

LAKSON INCOME FUND

Quarterly Report (September 30, 2018)



LAKSON INVESTMENTS

WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN



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Fund's Information

Management Company

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Karachi-74200, Pakistan.
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Fax: (9221) 3568.1653
Web site: www.li.com.pk
E-mail: info@li.com.pk

**Board of Directors of
the Management Company**

Mr. Iqbal Ali Lakhani - Chairman
Mr. Babar Ali Lakhani - Chief Executive Officer
Mr. Jamil Ahmed Mughal
Mr. Mahomed J. Jaffer
Mr. Amin Mohammed Lakhani
Mr. Jacques John Visser
Mr. Daniel Scott Smaller
Mr. Zahid Zakiuddin

**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

**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 Shahra-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



Review Report of the Directors of the Management Company For the quarter ended September 30, 2018

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Income Fund ("LIF") is pleased to submit its review report together with Condensed Interim Financial Information for the period ended September 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.

Fund performance

The LIF yielded an annualized return of 5.64% in the 1QFY18 compared to the Benchmark return of 7.98% p.a. The LIF underperformed the average income fund by 234bps. As of September 30, 2018, the LIF portfolio is invested 7.9% in TFCs, 6.2% in Sukuks, 75% in cash, 3.5% in MTS, 3.4% in PIBs and 1.4% in T bills while the weighted average maturity of the LIF portfolio stands at 394 days. The fund size of the LIF as of September 30, 2018 is PKR 3,577 million.

Earning per Unit (EPU)

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

Economic Review

Growth appeared to slow in the starting of FY19, with Large Scale Manufacturing Index up only 0.50% YoY in July. As mentioned by the State Bank in its latest monetary policy statement, there are high chances that growth target will be missed due to monetary and fiscal measures that need to be taken to get the economy back on track. These measures include further monetary tightening, PKR devaluation, and gas and electricity tariff hike. Due to these measures SBP is now expecting GDP to grow by only 5.0% in FY19 compared with 5.8% in FY18.

Inflation averaged 5.60% in 1QFY19 compared with 4.36% in 4QFY18 and 3.39% in 1QFY18. The rise in inflation was partly attributable to the surge in international crude oil prices ahead of sanctions on Iran. Inflationary pressures were also attributable to PKR devaluation and the resultant imported inflation. PKR depreciated by only 2.3% during 1QFY19, but had previously depreciated by 15.16% from December 2017 to June 2018. After the end of 1QFY19 the government raised gas tariffs, which will further propel inflation.

Problems in the external position continued in 1QFY19, with foreign exchange currency reserves down to USD 14.9bn from USD 16.4bn at the end of June 2018. However, the current account deficit showed remarkable improvement with the deficit recorded at only USD 600m in August 2018 versus USD 2.1bn in July 2018. Reason for the month-on-month improvement was a decline in imports, especially



machinery imports. For the first two months of FY19, current account deficit was recorded at USD 2.7bn as against USD 2.5bn in 2MFY18.

In light of the inflation outlook and external position crisis, SBP increased its policy rate by 200bps during the quarter.

Fixed Income Market Review

SBP raised its policy rate by a cumulative 200bps in 1QFY19 (100bps in July and 100bps at the end of Sep'18) to 8.5% (Discount Rate is now 9.0%). Although non-oil imports began to respond to contractionary measures in the outgoing quarter, unprecedented rise in oil prices masked this improvement. Weak external position and inflationary threats therefore called for further monetary tightening. The PKR devalued by 2.2% in 1QFY19 (15.9% in FY18) against the USD. This sparked inflationary pressures, with core inflation (NFNE) rising to 7.8% in 1QFY19 (vs. 5.5% in SPLY). General inflation rose to 5.6% 1QFY19 compared to 3.5% in 1QFY18, and is expected to keep on rising.

Participation in PIB auctions during 1QFY19 remained weak amid rising interest rates (100bps in Jul'18) and expectation of further hikes down the road. Participation was limited to 5-year tenor PIBs while SBP was unable to get acceptable bids in the remaining tenors. The push in yields was frontloaded to the < 1 year tenor instruments during 1QFY19. For less than 1 year tenor, yields rose in the range of 60bps-152bps. For 1 to 8 year instruments, yields rose in the range of 70-142bps, while for instruments with longer tenors (9-30 years), yields rose in the range of 25-102bps. Weighted average yields for 3-YR, 5-YR and 10-YR tenors climbed to 9.27%, 9.54% and 10.05% by Sep'18. This reflects market expectation of high inflation and an even higher exchange rate, ahead of entry into a fresh IMF program and the accompanying prerequisites that follow. Upward pressure on crude oil price is mostly short term (Iran and Venezuela's issues), while downward pressure, on the back of slowing global economic growth, is medium-term.

Broad Money (M2) growth decelerated to 10.7%yoy in 1QFY19, vs. 12.7%yoy in 1QFY18. The slowdown was mostly due to a decline in net foreign assets of the banking system (Sep'18-end monetary impact down PKR 151bn). This was partially compensated by rise in Government's borrowing for budgetary support (up PKR 116bn) and increment in private sector credit (up PKR 123bn). Private sector credit picked up due to improved availability of energy and higher working capital needs due to capacity additions in the last three years. However, rising interest rates and a slowing economy may now lead to a deceleration in the pace of credit offtake.

Future Outlook

Given the deterioration in conditions over the past 12-18 months we expect that both fiscal and monetary policy will aim to stabilize the economy by reigning in the twin deficits and inflationary pressures. With FX reserves dwindling to less than 2 months of import cover there is an emergent need to obtain financing from multilateral creditors (IMF/WB/ADB/IDB) and friendly countries (KSA/UAE/China) to plug the financing gap of over USD 20 billion. Against this backdrop of further currency depreciation and rising inflation we expect the SBP to continue its hawkish stance earlier from the current year where it raised interest rates by 275 basis points and expect further monetary tightening of between 50 - 100 bps during FY19.

Tough measures suggested by IMF are likely to hit economic growth in FY19. In the case of PKR devaluation and gas and electricity tariff hike, they will also result in inflationary pressures, leading to further monetary tightening. Consequently, further policy rate hike is likely in the coming months.

Since the end of the fiscal year the central bank has already increased the policy rate by a further 200bps since Jun'18. Nevertheless, we note that Pakistan now appears ahead of the region on monetary tightening - Pakistan's 275bps increase in interest rates this year (CYTD) is far quicker than peers (next quickest is Indonesia with a 150bps increase). Moreover, the PKR has weakened to a record low, ahead of entry into the IMF program. Given that these two factors are key checkpoints for foreign investors in particular, the Pakistan market may find grounds to attract foreign inflows ahead of peer markets.



Acknowledgement

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

Director

Chief Executive Officer

Dated: October 13, 2018



لیکسن انکم فنڈ

30 ستمبر 2018ء کو ختم ہونے والی مدت کے لیے

منجمنٹ کمپنی کے ڈائریکٹرز کی جائزہ رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن انکم فنڈ ("LIF") یا فنڈ کی منجمنٹ کمپنی 30 ستمبر 2018ء کو ختم ہونے والی مدت کے لیے اپنی جائزہ رپورٹ مع مختصر عبوری مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

فنڈ کا مقصد

اس اسکیم کی انویسٹمنٹ کا مقصد فکسڈ انکم سیکورٹیز کے متنوع پورٹ فولیو میں انویسٹمنٹ کے ذریعے مساوی مجموعی منافع جات فراہم کرنا ہے۔ یہ اسکیم منجمنٹ کمپنی کی طرف سے انٹرسٹ ریٹ ٹریڈرز اور کمزور منافع جات کے حوالے سے منجمنٹ کمپنی کی تفتیش کے لحاظ سے مختصر مدتی، وسط مدتی اور طویل مدتی میچورٹیز کے امتزاج کے ساتھ مختلف فکسڈ انکم سیکورٹیز میں سرمایہ کاری کرے گی۔

نمایاں سرگرمیاں

LIF ایک اوپن اینڈ انکم فنڈ ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ LIF انویسٹ گریڈ ڈیٹ سیکورٹیز، گورنمنٹ سیکورٹیز، مرٹیلٹیٹس آف انویسٹمنٹس، Clean Placements، بزم ڈپازٹرز، ریٹیل سٹیٹس اور دیگر فکسڈ انکم انسٹرومنٹس 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% کیش یا زیادہ سے زیادہ 90 دن کی میچورٹی والے ٹریڈری بلز کی شکل میں رکھا جاتا ہے۔ LIF کا انکم 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 بریقین رکھنے والی منجمنٹ 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 انسٹرومنٹس کے درمیان انویسٹمنٹس کی منتقلی کے مواقع کی شناخت سے آتا ہے۔ LIF کو ریٹیل میچورٹیز کی شکل 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۔

فنڈ کی کارکردگی کا جائزہ

LIF نے سالانہ شیئرمارک منافع 7.98% کے مقابلے میں مالی سال 2019ء کی پہلی سہ ماہی میں 5.64% کا سالانہ منافع پیش کیا۔ LIF کی کارکردگی 234 بنیادی پوائنٹس کم رہی۔ 30 ستمبر 2018ء کے مطابق LIF پورٹ فولیو نے TFCs میں 7.9%، ہسٹو کم میں 6.2%، کیش میں 75% MTS، 3.5% PIBs، اور ٹریڈ بلز میں 1.4% سرمایہ کاری کی جبکہ LIF پورٹ فولیو کی تخمینہ شدہ اوسط میچورٹی 394 دن ہے۔ 30 ستمبر 2018ء کے مطابق LIF فنڈ کا حجم 3,577 ملین روپے تھا۔



نی یونٹ آمدنی (EPU)

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

معاشی جائزہ

مالی سال 2019 کے آغاز میں نمونکی رفتار درست دکھائی دے رہی ہے، جیسا کہ لارج اسکیل مینوفیکچرنگ انڈیکس جولائی میں سال بہ سال بنیاد پر صرف 0.50% بڑھا۔ جیسا کہ اسٹیٹ بینک نے اپنی تاہز ترین مانیٹری پالیسی اسٹینٹ میں ذکر کیا، معیشت کو دوبارہ ٹریک پر لانے کے لیے کیے جانے والے خزانہ جاتی اور مالیاتی اقدامات کی وجہ سے نمو کا ہدف حاصل نہیں کیا جاسکے گا۔ ان اقدامات میں مزید مالیاتی سختی، پاکستانی روپے کی قدر میں کمی، اور گیس اور بجلی کے نرخوں میں اضافہ شامل ہے۔ ان اقدامات کے نتیجے میں اسٹیٹ بینک آف پاکستان GDP میں مالی سال 2018 میں 5.8% کے مقابلے میں مالی سال 2019 میں صرف 5.0% تک نمونکی توقع رکھتا ہے۔

مالی سال 2018 کی چوتھی سہ ماہی میں 4.36% اور مالی سال 2018 کی پہلی سہ ماہی میں 3.39% کے مقابلے میں مالی سال 2019 کی پہلی سہ ماہی میں افراط زر کی اوسط شرح 5.60% رہی۔ افراط زر میں اضافہ جزوی طور پر ایران پر پابندیوں سے پہلے تیل کی بین الاقوامی قیمتوں میں تیزی کا نتیجہ تھا۔ افراط زر کے دباؤ جزوی طور پر پاکستانی روپے کی قدر میں کمی اور اس کے نتیجے میں درآمداتی افراط زر کے بھی نتیجے تھے۔ مالی سال 2019 کی پہلی سہ ماہی کے دوران پاکستانی روپے کی قدر میں صرف 2.3% کمی ہوئی لیکن دسمبر 2017 سے جون 2018 تک قدر میں پہلے ہی 15.16% کمی ہو چکی تھی۔ مالی سال 2019 کی پہلی سہ ماہی کے اختتام کے بعد حکومت نے گیس کے نرخ بڑھا دیے جس سے افراط زر کو مزید بڑھاوا ملے گا۔

بیرونی قحاذ پر مسائل مالی سال 2019 کی پہلی سہ ماہی میں بھی جاری رہے جیسا کہ زرمبادلہ کے ذخائر جون 2018 کے اختتام پر 16.4 ارب ڈالر سے 14.9 ارب ڈالر تک کم ہو گئے۔ تاہم کرنٹ اکاؤنٹ خسارے میں غیر معمولی بہتری دکھائی دی جو جولائی 2018 میں 2.1 ارب ڈالر کے مقابلے میں اگست 2018 میں صرف 600 ملین ڈالر ریکارڈ کیا گیا۔ ماہ بہ ماہ بنیاد پر اس بہتری کی وجہ درآمدات، خصوصاً مشینری کی درآمدات میں کمی تھی۔ مالی سال 2019 کے پہلے دو ماہ میں کرنٹ اکاؤنٹ خسارہ مالی سال 2018 کے پہلے دو ماہ میں 2.5 ارب ڈالر کے مقابلے میں 2.7 ارب ڈالر ریکارڈ کیا گیا۔

افراط زر کی توقعات اور بیرونی صورت حال کے بحران کی روشنی میں اسٹیٹ بینک آف پاکستان نے سہ ماہی کے دوران پالیسی ریٹ میں 200 بنیادی پوائنٹس کا اضافہ کر دیا۔

فلسفہ انکم مارکیٹ کا جائزہ

اسٹیٹ بینک آف پاکستان نے مالی سال 2019 کی پہلی سہ ماہی میں پالیسی ریٹ میں 200 بنیادی پوائنٹس کے مجموعی اضافے کے ساتھ (جولائی میں 100 بنیادی پوائنٹس اور ستمبر 2018 کے اختتام پر 100 بنیادی پوائنٹس) اسے 8.5% تک بڑھا دیا (ڈسکاونٹ ریٹ اب 9% ہے)۔ اگرچہ تیل کے سوا درآمدات نے گزشتہ سہ ماہی میں ہندسی اقدامات پر رد عمل دکھانا شروع کر دیا ہے، تاہم تیل کی قیمتوں میں غیر معمولی اضافے نے اس بہتری پر پردہ ڈال دیا۔ لہذا کمزور بیرونی صورت حال نے افراط زر کے خطرات نے مزید مالیاتی سختی کی راہ ہموار کر دی۔ مالی سال 2019 کی پہلی سہ ماہی میں امریکی



ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 2.2% کمی ہوئی (مالی سال 2018 میں 15.9%)۔ اس سے افراط زر کا دباؤ بڑھ گیا جب کہ مرکزی افراط زر (NFNE) میں مالی سال 2019 کی پہلی سہ ماہی میں (گزشتہ سال اسی مدت میں 5.5% کے مقابلے میں) 7.8% تک اضافہ ہو گیا۔ مالی سال 2018 کی پہلی سہ ماہی میں 3.5% کے مقابلے میں مالی سال 2019 کی پہلی سہ ماہی میں عمومی افراط زر 5.6% تک بڑھ گیا اور اس میں اضافہ جاری رہنے کی توقع ہے۔

مالی سال 2019 کی پہلی سہ ماہی کے دوران PIB میں شمولیت بڑھتی ہوئی شرح سود (جولائی 2018 میں 100 بنیادی پوائنٹس) کے دوران کمزوری اور مستقبل میں مزید اضافے کی توقعات ہیں۔ شمولیت صرف 5 سالہ میعاد کے PIBs تک محدود رہی جب کہ اسٹیٹ بینک آف پاکستان بقیہ میعادوں کے لیے قابل پینکیشن حاصل کرنے میں ناکام رہا۔ مالی سال 2019 کی پہلی سہ ماہی کے دوران منافع جات کے لیے ایک سال سے کم میعاد والے تمسکات پر زور رہا۔ ایک سال سے کم میعاد والے تمسکات کے منافع جات میں 60 سے 152 بنیادی پوائنٹس تک اضافہ ہوا۔ ایک سے 8 سال تک کی میعاد والے تمسکات کے لیے منافع جات میں 70 سے 142 بنیادی پوائنٹس تک اضافہ ہوا، جب کہ طویل مدتی تمسکات (9 تا 30 سال) کے لیے منافع جات 25 سے 102 بنیادی پوائنٹس کی حد میں بڑھے۔ 3 سالہ، 5 سالہ اور 10 سالہ میعادوں کے لیے تخمینہ شدہ اوسط منافع جات میں ستمبر 2018 تک بالترتیب 9.27%، 9.54% اور 10.05% تک اضافہ ہوا۔ اس سے مارکیٹ کی طرف سے تازہ آئی ایم ایف میں شمولیت اور اس سے منسلک شرائط سے پہلے بلند افراط زر اور اس سے بھی بلند شرح مبادلہ کی توقعات کی عکاسی ہوتی ہے۔ خام تیل کی قیمتوں میں اوپر کی جانب دباؤ زیادہ تخفیف دیتی ہے (ایران اور ویزو بیا کے مسائل)، جب عالمی معیشت کی نمو میں سستی کی وجہ سے نیچے کی طرف دباؤ وسط مدتی ہے۔

وبسٹج تر مالیاتی (براؤنٹی M2) نمو کی رفتار مالی سال 2018 کی پہلی سہ ماہی میں سال بہ سال بنیاد پر 12.7% کے مقابلے میں مالی سال 2019 کی پہلی سہ ماہی میں سال بہ سال بنیاد پر 10.7% تک کم ہو گئی۔ یہ مندی زیادہ تر بینکنگ سسٹم کے خالص غیر ملکی اثاثوں میں کمی (ستمبر 2018 کے اختتام پر مالیاتی اثرا سے 151 ارب روپے کم) کا نتیجہ تھی۔ حکومت کی طرف سے بجٹ میں سپورٹ کے لیے قرضوں میں اضافے (116 ارب روپے اضافہ) اور نجی شعبے کی طرف سے قرض میں اضافے (123 ارب روپے اضافہ) سے جزوی طور پر اس کی تلافی ہو گئی۔ نجی شعبے کی طرف قرض میں اضافہ بجلی کی بہتر دستیابی گزشتہ تین سالوں میں گنجائش میں اضافے کی وجہ سے سرمایے کی بلند ضروریات کا نتیجہ تھا۔ تاہم بلند ہوتی شرح سود اور معیشت میں مندی کا نتیجہ اب قرض لینے کی رفتار میں سستی کی صورت میں نکل سکتا ہے۔

مستقبل کی توقعات

گزشتہ بارہ تا اٹھارہ ماہ کے دوران صورت حال میں بگاڑ کے پیش نظر ہم توقع رکھتے ہیں کہ خزانہ جاتی اور مالیاتی پالیسی کا دھندلہ دور ہرے خساروں اور افراط زر کے دباؤ پر قابو پانے کے ذریعے معیشت کو مستحکم کرنا ہوگا۔ دو ماہ سے بھی کم کی درآمدات کا احاطہ کرنے والے لڑا لڑا ہڑاتے زور مبادلہ کے ذخائر کے ساتھ 20 ارب امریکی ڈالر سے زائد کا مالیاتی خلا پُر کرنے کے لیے ایک سے زائد قرض فراہم کرنے والوں (IMF/WB/ADB/IDB) اور دوست ممالک (سعودی عرب، متحدہ عرب امارات، چین) سے قرض حاصل کرنا ایک بنگامی ضرورت ہے۔ کرنسی کی قدر میں مزید کمی اور بڑھتے ہوئے افراط زر کے اس پس منظر میں ہم توقع رکھتے ہیں کہ اسٹیٹ بینک آف پاکستان اپنا موجودہ سال کے آغاز کا بلانڈی مائل طرز عمل جاری رکھے گا جب اس نے شرح سود میں 275 بنیادی پوائنٹس کا اضافہ کر دیا تھا مالی سال 2019 کے دوران 50 سے 100 کے درمیان مزید مالیاتی سختی کی توقع ہے۔

آئی ایم ایف کے تجویز کردہ سخت اقدامات سے مالی سال 2019 میں معاشی نمو کو ضرب لگنے کا امکان ہے۔ روپے کی قدر میں کمی اور گیس اور بجلی کے نرخوں



میں اضافے کا نتیجہ افراط زر کے دباؤ کی صورت میں بھی نکلے گا، جس کا نتیجہ مزید مالیاتی سختی کی شکل میں سامنے میں آئے گا۔ نتیجتاً آنے والے مہینوں میں پالیسی ریٹ میں مزید اضافے کا امکان ہے۔

مرکزی بینک مالی سال کے اختتام پر پالیسی ریٹ میں جون 2018 سے اب تک 200 بنیادی پوائنٹس کا پیسلے ہی اضافہ کر چکا ہے۔ بہر حال ہمارے لیے یہ قابل توجہ ہے کہ پاکستان مالیاتی سختی میں اب بظاہر خطے سے آگے ہے۔ پاکستان کی طرف سے اس سال (CYTD) شرح سود میں 275 بنیادی پوائنٹس اضافہ ہم خطہ ممالک سے بہت تیز ہے (اگلا تیز ترین ملک 150 بنیادی پوائنٹس کے ساتھ انڈونیشیا ہے)۔ مزید برآں آئی ایم ایف پروگرام میں شمولیت سے پہلے پاکستانی روپیہ یکاڑ سطح تک کمزور ہو چکا ہے۔ اس امر کے پیش نظر یہ دو عوامل غیر ملکی سرمایہ کاروں کے لیے اہم چیک پوائنٹس ہیں، پاکستانی مارکیٹ ہم خطہ مارکیٹس سے پہلے غیر ملکی سرمایہ کاری کو راغب کرنے کے لیے بنیادیں تلاش کر سکتی ہے۔

اظہار تشکر

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

برائے اور از طرف بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفسر

تاریخ: 13 اکتوبر 2018



**Condensed Interim Statement of Assets and Liabilities
As at September 30, 2018**

		September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
	Note	(Rupees)	
ASSETS			
Bank balances	6	2,716,131,013	3,336,896,309
Investments	7	680,498,487	1,255,021,735
Receivable against Margin Trading System	8	124,825,046	49,017,877
Mark-up receivable		27,099,023	54,374,364
Deposits, prepayments and other receivables		66,497,814	36,644,053
TOTAL ASSETS		3,615,051,383	4,731,954,338
LIABILITIES			
Payable to the Management Company	9	23,936,458	25,035,159
Payable to the Trustee		377,975	440,234
Annual fee payable to Securities and Exchange Commission of Pakistan		823,213	3,450,936
Accrued expenses and other liabilities	10	13,061,016	9,778,864
TOTAL LIABILITIES		38,198,662	38,705,193
NET ASSETS		3,576,852,721	4,693,249,145
UNIT HOLDERS' FUND (as per statement of movement in unit holders' fund)		3,576,852,721	4,693,249,145
CONTINGENCIES AND COMMITMENTS			
	11	(Number of units)	
Number of units in issue		34,939,303	44,300,157
		(Rupees)	
Net assets value per unit		102.3733	105.9420

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



Condensed Interim Income Statement (Unaudited)
For the quarter ended September 30, 2018

	Note	2018	2017
		(Rupees)	
INCOME			
Mark-up income		82,198,854	71,111,224
Income from Margin Trading System		7,660,674	1,011,176
(Loss) / gain on sale of held for trading investments - net		(181,762)	2,484,889
Unrealised (diminution) in the fair value of investments classified as 'held for trading' - net	7.1, 7.2, 7.3, 7.4 & 7.5	(5,210,340)	(7,575,563)
		84,467,426	67,031,726
EXPENSES			
Remuneration to the Management Company	9.1	16,464,239	14,857,945
Sindh Sales tax on remuneration to the Management Company	9.2	2,140,351	1,931,533
Remuneration to the Trustee		1,296,359	1,193,502
Annual fee to the Securities and Exchange Commission of Pakistan		823,212	742,898
Annual Supervisory fee of SECP on PSX Listing Fee		630	637
Auditors' remuneration		93,371	80,517
Fees and subscription		262,829	116,075
Printing charges		5,041	5,041
Brokerage expenses		13,410	112,447
Bank and settlement charges		1,023,568	277,831
		22,123,010	19,318,426
Net income from operating activities		62,344,416	47,713,300
Sindh Workers' Welfare Fund	10.1	(1,246,888)	(954,266)
Net income for the period before taxation		61,097,528	46,759,034
Taxation	12	-	-
Net income for the period after taxation		61,097,528	46,759,034
Allocation of Net Income for the period:			
Net income for the year after taxation		61,097,528	46,759,034
Income already paid on units redeemed		(11,008,065)	(294,067)
		50,089,463	46,464,967
Accounting income available for distribution			
Relating to capital gains / (loss)		-	(5,058,659)
Excluding capital gains		50,089,463	51,523,626
Accounting income available for distribution		50,089,463	46,464,967

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



**Condensed Interim Statement of Comprehensive Income (Unaudited)
For the quarter ended September 30, 2018**

	2018	2017
	(Rupees)	
Net income for the period after taxation	61,097,528	46,759,034
Other comprehensive income	-	-
Total comprehensive income for the period	<u><u>61,097,528</u></u>	<u><u>46,759,034</u></u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



**Condensed Interim Statement of Movement in Reserve or Unit Holders' Fund (Unaudited)
For the quarter ended September 30, 2018**

	2018		2017		
	Capital Value	Unrealised (losses) / gains on investment (Rupees)	Capital Value	Unrealised (losses) / gains on investment (Rupees)	Total
Net assets at beginning of the period	4,511,068,619	182,180,526	3,599,837,473	24,335,811	3,624,173,284
Total proceeds on issuance of 2,004,391 units (2017: 6,918,690 units)	130,665,633	-	700,758,979	-	700,758,979
Total payments on redemption of 11,365,245 units (2017: 1,080,961 units)	(1,147,199,979)	(11,008,065)	(108,866,697)	(294,067)	(109,160,764)
Total comprehensive income for the period	-	61,097,528	-	46,759,034	46,759,034
Final Distribution during the period is Rs. 5,0027 on July 03, 2018 (2017: Nil)	-	(149,951,541)	-	-	-
Net income for the period less distribution	-	(88,854,013)	-	46,759,034	46,759,034
Net assets at end of the period	3,494,334,273	82,318,448	4,191,729,755	70,800,778	4,262,530,533
Undistributed income brought forward					
Realised gain	194,319,292			23,506,377	
Unrealised (loss) / gain	(12,138,766)			829,434	
	182,180,526			24,335,811	
Accounting (loss) / income available for distribution					
Relating to capital (losses)		50,089,463		(5,058,659)	
Excluding capital gains		50,089,463		51,523,626	
				46,464,967	
Net income for the period after taxation				-	
Final Distribution during the period is Rs. 5,0027 on July 03, 2018 (2017: Nil)	(149,951,541)			-	
Undistributed income carried forward	82,318,448			70,800,778	
Undistributed income carried forward comprises of:					
Realised income	87,528,788			78,376,341	
Unrealised (loss)	(5,210,340)			(7,575,563)	
	82,318,448			70,800,778	
					(Rupees)
Net assets value per unit at beginning of the period		105.9420			100.6760
Net assets value per unit at end of the period		102.3733			101.8564

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Chief Financial Officer

Director



**Condensed Interim Cash Flow Statement (Unaudited)
For the quarter ended September 30, 2018**

	2018	2017
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	61,097,528	46,759,034
Adjustments for non-cash charges and other items:		
Unrealised appreciation in the fair value of investments classified as 'held for trading' - net	5,210,340	7,575,563
	<u>66,307,868</u>	<u>54,334,597</u>
Increase in assets		
Investments - net	569,312,908	128,031,690
Loans and Receivables	-	167,857,534
Receivable against Margin Trading System	(75,807,169)	(129,493,208)
Receivable against sale of future equities	-	(65,510,279)
Mark-up receivable	27,275,341	(6,059,429)
Deposits, prepayments and other receivables	(29,853,761)	(5,507,813)
	<u>490,927,319</u>	<u>89,318,495</u>
(Decrease) in liabilities		
Payable to the Management Company	(1,098,701)	281,436
Payable to the Trustee	(62,259)	17,133
Annual fee payable to Securities and Exchange Commission of Pakistan	(2,627,723)	(1,817,424)
Payable against Margin Trading System	-	27,099,132
Payable against purchase of investments	-	(236,784,730)
Payable against redemption of units	-	(1,293,408)
Dividend payable	-	(3,107)
Accrued expenses and other liabilities	3,282,152	(27,518,093)
	<u>(506,531)</u>	<u>(240,019,061)</u>
Net cash generated / (used in) operating activities	556,728,656	(96,365,969)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issue of units	130,665,633	700,758,979
Cash paid on redemption of units	(1,158,208,044)	(109,160,764)
Cash dividend paid	(149,951,541)	-
Net cash (used in) / generated from financing activities	(1,177,493,952)	591,598,215
Net (decrease) / increase in cash and cash equivalents	(620,765,298)	495,232,246
Cash and cash equivalents at the beginning of the period	3,336,896,309	2,265,077,568
Cash and cash equivalents at the end of the period	<u>2,716,131,013</u>	<u>2,760,309,814</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



Notes to the Condensed Interim Financial Information (Unaudited) For the quarter ended September 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

The 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 Lahore Stock Exchange. 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 has also maintained asset manager rating of the Company to AM2+ (stable outlook), on August 28, 2018 (2018: 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 VIII A 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 VIII A 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 VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

In compliance with schedule V of the NBFC Regulations the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at September 30, 2018.



2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for investments that are stated at fair values.

This condensed interim financial information has been prepared 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial informations are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2018 except with respect to of adoption of IFRS- 9 as explained in detail in note 3.1

- 3.1 In July 2014 IASB issued a revised version of IFRS 9 'Financial Instruments' which supersedes all its previous versions and is mandatorily effective for periods beginning on or after January 1, 2018. The SECP has adopted the IFRS 9 effectively from July 1, 2018 and will be applicable for the Fund as well. Further, the SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. From July 01, 2018 the Fund has adopted IFRS-9 as per approved accounting and reporting standards as applicable in Pakistan.

Key requirements of IFRS 9:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt and equity instruments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election at initial recognition to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. However, the SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds.



- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Classification and measurement:

Classification and Measurement of Financial Assets and Financial Liabilities after the adoption of IFRS-9 is discussed as under:

- Listed equity securities classified as 'at Fair value through Profit or Loss' investments carried at fair value will continue to be subsequently measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognized in profit or loss;
- Debt securities (Listed / Unlisted) and government securities classified as 'at Fair value through Profit or Loss' investments carried at fair value will continue to be subsequently measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognized in profit or loss;
- All financial assets classified as Loans and receivable as on June 30, 2018 have now been re-classified as Amortized cost. These assets under IFRS - 9 will continue to be measured on the same bases as was adopted under IAS 39.
- All other financial assets and financial liabilities under IFRS - 9 will continue to be measured on the same bases as was adopted under IAS 39.

4. Significant judgement and estimates

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

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to financial statements as at and for the year ended June 30, 2018.

5. FINANCIAL RISK MANAGEMENT

The Fund financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended June 30, 2018.

		September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
		(Rupees)	
6.	Note		
BANK BALANCES			
Local currency			
	6.1	2,716,123,471	3,336,888,767
		7,542	7,542
		<u>2,716,131,013</u>	<u>3,336,896,309</u>

- 6.1 These represents profit and loss account maintained with banks carrying profit rates ranging from 5.75% to 9.50% (2018: 3.75% to 7.30%) per annum.



7. INVESTMENTS - financial assets at fair value through profit or loss - held for trading

	Note	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
Government Securities			
Market Treasury Bills	7.1	49,889,700	49,708,000
Pakistan Investment Bonds - Floating Rate	7.2	123,062,500	124,475,000
Term Finance Certificates - Listed	7.3	136,896,817	138,987,304
Term Finance Certificates - Unlisted	7.4	145,326,154	146,648,318
Sukuk Certificates	7.5	225,323,316	225,738,418
		-	-
		680,498,487	685,557,040
Loans and Receivables			
Term Deposits Receipts		-	500,000,000
Commercial Paper		-	69,464,695
		-	569,464,695
		680,498,487	1,255,021,735

7.1 Market Treasury Bills

Treasury Bills - 3 months (face value of Rs. 100,000 each)	Note	Number of treasury bills				Balance as at September 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 period	Acquired during the period	Disposed/ matured during the period	Number of holdings at the end of the period	Carrying value	Market value	Unrealized appreciation / (diminution)		
	7.1.1	500	12,530	12,530	500	49,895,562	49,889,700	(5,862)	1.39%	7.33%
Total as at September 30, 2018						49,895,562	49,889,700	(5,862)	1.39%	7.33%
Total as at June 30, 2018						49,717,181	49,708,000	(9,181)	1.06%	7.25%

7.1.1 This represents investments in 03 month Government Market Treasury Bills carrying effective yield at a rate of 7.69% (June 30, 2018: 6.50%) per annum and having maturity on Oct 11, 2018. The face value of Market Treasury Bills is Rs.50 million (June 30, 2018: Rs. 50 million).

7.2 Pakistan Investment Bond - Floating Rate

05 years Pakistan Investment Bonds (face value of Rs. 100,000 each)	Note	Number of Pakistan investment bond				Balance as at September 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 period	Acquired during the period	Disposed/ matured during the period	Number of holdings at the end of the period	Carrying value	Market value	Unrealized appreciation / (diminution)		
	7.2.2	1,250	-	-	1,250	124,475,000	123,062,500	(1,412,500)	3.44%	18.08%
Total as at September 30, 2018						124,475,000	123,062,500	(1,412,500)	3.44%	18.08%
Total as at June 30, 2018						125,000,000	124,475,000	(525,000)	2.65%	18.16%

7.2.2 This represent the Pakistan Investment Bond (PIB) with floating rate coupon carry a rate of 6.85% (June 30, 2018: 6.85%) 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 2018: 125 million)

7.3 Term Finance Certificates - listed

Name of Security	Note	Number of certificates				Balance as at September 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 period	Acquired during the period	Disposed / matured during the period	Number of holdings at the end of the period	Carrying Value	Market value	Unrealized (diminution)			
Commercial Banks											
Bank Alfalah Limited - V (face value of Rs. 5,000 each)	7.3.1	12,950	-	-	12,950	64,971,104	64,523,238	(447,866)	1.80%	9.48%	1.30%
HBL Tier-II TFCs 10 years (face value of Rs. 100,000 each)	7.3.2	750	-	-	750	73,988,250	72,373,579	(1,614,671)	2.02%	10.64%	0.75%
Total as at September 30, 2018						138,959,354	136,896,817	(2,062,537)	3.83%	20.12%	2.05%
Total as at June 30, 2018						141,593,321	138,987,304	(2,606,017)	2.96%	20.27%	2.05%



7.3.1 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.

7.3.2 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+.

7.3.3 The term "listed" indicated in note 7.3 refers to listing in the stock exchange, however their rates are quoted by MUFAP.

7.4 Term Finance Certificates - Un-listed

Name of Security	Note	-----Number of term finance certificates-----				Balance as at September 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 period	Acquired during the period	Disposed / matured during the period	Number of holdings at the end of the period	Carrying Value	Market value	Unrealized (diminution) / appreciation			
Commercial Banks											
Silk Bank Limited PPTFC - 08 Years (face value of Rs. 5,000 each)	7.4.1	16,000	-	-	16,000	70,746,043	70,513,654	(232,389)	1.97%	10.36%	4.00%
Jahangir Siddiqui Company Limited PPTFC (face value of Rs. 5,000 each)	7.4.2	15,000	-	-	15,000	75,894,450	74,812,500	(1,081,950)	2.09%	10.99%	5.00%
Total as at September 30, 2018						146,640,493	145,326,154	(1,314,339)	4.06%	21.36%	9.00%
Total as at June 30, 2018						154,991,824	146,648,318	(8,343,506)	3.12%	21.39%	9.00%

7.4.1 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-.

7.4.2 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 instalments. These term finance certificates are secured. The rating of the instrument is AA+.

7.5 Sukuk Certificates

Name of Security	Note	-----Number of sukuk certificates-----				Balance as at September 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 period	Acquired during the period	Disposed / matured during the period	Number of holdings at the end of the period	Carrying Value	Market value	Unrealized appreciation			
Investment Company											
Dawood Hercules Corporation Limited - 05 Years (Face value of 100,000 each)	7.5.1	420	-	-	420	42,084,000	42,091,350	7,350	1.18%	6.19%	0.70%
Dawood Hercules Corporation Limited - 05 Years (Face value of 100,000 each)	7.5.2	1,430	-	-	1,430	143,092,378	142,908,766	(183,612)	4.00%	21.00%	2.38%
Electricity											
K-Electric - Sukuk Certificates - 5 Years (Face value of Rs. 5,000 each)	7.5.3	8,000	-	-	8,000	40,562,040	40,323,200	(238,840)	1.13%	5.93%	0.67%
Total as at September 30, 2018						225,738,418	225,323,316	(415,102)	6.30%	33.11%	3.75%
Total as at June 30, 2018						226,393,480	225,738,418	(655,062)	4.81%	32.93%	3.75%



- 7.5.1 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.
- 7.5.2 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.
- 7.5.3 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.

8 RECEIVABLE AGAINST MARGIN TRADING SYSTEM

This represents the amount receivable under the margin trading of eligible listed equity securities which are to be settled within maximum 60 days.

	Note	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
		(Rupees)	
9. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable	9.1	4,770,885	5,743,186
Sindh Sales Tax on remuneration to Management Company	9.2	2,988,498	3,114,898
Federal Excise Duty on remuneration to Management Company	9.3	16,177,075	16,177,075
		<u>23,936,458</u>	<u>25,035,159</u>

- 9.1 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.
- 9.2 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, 2018: Rs. 2,368,285) accrued on Federal Excise Duty (FED) charged on the management remuneration as more fully explained in note 11.3 below. Had the provision relating to FED not been made, net asset value per unit of the Fund as at September 30, 2018 would have been higher by Re. 0.0678 (June 30, 2018: Re. 0.0535) per unit.
- 9.3 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 September 30, 2018 would have been higher by Re. 0.46 (June 30, 2018: Re. 0.37) per unit.

	Note	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
		(Rupees)	
10. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		80,631	163,860
Sindh Workers' Welfare Fund	10.1	10,642,800	9,395,911
Brokerage payable		39,890	26,480
NCCPL payable		32,534	34,875
Printing and stationery payable		25,591	20,550
Withholding tax payable		1,892,992	66,323
Settlement Charges		46,287	-
Others		300,291	70,865
		<u>13,061,016</u>	<u>9,778,864</u>

10.1 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 September 30, 2018 amounted to Rs. 10.643 million. Had the provision not been made the net assets value per unit of the Fund as at September 30, 2018 would have been higher by Re. 0.3046 per unit (2018: Re. 0.2121 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 judgements 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.

11. CONTINGENCIES AND COMMITMENTS

Contingencies

There were no contingencies as at September 30, 2018 and June 30, 2018.

Commitments	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
	(Rupees)	
Margin trading system transactions entered into by the Fund in respect of which purchase transactions have not been settled	<u>-</u>	<u>3,078,037</u>
Margin trading system transactions entered into by the Fund in respect of which release transactions have not been settled	<u>42,930,782</u>	<u>4,379,328</u>

12. 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 has distributed at least 90% of the income earned during the year by the Fund to the unit holders.

13. 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 of September 30, 2018.

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:



	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
13.1 Balance as at period / year end		
Lakson Investments Limited - Management Company		
Remuneration payable	<u>4,770,885</u>	<u>5,743,186</u>
Sindh Sales Tax and Federal Excise Duty on Remuneration to Management Company	<u>19,165,573</u>	<u>19,291,973</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	<u>377,975</u>	<u>440,234</u>
Security deposit	<u>100,000</u>	<u>100,000</u>



13.2 Unit Holders' Fund

		Quarter ended September 30, 2018							
		Number of Units			Rupees				
Number of Units as at July 01, 2018	Units issued during the period	Refund / Adjustment of Units as element of income	Units redeemed during the period	Number of holdings at the end of the period	Balance as at July 01, 2018	Units issued during the period	Bonus units issued during the period	Units redeemed during the period	Balance at the end of the period (Investment at current NAV)
Lakson Investments Limited - Management Company	1,089,737	135	53,850	-	1,143,722	115,448,674	13,637	-	117,086,565
Directors, Chief Executive and their spouse and minors	5,330,393	2,258,30	6,090	-	5,562,313	564,712,495	28,700,506	-	569,432,337
Associated companies / undertakings of the Management Company									
SIZA (Private) Limited	1,059,782	44,646	-	-	1,104,428	112,275,427	4,506,506	-	113,063,941
Premier Fashions (Private) Limited	637,714	26,862	4	-	664,579	67,560,654	2,711,431	-	68,035,173
Alan (Private) Limited	20,460	862	-	-	21,322	2,167,535	86,999	-	2,182,766
Colgate Palmolive (Pakistan) Limited	9,442,006	2,440	465,089	6,367,012	3,542,322	1,000,304,957	246,281	650,000,000	362,659,706
Hasanali & Gulbano Lakhani Foundation	532,009	241	26,084	-	558,334	56,362,112	24,315	-	57,158,508
SIZA Services (Private) Limited	3,002,299	126,478	-	2,196,929	931,848	318,069,599	12,766,662	223,000,000	95,396,392
Sybird (Private) Limited	837,838	20,100	17,878	325,235	550,581	88,762,309	2,028,838	33,000,000	56,364,826
Lakson Business Solution Limited-ECPFT	4,091	1	202	-	4,294	433,400	60	-	439,541
*Gul Ahmed Energy Limited (10% or more holding)	5,117,282	1,255,06	105,965	-	5,348,753	542,135,090	12,668,523	-	547,569,495
*Atlas Honda Limited (10% or more holding)	-	-	-	-	3,743,327	-	-	-	383,216,782
*English Biscuit Manufacturers Private Limited (10% or more holding)	-	-	-	-	3,589,005	-	-	-	367,418,321

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



		Quarter ended September 30, 2017						Rupees		
		Number of Units			Number of Holdings			Rupees		
		Units issued during the period	Bonus units issued during the period	Units redeemed during the period	Number of holdings at the end of the period	Balance as at July 01, 2017	Units issued during the period	Bonus units issued during the period	Units redeemed during the period	Balance at the end of the period (Investment at current NAV)
Lakson Investments Limited - Management Company		1,103,683	-	-	1,103,683	111,114,360	-	-	-	112,450,257
Directors, Chief Executive and their spouse and minors		3,371,871	3,465,042	-	6,836,913	339,466,528	350,000,000	-	-	696,588,467
Associated companies / undertakings of the Management Company										
SIZA (Private) Limited		1,059,782	-	-	1,059,782	106,694,615	-	-	-	107,977,375
Premier Fashions (Private) Limited		637,527	-	-	637,527	64,183,665	-	-	-	64,955,327
SIZA Commodities (Private) Limited		-	-	-	-	-	-	-	-	-
Alan (Private) Limited		20,460	-	-	20,460	2,059,794	-	-	-	2,084,559
Colgate Palmolive (Pakistan) Limited		9,943,076	-	-	9,943,076	1,001,029,089	-	-	-	1,013,064,188
Hasanali & Gulbano Lakhani Foundation		-	320,484	320,484	-	-	32,265,000	-	32,321,085	-
SIZA Services Private Limited		3,671,449	-	-	3,671,449	369,626,789	-	-	-	374,070,710
Sybird Private Limited		298,266	197,878	-	496,144	30,028,246	20,000,000	-	-	50,550,327



September 30,
2018 2017
(Unaudited)
(Rupees)

13.3 Other transactions during the period

**Lakson Investments Limited - Management
Company of the Fund**

Remuneration to the Management Company	<u>16,464,239</u>	<u>14,857,945</u>
Sindh Sales Tax on remuneration to Management Company	<u>2,140,351</u>	<u>1,931,533</u>

**Central Depository Company of Pakistan
Limited- Trustee of the Fund**

Remuneration to the Trustee	<u>1,296,359</u>	<u>1,193,502</u>
Settlement charges	<u>46,287</u>	<u>48,995</u>

14. Total Expense Ratio (TER)

As per the SECP circular vide direction no. 23 dated July 20, 2016 and as referred in Regulations 60(5) 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 2.13% as of September 30, 2018 and this includes 0.40% representing Sindh Sales tax and SECP fee.

15. 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.

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).

Investments of the Fund carried at fair value are categorised as follows:

As at September 30, 2018				
----- Un-audited -----				
Level 1	Level 2	Level 3	Total	
----- Rupees -----				
Assets				
Financial assets at fair value				
through profit or loss				
-	680,498,487	-	680,498,487	

As at June 30, 2018				
----- Audited -----				
Level 1	Level 2	Level 3	Total	
----- Rupees -----				
Assets				
Financial assets at fair value				
through profit or loss				
-	685,557,040	-	685,557,040	

16. Date of Authorization for Issue

These condensed interim financial statements were authorized for issue by Board of Directors of the Management company on October 13, 2018.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



A Lakson Group Company

Lakson Investments Limited

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