,962,390	1.72
Miscellaneous	334,432,021	7.34	270,693,773	7.08
Central Depository Company of Pakistan Limited	100,000	0.00	100,000	0.00
National Clearing Company of Pakistan Limited	72,749,423	1.60	139,042,489	3.64
	<u>4,556,697,291</u>	<u>100</u>	<u>3,824,900,782</u>	<u>100</u>

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.



21.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable debt securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, during the year no such option was exercised or considered necessary.

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date and represents the undiscounted cash flows.

	June 30, 2018		
	Less than 3 months	3 to 12 months	Total
	----- (Rupees) -----		
Non-derivative liabilities			
Payable to the Management Company	25,035,159	-	25,035,159
Remuneration payable to the Trustee	440,234	-	440,234
Accrued expenses and other liabilities	316,630	-	316,630
	<u>25,792,023</u>	<u>-</u>	<u>25,792,023</u>
Unit holders' fund*	<u>4,693,249,145</u>		<u>4,693,249,145</u>



	June 30, 2017		
	Less than 3 months	3 to 12 months	Total
----- (Rupees) -----			
Non-derivative liabilities			
Payable to the Management Company	23,883,864	-	23,883,864
Remuneration payable to the Trustee	380,129	-	380,129
Accrued expenses and other liabilities	357,995	-	357,995
Payable against purchase of investments	236,784,730	-	236,784,730
Payable against redemption of units	1,293,408	-	1,293,408
Dividend payable	3,107	-	3,107
	<u>262,703,233</u>	<u>-</u>	<u>262,703,233</u>
Unit holders' fund*	<u>3,624,173,284</u>	<u>-</u>	<u>3,624,173,284</u>

Above financial liabilities do not carry any mark-up.

21.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will effect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

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

21.3.1 Interest rate risk

21.3.1.1 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the Funds interest rate exposure arises on investment in Government securities, debt securities, term deposit receipts with banks and bank balances in profit and loss sharing account. Currently majority of the Fund's investment carry fixed interest rates, except for certain debt securities. The Management Company monitors the interest rate environment on a regular basis and may change the mix of its portfolio to enhance the earning potential of the Fund subject to the above defined guidelines. Other risk management procedures are the same as those mentioned in the credit risk management.



21.3.1.2 Details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

		2018	2017
Fixed rate instruments	Note	(Rupees)	
Financial assets			
Investments in Government			
Market Treasury Bills	6.1	49,708,000	99,575,000
Loans and receivables	6.9 & 6.10	569,464,695	707,857,534
Bank balances	5.1	3,336,888,767	2,265,062,203
Receivable from Margin Trading System	7	49,017,877	63,070,755
		<u>4,005,079,339</u>	<u>3,135,565,492</u>
Variable rate instruments			
Financial assets			
Investment in Term Finance			
Certificates	6.4 & 6.5	285,635,622	248,486,473
Investment in Sukuk certificates	6.6	225,738,418	121,953,960
Investments in Pakistan			
Investment Bonds	6.3	124,475,000	-
		<u>635,849,040</u>	<u>370,440,433</u>

None of the financial liabilities carry any interest rate.

Fair value sensitivity analysis for fixed rate instruments

Interest bearing Government securities of Rs. 49.708 million (June 2017: Rs. 99.575 million) are held by the Fund at fair value through profit or loss (held for trading) and exposes the Fund to the fair value risk. In case of 100 basis points increase / decrease in yield rates of the above Government Securities during the year, the net assets of the Fund would have been lower / higher by Rs. 0.497 (2017: Rs. 0.995) million with corresponding effect on net income for the year.

Other balances are not carried at fair value through profit and loss. Therefore a change in interest rate during the year would not effect the income statement and unit holder's fund.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end, unit holder fund would have increased / (decreased) by Rs. 6.358 (2017: Rs. 3.704) million. The analysis assumes that all other variables remain constant.



21.3.1.3 A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

	mark-up/ profit (%)	Less than one month	One to three months	More than three months and upto an exceed one year	More than one year	Total
June 30, 2018						
Financial assets						
Bank balances	3.75 to 7.3	3,336,888,767	-	-	-	3,336,888,767
Investments	6.92to 9.64	-	49,708,000	-	635,849,040	685,557,040
Receivable from Margin						
Trading System	8.75	-	49,017,877	-	-	49,017,877
Loans and receivables	6.80 to 11.49		569,464,695			569,464,695
Total assets		<u>3,336,888,767</u>	<u>668,190,572</u>	<u>-</u>	<u>635,849,040</u>	<u>4,640,928,379</u>
June 30, 2017						
Financial assets						
Bank balances	3.75 to 6.70	2,265,062,203	-	-	-	2,265,062,203
Investments	5.98 to 8.90	-	-	180,135,480	289,879,953	470,015,433
Receivable from Margin						
Trading System	8.75	-	63,070,755	-	-	63,070,755
Loans and receivables	6.80 to 11.49	140,000,000	277,857,534	290,000,000	-	707,857,534
Total assets		<u>2,405,062,203</u>	<u>340,928,289</u>	<u>470,135,480</u>	<u>289,879,953</u>	<u>3,506,005,925</u>

None of the Fund's financial liability is exposed to interest rate risk.

21.3.2 Currency risk

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

21.3.3 Other price risk

Other price risk is the risk that the fair value of financial instrument will fluctuate as a result of change in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. The Fund is expecting minimal price fluctuation on its investment in debt securities (i.e. Government securities and listed term finance certificates) for change in factors other than those arising from interest rate or currency risk.

21.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:



- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

21.5 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units and with effect from July 1, 2013 the Fund is subject to maintain minimum fund size of Rs. 100 million at all times.

21.6 Financial instruments by category

	----- As at June 30, 2018 -----			
	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
	----- Rupees -----			
Assets				
Bank balances	3,336,896,309	-	-	3,336,896,309
Investments	569,464,695	685,557,040	-	1,255,021,735
Receivable from Margin				
Trading System	49,017,877	-	-	49,017,877
Mark-up receivable	54,374,364	-	-	54,374,364
Deposits and other receivables	36,295,587	-	-	36,295,587
	<u>4,046,048,832</u>	<u>685,557,040</u>	<u>-</u>	<u>4,731,605,872</u>
	----- As at June 30, 2018 -----			
		Liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
		----- Rupees -----		
Liabilities				
Payable to the Management Company		-	25,035,159	25,035,159
Remuneration payable to the Trustee		-	440,234	440,234
Accrued expenses and other liabilities		-	316,630	316,630
		<u>-</u>	<u>25,792,023</u>	<u>25,792,023</u>



----- As at June 30, 2017 -----				
	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total
----- Rupees -----				
Assets				
Bank balances	2,265,077,568	-	-	2,265,077,568
Investments	707,857,534	786,186,718	-	1,494,044,252
Receivable from Margin Trading System	63,070,755	-	-	63,070,755
Mark-up receivable	27,097,050	-	-	27,097,050
Deposits and other receivables	75,186,157	-	-	75,186,157
	<u>3,138,289,064</u>	<u>786,186,718</u>	<u>-</u>	<u>3,924,475,782</u>

----- As at June 30, 2017 -----			
	Liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
----- Rupees -----			
Liabilities			
Payable to the Management Company	-	23,883,864	23,883,864
Remuneration payable to the Trustee	-	380,129	380,129
Accrued expenses and other liabilities	-	357,995	357,995
Payable against purchase of investments	-	236,784,730	236,784,730
Payable against redemption of units	-	1,293,408	1,293,408
Dividend payable	-	3,107	3,107
	<u>-</u>	<u>262,703,233</u>	<u>262,703,233</u>

22 TOTAL EXPENSE RATIO (TER)

As per the SECP circular vide direction no. 23 dated July 20, 2016 and as referred in Regulations 60(5) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations"), Total Expense Ratio (TER) calculated inclusive of Sindh Sales Tax and SECP fee is 2.03% as of June 30, 2018 and this includes 0.39% representing Sindh Sales tax and SECP fee.

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund's accounting policy on fair value measurements of the investments is discussed in note 4.1 to these financial statements.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.



A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

June 30, 2018							
Carrying amount				Fair Value			
Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

(Rupees in 000)

On-balance sheet financial instruments

Financial assets measured at fair value

Government Securities	6	174,183,000	-	-	174,183,000	-	174,183,000	-	174,183,000
Debt Securities	6	511,374,040	-	-	511,374,040	-	511,374,040	-	511,374,040
		<u>685,557,040</u>	<u>-</u>	<u>-</u>	<u>685,557,040</u>	<u>-</u>	<u>685,557,040</u>	<u>-</u>	<u>685,557,040</u>

Financial assets not measured at fair value

Bank balances	23.1	-	3,336,896,309	-	3,336,896,309	-	-	-	-
Receivable from Margin Trading System		-	49,017,877	-	49,017,877	-	-	-	-
Loans and receivables		-	569,464,695	-	569,464,695	-	-	-	-
Mark-up receivable		-	54,374,364	-	54,374,364	-	-	-	-
Deposits and other receivables		-	36,295,587	-	36,295,587	-	-	-	-
		-	<u>4,046,048,832</u>	-	<u>4,046,048,832</u>	-	-	-	-

Financial liabilities not measured at fair value

Payable to the Management Company	23.1	-	-	25,035,159	25,035,159	-	-	-	-
Remuneration payable to the Trustee		-	-	440,234	440,234	-	-	-	-
Accrued expenses and other liabilities		-	-	316,630	316,630	-	-	-	-
		-	-	<u>25,792,023</u>	<u>25,792,023</u>	-	-	-	-

June 30, 2017							
Carrying amount				Fair Value			
Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

(Rupees in 000)

On-balance sheet financial instruments

Financial assets measured at fair value

Government Securities	6	99,575,000	-	-	99,575,000	-	99,575,000	-	99,575,000
Listed Equity Securities	6	236,171,285	-	-	236,171,285	236,171,285	-	-	236,171,285
Debt Securities	6	453,743,528	-	-	453,743,528	-	453,743,528	-	453,743,528
		<u>789,489,813</u>	<u>-</u>	<u>-</u>	<u>789,489,813</u>	<u>236,171,285</u>	<u>553,318,528</u>	<u>-</u>	<u>789,489,813</u>

Financial assets not measured at fair value

Bank balances	23.1	-	2,265,077,568	-	2,265,077,568	-	-	-	-
Receivable from Margin Trading System		-	63,070,755	-	63,070,755	-	-	-	-
Loans and receivables		-	707,857,534	-	707,857,534	-	-	-	-
Mark-up receivable		-	27,097,050	-	27,097,050	-	-	-	-
Deposits and other receivables		-	75,186,157	-	75,186,157	-	-	-	-
		-	<u>3,138,289,064</u>	-	<u>3,138,289,064</u>	-	-	-	-

Financial liabilities not measured at fair value

Payable to the Management Company	23.1	-	-	23,883,864	23,883,864	-	-	-	-
Remuneration payable to the Trustee		-	-	380,129	380,129	-	-	-	-
Accrued expenses and other liabilities		-	-	357,995	357,995	-	-	-	-
Payable against purchase of investments		-	-	236,784,730	236,784,730	-	-	-	-
Payable against redemption of units		-	-	1,293,408	1,293,408	-	-	-	-
Dividend Payable		-	-	3,107	3,107	-	-	-	-
		-	-	<u>262,703,233</u>	<u>262,703,233</u>	-	-	-	-



- 23.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

Valuation techniques

For level 2 investments at fair value through profit or loss - held for trading in respect of debt securities, the Fund uses the closing market price as per MUFAP and in respect of Pakistan Investment Bonds and Market Treasury Bills the Fund uses rates derived from PKRV rates at reporting date per certificates multiplied by the number of certificates held.

Transfers during the year

During the year ended June 30, 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 financial instruments.

24 SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company are as follows:

24.1 Unit holding pattern of the Fund

Category	June 30, 2018		
	No. of Investors	Investment amount (Rupees)	% of total net assets
Individuals	32	23,711,078	0.51
Associated Companies and Directors	11	2,367,961,644	50.45
Insurance Companies	1	25,653,032	0.55
NBFCs	2	204,335,025	4.35
Corporate	7	1,892,020,418	40.31
Retirement Funds	4	179,567,948	3.83
	<u>57</u>	<u>4,693,249,145</u>	<u>100.00</u>

Category	June 30, 2017		
	No. of Investors	Investment amount (Rupees)	% of total net assets
Individuals	27	41,281,283	1.14
Associated Companies and Directors	8	1,913,089,253	52.79
Insurance Companies	4	52,279,173	1.44
Banks/DFI	1	52,218,900	1.44
NBFC	2	195,580,471	5.40
Retirement Funds	4	195,434,540	5.39
Others	5	1,174,289,664	32.40
	<u>51</u>	<u>3,624,173,284</u>	<u>100.00</u>



24.2 Top ten brokers by percentage of commission paid

Broker Name	(Percentage %)	
	2018	2017
Alfalah Securities (Private) Limited	98.00	80.87
Invest Capital Markets Limited	-	3.09
JS Global Capital Limited	1.00	-
Invest & Finance Securities Limited	1.00	16.04
Vector Capital (Private) Limited	-	-
Magenta Capital (Private) Limited	-	-
Optimus Markets (Private) Limited	-	-
First Capital Securities Corporation Limited	-	-
BMA Capital Management Limited	-	-
	100.00	100.00

24.3 Particulars of the Investment Committee and Fund manager

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani (Chairman Investment Committee)
- Mr. Kashif Mustafa
- Mr. Mustafa O. Pasha
- Mr. Syed Saifullah Kazmi
- Mr. Shahbaz Ashraf, CFA
- Mr. Hassan Bin Nasir (Fund Manager)
- Mr. Fakhir Musharraf
- Mr. Junaid Arshad

Mr. Babar Ali Lakhani - Chief Executive Officer

Mr. Lakhani has over eighteen years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance Company Limited, a Public Limited Company listed on the Pakistan Stock Exchange Limited. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investment Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University.

Mr. Lakhani is a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young Presidents' Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.

Mr. Kashif Mustafa- Executive Director & COO

Mr. Mustafa has more than ten years of experience working in the financial markets of Pakistan with local and international brokerage houses, and leading Asset Management Companies. Mr. Mustafa's experience includes; Financial Analysis, Equity Research, Investment Advisory and Business Development. Before Lakson Investment Limited, Mr. Mustafa worked for Askari Investments and Crosby Securities Pakistan Limited as Vice President and Head of Sales & Business Development respectively. He frequently appears on the media and has been featured on Express, Business Plus, CNBC, GEO, PTV, Aaj TV, Sindh TV & KTN. Mr. Mustafa did his graduation in Mathematics and Masters in Economics.



Mr. Mustafa O. Pasha, CFA – Chief Investment Officer

Mr. Pasha has over ten years of experience in the asset management and investment advisory industry. He did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and obtained his CFA charter in 2012.

At Lakson Investments Limited he is responsible for driving out performance of all fixed income portfolios against their respective benchmarks by formulating the investment outlook and implementing strategy through asset allocation. As a member of the Investment Committee he is a key member of the team that develops and executes the investment strategy for both fixed income and equity portfolios.

He was previously associated with BMA where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised fixed income / money market investments across all mutual funds and institutional / HNW accounts advised by BMA.

Mr. Syed Saifullah Kazmi – Head of Equities

Mr. Saifullah has over ten years of experience and currently holds positions of Head of Equities Investments in Lakson Investments Limited. He is a qualified Finance major from Kingston University. He has experience in Emerging and Frontier Financial Markets, with focus in Pakistan, Strong Fixed Income background, with investment strategy and trading experience in instruments including, Government Securities, Corporate Bonds, Banking Products and Islamic Sukkuks. He is also managing the following funds:

1. Lakson Equity Fund
2. Lakson Tactical Fund
3. Lakson Islamic Tactical Fund

Mr. Muhammad Shahbaz Ashraf, CFA –Chief Investment Professional

Mr. Ashraf has approximately ten years of experience, primarily in Research. Prior to joining Lakson Investments, he was associated with Askari Investment Management, Foundation Securities Ltd and Taurus Securities. Mr. Ashraf's last assignment was at Arif Habib Limited as Head of Research. He holds a Master's degree in Business Management and is a Chartered Financial Analyst.

Mr. Hassan Bin Nasir – VP - Fixed Income

Mr. Bin Nasir has over nine years of experience and currently holds positions of Vice President – Fixed Income in Lakson Investments Limited. He completed his Masters in Business Administration in Finance major from Bahria University, Pakistan. He has immense experience in managing portfolios across Collective Investment Schemes, Separate Managed Accounts with Strong Fixed Income background, investment strategy and trading experience in instruments including, Government Securities, Corporate Debt Securities, Banking Products and Shariah Compliant Corporate Debt Securities. He is also managing the following funds.

1. Lakson Money Market Fund
2. Lakson Asset Allocation Developed Market Fund

Mr. Muhammad Fakhir Musharaf – Risk Manager

Mr. Fakhir Musharaf has over twenty years of experience in the field of Capital Markets, Trade Finance and Academics. Prior to his current assignment he has served as 1st Head of Department of Actuarial Science and Risk Management at Institute of Business Management, Karachi. Mr. Musharsaf has done his MBA from University of Leicester, UK, and submitted his PhD thesis with Edinburgh Napier University UK.



Mr. Junaid Arshad – Manager Compliance

Mr. Junaid Arshad an ACCA member, having over seven years of experience in the asset management industry and currently holds the position of Manager Compliance. He possess sound Knowledge of financial management, tax regulations, financial procedures, and NBFC Rules and Regulations. He was actively involved in system development and implementation during his stay at different organizations. He was previously associated with JS Investments and Alfalah Investments as a finance professional.

24.4 Directors meeting attendance

2018

Name of directors	Meeting Attended	August 25, 2017	October 16, 2017	February 27, 2018	March 30, 2018	April 16, 2018
- Mr. Babar Ali Lakhani	5	✓	✓	✓	✓	✓
- Mr. A. Aziz H. Ebrahim	2	✓	✓	N/A	N/A	N/A
- Mr. Mahomed J. Jaffer	5	✓	✓	✓	✓	✓
- Mr. Amin Mohammed Lakhani	4	✓	✓	X	✓	✓
- Mr. Daniel Scott Smaller	4	✓	✓	X	✓	✓
- Mr. Jacques John Visser	4	✓	✓	X	✓	✓
- Mr. Zahid Zakiuddin	4	✓	✓	✓	X	✓
- Mr. Iqbal Ali Lakhani	4	✓	X	✓	✓	✓
- Mr. Jamil Ahmed Mughal	2	N/A	N/A	N/A	✓	✓
		8	7	4	7	8

24.5 Rating of the Fund and the management company

PACRA Rating	Management Quality Rating	Stability Rating
Lakson Investments Limited (Management Company)	AM2+	-
Lakson Income Fund	-	A+ (f)

25 NON-ADJUSTING EVENTS AFTER THE DATE OF STATEMENT OF ASSETS AND LIABILITIES

The Board of Directors of Management Company in its meeting held on July 03, 2018 has approved a final distribution of Rs. 5.0027 per unit (for full year). The aggregate cash distribution is Rs. 149.952 million in addition to refund of capital / element of income by issuing 710,023 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP).

The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

26 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by Board of Directors of the Management Company on August 15, 2018.

27 GENERAL

Figures have been rounded off to the nearest rupee.

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

Chief Executive Officer

Chief Financial Officer

Director



Performance Table	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
Net Assets - Beginning (PKR Mil.)	3,624	2,915	2,568	1,075	1,626	1,414	1,006	451	302
Net Assets - Ending (PKR Mil.)	4,693	3,624	2,915	2,568	1,075	1,626	1,414	1,006	451
Net Asset value per share	105.9420	100.6760	101.1380	100.8777	100.1715	101.1528	101.3505	101.1605	103.3062
Selling Price for units	107.5312	102.1862	102.6551	102.3909	101.6740	102.6701	102.8708	102.6780	104.8558
Repurchase Price for units	105.9420	100.6760	101.1380	100.8777	100.1715	101.1528	101.3505	101.1605	103.3062
Highest Offer Price (PKR)	107.5154	108.5328	110.9122	115.8602	103.5345	102.9285	103.1214	104.6153	105.7819
Lowest Offer Price (PKR)	100.4407	102.0811	102.3574	101.6940	101.5246	101.8786	101.7560	101.6567	101.5254
Highest Redemption Price (PKR)	105.9265	106.9288	109.2731	114.1479	102.0044	101.4073	101.5974	103.0692	104.2186
Lowest Redemption Price (PKR)	98.9563	100.5725	100.8447	100.1911	100.0242	100.3730	100.2522	100.1543	100.0250
Beginning NAV - Ex-Div. (PKR)	100.6760	101.1380	101.0092	100.2138	100.2450	100.4114	100.1626	100.3130	100.0000
Interim Distributions (PKR)	Nil	7.4452	8.3922	13.4601	8.7339	8.141	9.8767	11.1839	3.6148
Final Distribution (PKR)	Nil	-	-	-	-	0.9078	0.9391	0.9979	2.9932
Ending NAV - Ex-Div. (PKR)	105.9420	100.4407	100.9825	100.6878	100.0379	100.2450	100.4114	100.1626	100.3130
Return	5.23%	6.92%	8.57%	14.17%	8.38%	9.21%	11.57%	11.50%	11.42%
Net Income (PKR Mil.)	235	30	128	70	92	154	136	99	27
Less: Income already paid on units redeemed	(77)	-	-	-	-	-	-	-	-
Total Distribution	Nil	39	118	49	109	153	129	102	12
Accumulated Capital Growth	182	24	33	23	2	19	19	12	15
WAM (Days)	294	166	282	1361	706	410	452	232	229
Average Annual return of the Fund									
One Year	5.23%	6.92%	8.57%	14.17%	8.38%	9.21%	11.57%	11.50%	11.19%
Two year	6.26%	8.04%	11.97%	11.87%	9.18%	10.93%	12.20%	11.87%	-
Three year	7.39%	10.84%	11.44%	11.39%	10.69%	11.96%	12.61%	-	-
Since inception	13.89%	14.27%	14.39%	14.20%	12.45%	12.52%	12.61%	11.87%	11.19%



Distribution	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
1st Interim Distribution	NIL	7.4452	2.4863	13.4601	0.6211	0.8020	0.8598	2.4702	3.6148
NAV before Distribution	NIL	107.8859	109.2731	114.1479	100.8483	101.2785	101.0231	102.8451	104.2186
NAV after Distribution	NIL	100.4407	106.7868	100.6878	100.2272	100.4765	100.1633	100.3749	100.6038
Distribution Date	NIL	22-Jun-17	21-Jun-16	25-Jun-15	31-Jul-13	30-Jul-12	01-Aug-11	4-Oct-10	2-Apr-10
2nd Interim Distribution		5.9059			0.4346	0.8529	0.9563	2.9152	
NAV before Distribution		106.8884			100.6501	101.4073	101.2159	103.068	
NAV after Distribution		100.9825			100.2155	100.5544	100.2596	100.1528	
Distribution Date		29-Jun-16			30-Aug-13	31-Aug-12	29-Aug-11	31-Dec-10	
3rd Interim Distribution					0.409	0.7863	0.9471	2.8893	
NAV before Distribution					100.742	101.1528	101.2614	103.0692	
NAV after Distribution					100.333	100.3665	100.3143	100.1799	
Distribution Date					27-Sep-13	26-Sep-12	28-Sep-11	30-Mar-11	
4th Interim Distribution					0.5296	0.7687	1.0151	0.9481	
NAV before Distribution					100.8757	101.1528	101.5974	101.1442	
NAV after Distribution					100.3461	100.4953	100.5823	100.1961	
Distribution Date					25-Oct-13	24-Oct-12	28-Oct-11	29-Apr-11	
5th Interim Distribution					0.6000	0.8767	0.9459	0.9632	
NAV before Distribution					100.9728	101.1986	101.4258	101.1273	
NAV after Distribution					100.3728	100.3219	100.4799	100.1641	
Distribution Date					28-Nov-13	28-Nov-12	28-Nov-11	30-May-11	
6th Interim Distribution					0.6548	0.7121	0.9403		
NAV before Distribution					101.0391	101.1128	101.2696		
NAV after Distribution					100.3843	100.4007	100.3293		
Distribution Date					27-Dec-13	27-Dec-12	30-Dec-11		
7th Interim Distribution					0.8893	0.7813	0.9115		
NAV before Distribution					101.6005	101.1274	101.2411		
NAV after Distribution					100.7112	100.3461	100.3296		
Distribution Date					29-Jan-14	29-Jan-13	31-Jan-12		
8th Interim Distribution					0.6001	0.6347	0.7405		
NAV before Distribution					101.2054	100.9680	101.0058		
NAV after Distribution					100.6053	100.3333	100.2653		
Distribution Date					26-Feb-14	28-Feb-13	27-Feb-12		
9th Interim Distribution					0.6033	0.5741	0.8401		
NAV before Distribution					102.0044	100.9368	101.1024		
NAV after Distribution					101.4011	100.3627	100.2623		
Distribution Date					27-Mar-14	27-Mar-13	29-Mar-12		
10th Interim Distribution					0.6774	0.7141	0.8178		
NAV before Distribution					101.8617	101.0602	101.0764		
NAV after Distribution					101.1843	100.3461	100.2586		
Distribution Date					24-Apr-14	29-Apr-13	27-Apr-12		
11th Interim Distribution					1.0675	0.6381	0.9023		
NAV before Distribution					101.707	101.1125	101.2068		
NAV after Distribution					100.6395	100.4744	100.3045		
Distribution Date					29-May-14	29-May-13	30-May-12		
12th Interim Distribution					1.1072				
NAV before Distribution					101.1451				
NAV after Distribution					100.0379				
Distribution Date					25-Jun-14				
Final Distribution	5.0027			Nil	Nil	0.9078	0.9391	0.9979	2.9932
NAV before Distribution	105.9420			Nil	Nil	101.1528	101.3505	101.1605	103.3062
NAV after Distribution	100.9393			Nil	Nil	100.2450	100.4114	100.1626	100.313
Distribution Date	03-Jul-18			N/A	N/A	08-Jul-13	05-Jul-12	4-Jul-11	6-Jul-10

Disclaimer

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.



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