

LAKSON MONEY MARKET 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

Lakson Investments Limited  
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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

### 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

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
National Bank of Pakistan  
Sindh Bank Limited  
United 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 Services Limited  
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**

AA(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 Money Markets Fund ("LMMF") is pleased to submit its review report together with Condensed Interim Financial Information for the period ended September 30, 2018.

### **Fund Objective**

The objective of the fund is to provide stable and competitive returns with low volatility that are in line with the money markets and consistent with capital preservation. Accordingly, the fund consists of a liquid portfolio of low risk, short-term investments.

### **Principal activities**

The Fund is an open-end money market fund and is listed on Pakistan Stock Exchange Limited. The Fund invests in Government Securities, Certificate of Investments, Clean Placements, Term Deposit Receipts and other short-term instruments. The weighted average maturity of the portfolio is kept below 3 months. LMMF invests in only those securities that have been assigned at least an "AA" rating by a rating agency in Pakistan and are of less than 6 months maturity. An in-depth credit analysis is conducted before taking any exposure to any counter party to mitigate the credit risk. Short maturity of the portfolio protects the Unit Holders against interest rate movements while enhancing the liquidity of the Fund. LMMF is allowed to borrow up to 15% of Net Assets to meet redemptions; however, LMMF did not utilize this facility during the period under review.

### **Fund performance**

The LMMF yielded an annualized return of 6.18% in the 1QFY18 compared to the Benchmark return of 5.93%. The LMMF outperformed the benchmark by 25 bps. As of September 30, 2018, the LMMF portfolio is placed 90% in cash deposits with Banks and 9.4% is placed with DFIs while the weighted average maturity of the LMMF portfolio stands at 01 day. The fund size of the LMMF as of September 30, 2018 is PKR 5,290 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 منی مارکیٹ فنڈ  
30 ستمبر 2018ء کو ختم ہونے والی مدت کے لیے  
مینجمنٹ کمپنی کے ڈائریکٹرز کی جائزہ رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن منی مارکیٹ فنڈ (LMMF) کی مینجمنٹ کمپنی، 30 ستمبر 2018ء کو ختم ہونے والی مدت کے لیے اپنی جائزہ رپورٹ مختصر عبوری مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

فنڈ کا مقصد

اس فنڈ کا مقصد کم اتار چڑھاؤ کے ساتھ مضبوط اور مستحکم منافع فراہم کرنا ہے جو منی مارکیٹس سے ہم آہنگ اور سرمائے کے تحفظ سے مطابقت رکھتے ہوں۔ اسی طرح یہ سرمایہ کم خطرات، مختصر مدتی سرمایہ کاری کے لیکویڈ پورٹ فولیو پر مشتمل ہے۔

نمایاں سرگرمیاں

LMMF ایک اوپن اینڈ منی مارکیٹ فنڈ ہے جو گورنمنٹ سکیورٹیز، سرٹیفکیٹس آف انویسٹمنٹس، Clean Placements، ہرزم ڈپازٹس اور دیگر مختصر مدتی انشرومنٹس میں سرمایہ کاری کرتا ہے۔ پورٹ فولیو کی موزوں اوسط میچورٹی 3 ماہ سے کم رکھی جاتی ہے۔ LMMF صرف ان سکیورٹیز میں سرمایہ کاری کرتا ہے جنہیں پاکستان میں کسی ریٹنگ ایجنسی نے کم از کم "AA" ریٹنگ دے رکھی ہو اور جن کی میچورٹی 6 ماہ سے کم ہو۔ کریڈٹ رسک کم کرنے کے لیے کسی متبادل فریق سے کوئی سامنا ہونے سے پہلے کریڈٹ کے حوالے سے باریک بینی سے تجزیہ کیا جاتا ہے۔ پورٹ فولیو کی مختصر میچورٹی پونٹ ہولڈرز کو شرح سود کی نقل و حرکت کے خلاف تحفظ دیتی ہے، جب کہ فنڈ کی لیکویڈٹی میں اضافہ کرتی ہے۔ LMMF کوریڈ پیپٹس کی تکمیل کے لیے خالص اثاثوں کے 15 فی صد تک قرض لینے کی اجازت ہے، تاہم LMMF نے اس سہولت کو زیر جائزہ مدت کے دوران استعمال نہیں کیا۔

فنڈ کی کارکردگی کا جائزہ

LMMF نے 5.93% کے شیئہ مارک منافع کے مقابلے میں مالی سال 2018 کی پہلی سرمایہ میں 6.18% منافع کمایا۔ LMMF نے شیئہ مارک کو 25 بنیادی پوائنٹس سے پیچھے چھوڑ دیا۔ بمطابق 30 ستمبر 2018، LMMF پورٹ فولیو نے 90% بینکوں کے پاس کیش ڈپازٹس اور 9.4% DFIs میں سرمایہ کاری کر رکھی ہے جب کہ LMMF پورٹ فولیو کی تخمینہ شدہ اوسط میچورٹی (WAM) ایک دن ہے۔ LMMF کا فنڈ سائز، 30 ستمبر 2018 کے مطابق 5,290 ملین روپے ہے۔

فی یونٹ آمدنی (EPU)

فی یونٹ 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۔



### معاشی جائزہ

مالی سال 2019 کے آغاز میں منو کی رفتار درست دکھائی دے رہی ہے، جیسا کہ لارج اسکیل مینیجنگ چیمبرگ انڈیکس جولائی میں سال بہ سال بنیاد پر صرف 0.50% بڑھا۔ جیسا کہ اسٹیٹ بینک نے اپنی تازہ ترین مانیٹری پالیسی اسٹیٹمنٹ میں ذکر کیا، معیشت کو دو بارہڑیک پر لانے کے لیے کیے جانے والے خزانہ جاتی اور مالیاتی اقدامات کی وجہ سے منوکا 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 منو کی 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 درآمدی 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 پہلی 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 محاذ 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 بیکارڈ 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 بیکارڈ 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۔

### قلندہ 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 سواد درآمدات نے گزشتہ سہ ماہی میں بندشی اقدامات پر ڈمبل 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 برصغیر ہونے کی شرح سود (جولائی 2018 میں 100 بنیادی پوائنٹس) کے دوران کمزور رہی 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 قبول پینکٹیشن 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 (30 تا 90 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 آنی 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 تر مختصر مدتی ہے (ایران اور ویتنام کے مسائل)، جب عالمی معیشت کی نموشستی کی وجہ سے نیچے کی طرف دباؤ وسط مدتی ہے۔

دستیج زرمائیاتی (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 اثر 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 تیزی طور پر اس کی تلافی ہو گئی۔ نجی شعبے کی طرف قرض میں اضافہ بجلی کی بہتر دستیابی گزشتہ تین سالوں میں گنجانے 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 ہدف دوہرے 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 لڑکھڑاتے زرمبادلہ 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 ہنگامی 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 بلندی 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 تنگی 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 تنگی 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 اضافہ کر چکا ہے۔ بہر حال ہمارے لیے یہ قابل توجہ ہے کہ پاکستان مالیاتی تنگی 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 ریکارڈ 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 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 شکریہ ادا کرتا ہے۔ مینجمنٹ کمیٹی کے ڈائریکٹرز فنڈ کی ترقی اور عمدہ نظم و نسق کے لیے مینجمنٹ کمیٹی کی ٹیم کی کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے اور از طرف بورڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 13 اکتوبر 2018



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

	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
ASSETS	Note	(Rupees)
Bank balances	6	4,814,161,935
Investments	7	500,000,000
Markup receivable		29,641,274
Advance tax		2,312,971
Prepayments		407,426
<b>TOTAL ASSETS</b>		<b>5,346,523,606</b>
<b>LIABILITIES</b>		
Payable to the Management Company	8	39,458,568
Remuneration payable to the Trustee		435,290
Annual fee payable to Securities and Exchange Commission of Pakistan		1,059,411
Accrued expenses and other liabilities	9	15,318,205
<b>TOTAL LIABILITIES</b>		<b>56,271,474</b>
 <b>NET ASSETS</b>		 <b>5,290,252,132</b>
 <b>UNIT HOLDERS' FUND (as per statement of movement in unit holders' fund)</b>		 <b>5,773,779,106</b>
 <b>CONTINGENCIES AND COMMITMENTS</b>	10	
		(Number of units)
Number of units in issue		51,868,006
		54,663,202
		(Rupees)
Net assets value per unit		101.9946
		105.6246

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)	
<b>INCOME</b>			
Mark-up income		105,099,336	78,799,901
Loss on sale of investments - net		(2,454,587)	(79,296)
Unrealised appreciation / (diminution) in the fair value classified as 'held for trading' - net		-	2,228
		<u>102,644,749</u>	<u>78,722,833</u>
<b>EXPENSES</b>			
Remuneration to the Management Company	8.1	10,416,221	7,872,735
Sindh Sales Tax on remuneration to Management Company	8.2	1,354,109	1,023,456
Remuneration to the Trustee		1,410,751	1,291,500
Annual fee to the Securities and Exchange Commission of Pakistan		1,059,411	953,879
SECP Supervisory fee on PSX Listing Fee		630	637
Auditors' remuneration		117,072	92,222
Fees and subscription		134,682	83,371
Printing charges		7,561	7,561
Brokerage expenses and bank charges		55,039	108,805
		-	-
		<u>14,555,476</u>	<u>11,434,166</u>
Net income from operating activities		<u>88,089,273</u>	<u>67,288,667</u>
Sindh Workers' Welfare Fund	9.1	(1,761,785)	(1,345,773)
<b>Net income for the period before taxation</b>		<u>86,327,488</u>	<u>65,942,894</u>
Taxation	11	-	-
<b>Net income for the period after taxation</b>		<u>86,327,488</u>	<u>65,942,894</u>
<b>Allocation of Net Income for the year</b>			
Net income for the year after taxation		86,327,488	65,942,894
Income already paid on units redeemed		(10,355,063)	(5,381,429)
		<u>75,972,425</u>	<u>60,561,465</u>
<b>Accounting income available for distribution</b>			
Relating to capital gains		-	(70,779)
Excluding capital gains		75,972,425	60,632,244
<b>Accounting income available for distribution</b>		<u>75,972,425</u>	<u>60,561,465</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 Comprehensive Income (Unaudited)  
For the quarter ended September 30, 2018**

	2018	2017
		(Rupees)
Net income for the period after taxation	86,327,488	65,942,894
Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	<u><u>86,327,488</u></u>	<u><u>65,942,894</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	Undistributed Income	Unrealised (losses) / gains on investment (Rupees)	Capital Value	Undistributed Income	Unrealised (losses) / gains on investment (Rupees)
<b>Net assets at beginning of the period</b>	5,553,837,584	219,941,522	-	4,672,114,551	7,568,397	-
Total proceeds on issuance of 10,728,260 units (2017: 21,338,490 units)	1,000,432,811	-	-	2,157,897,768	-	-
Total payments on redemption of 13,523,456 units (2017: 6,755,731 units)	(1,358,259,000)	(10,355,063)	-	(676,975,667)	(5,381,429)	-
Total comprehensive income for the period	-	86,327,488	-	-	65,942,894	-
Final Distribution during the period is Rs. 5.1947 per unit on July 03, 2018 (2017: Nil)	(201,673,210)	(201,673,210)	-	-	-	-
Net income for the period less distribution	(115,345,722)	(115,345,722)	-	-	65,942,894	-
Net assets at end of the period	5,196,011,395	94,240,737	-	6,153,036,652	68,129,862	-
Undistributed income brought forward		219,941,522			7,568,397	
Realised gain		-			-	
Unrealised gain		219,941,522			7,568,397	
Accounting (loss) / income available for distribution relating to capital (loss)		75,972,425			(70,779)	
Excluding capital gains		75,972,425			60,632,244	
Net income for the period after taxation		-			-	
Final Distribution during the period is Rs. 5.1947 per unit on July 03, 2018 (2017: Nil)		(201,673,210)			-	
Undistributed income carried forward		94,240,737			68,129,862	
Undistributed income carried forward comprises of:		94,240,737			68,127,634	
Realised income		-			2,228	
Unrealised gain		94,240,737			68,129,862	
						(Rupees)
Net assets value per unit at beginning of the period						100.1620
Net assets value per unit at end of the period						101.4508

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)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	86,327,488	65,942,894
<b>Adjustments for:</b>		
Unrealised (appreciation) /diminution in the fair value of investments classified as held for trading - net	-	(2,228)
	<u>86,327,488</u>	<u>65,940,666</u>
<b>Increase in assets</b>		
Investments	175,000,000	(750,259,138)
Markup receivable	3,836,722	(3,773,735)
Prepayments	(407,426)	40,125
	<u>178,429,296</u>	<u>(753,992,748)</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(380,597)	568,088
Remuneration payable to the Trustee	(68,939)	76,137
Annual fee payable to Securities and Exchange Commission of Pakistan	(3,658,104)	(2,756,518)
Dividend Payable	-	(2,752,544)
Accrued expenses and other liabilities	1,660,351	(30,142,933)
	<u>(2,447,289)</u>	<u>(35,007,770)</u>
Net cash used in operating activities	<u>262,309,495</u>	<u>(723,059,852)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	1,000,432,811	2,157,897,768
Payment against redemption of units	(1,368,614,063)	(682,357,096)
Cash dividend paid	(201,673,210)	-
Net cash generated from / (used in) financing activities	<u>(569,854,462)</u>	<u>1,475,540,672</u>
Net Increase / (decrease) in cash and cash equivalents	<u>(307,544,967)</u>	<u>752,480,820</u>
Cash and cash equivalents at the beginning of the period	5,121,706,902	4,741,467,462
<b>Cash and cash equivalents at the end of the period</b>	<u>4,814,161,935</u>	<u>5,493,948,282</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 Money Market Fund (the "Fund") was established under the Trust Deed executed on September 2, 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 "Money Market Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and the Fund primarily invests in Government securities, certificates of investment, certificates of deposits, term deposit receipts, commercial papers, reverse repo, 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 AA(f) (Fund Stability Rating) to the Fund on May 29, 2018 and (PACRA) 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.

This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations) and are unaudited.



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**

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest of rupees.

## **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:

- 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 JUDGEMENTS AND ESTIMATES**

The preparation of condensed interim financial statements 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.





- 8.1 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 one percent per annum of the average daily net assets of the Fund. Currently the Management Company is charging its remuneration at the rate of 10% of the gross earnings of the Fund, calculated on a daily basis. The fee is subject to a minimum of 0.5% and maximum of 1.00% of the average annual net assets of the Fund. The effective rate of charging of its remuneration for service rendered for the period ended September 30, 2018 is 0.74%.
- 8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2018: 13%) on Management Company's remuneration. Above liability includes Rs. 4,743,150 (June 30, 2018: Rs. 4,743,150) accrued on Federal Excise Duty (FED) on the management remuneration as more fully explained in note 8.3 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. 0.0914 (June 30, 2018: Re. 0.0868) per unit.
- 8.3 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 1, 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. 30.978 million. Had the provision not been made, NAV per unit of the Fund as at September 30, 2018 would have been higher by Re. 0.60 (June 30, 2018: Re. 0.47) per unit.

		September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
	Note	(Rupees)	
<b>9. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		121,497	234,626
Sindh Workers' Welfare Fund	9.1	13,950,613	12,188,827
Brokerage payable		67,968	12,954
Withholding tax		1,065,480	997,102
Rating Fee Payable		-	119,262
Others		112,647	105,083
		<u>15,318,205</u>	<u>13,657,854</u>



### **9.1 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 1, 2014).

Provision for SWWF as of September 30, 2018 amounted to Rs. 13.951 million. Had the recognition in previous years not been made, the net assets value per unit of the Fund would be higher by Re. 0.27 / 0.27% (June 30, 2018: Re. 0.22 / 0.22%).

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 Sindh High Court (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.

### **10. CONTINGENCIES AND COMMITMENTS**

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

### **11. TAXATION**

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. 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 management intends to distribute at least 90% of the income earned by the year end by this Fund to the unit holders. The Fund is also exempted from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule of the Income Tax Ordinance, 2001. Accordingly, no provision has been made in this condensed interim financial information.



- 11.1 A new section 4B has been introduced in the Income Tax Ordinance, 2001 vide the Finance Act, 2015, according to which super tax has been imposed for Tax Year 2015 on the income of individuals, association of persons and companies who are earning income of Rs. 500 million or above in Tax Year 2015. Super Tax shall be charged at the rate of 3% for person other than banking companies.

During the year, the Management Company has received an order under the aforementioned section for recovery of super tax not paid with return of income in respect of the Fund for the Tax Year 2015. The Deputy Commissioner considered that the Fund was required to pay super tax as the income of the Fund was more than Rs. 500 million and raised a demand of Rs. 18.819 million in this respect.

The Management Company has filed an appeal before Commissioner Appeals (Inland Revenue) against the order which has been decided in favor of the Company whereby super tax demand has been deleted. The department has filed an appeal against the decision at the Appellate Tribunal which is pending adjudication and no provision has been made for super tax in the financial statements for the period ended September 30, 2018.

## 12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee of the fund,

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, staff retirement benefits of related parties and other entities having holding more than 10% in the units of the Funds as 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:

		<b>September 30, 2018 (Unaudited)</b>	<b>June 30, 2018 (Audited)</b>
	<b>Note</b>	<b>(Rupees)</b>	
<b>12.1 Balance as at year end</b>			
<b>Lakson Investments Limited -</b>			
<b>Management Company</b>			
Remuneration payable	8.1	<u>3,307,528</u>	<u>3,644,340</u>
Sindh Sales Tax and Federal Excise			
Duty on remuneration to			
Management Company	8.2 & 8.3	<u>36,151,040</u>	<u>36,194,825</u>
<b>Central Depository Company of Pakistan</b>			
<b>Limited - Trustee of the Fund</b>			
Remuneration payable		<u>435,290</u>	<u>504,229</u>



**12.2 Unit Holders' Fund**

	Quarter ended September 30, 2018						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 units as at September 30, 2018	Balance as at July 01, 2018	Units issued during the period	Units redeemed during the period	Balance as at September 30, 2018
Lakson Investments Limited - Management Company	2,036,870	605	104,645	-	2,142,120	215,143,562	60,762	-	218,484,656
Directors, Chief Executive and their spouse and minors	7,842,759	386,410	-	2,126,888	6,102,281	828,388,277	38,807,032	215,000,000	622,399,705
Key management personnel, employees and connected persons of the Management Company	705,311	1,735	-	5,963	701,083	74,498,203	174,335	600,000	71,506,691
<b>Holding company / associated companies / undertakings of the Management Company</b>									
SIZA Services (Private) Limited	294,139	1,185,410	8,041	69,292	1,418,298	31,068,279	120,612,304	7,000,000	144,658,703
(Holding Company of the Management Company)									
SIZA (Private) Limited	963,577	1,407,608	33,010	989,982	1,414,213	101,777,414	141,436,712	100,000,000	144,242,069
Hasanali & Gulbanoo Lakhani Foundation	487,907	25,526	6,187	-	519,620	51,534,982	2,564,177	-	52,998,434
Premier Fashions (Private) Limited	1,748,182	543,784	55,779	-	2,347,745	184,650,981	54,957,480	-	239,457,271
Lakson Power Limited	3,745	-	-	-	3,745	395,564	-	-	381,970
SIZA Commodities (Private) Limited	2,079,234	362,570	67,372	995,316	1,513,860	219,618,264	36,429,575	101,000,000	154,405,549
Baluchistan Polyproducts (Private) Limited	14,279	66	661	-	15,006	1,508,183	6,615	-	1,530,501
Accuray Surgical Limited	106,682	2,159	2,978	-	111,819	11,268,244	216,841	-	11,404,934
Bashir Dawood (holding more than 10% outstanding units) *	9,886,216	366,438	92,575	-	10,345,229	1,044,227,660	36,801,290	-	1,055,157,542
Millat Tractors Limited	4,886,438	-	-	-	-	516,128,059	-	-	-
Mobilink Microfinance Bank Limited* (holding more than 10% outstanding units)	7,105,550	141,895	200,597	-	7,448,042	750,520,837	14,250,483	-	759,660,026

\* holding increased to above 10% due to investment of Unit holder (s) / divestment from other Unit holders



	Quarter ended September 30, 2017						Balance as at September 30, 2017		
	Number of Units			Rupees					
	Number of Units as at July 01, 2017	Units issued during the period	Refund / Adjustment of units as element of income	Units redeemed during the period	Number of units as at September 30, 2017	Balance as at July 01, 2017	Units issued during the period	Units redeemed during the period	Balance as at September 30, 2017
Lakson Investments Limited - Management Company	2,399,997	-	-	-	2,399,997	240,388,500	-	-	243,553,616
Directors, Chief Executive and their spouse and minors	9,764,826	-	-	547,506	9,217,320	978,064,502	-	55,000,000	935,381,052
Key management personnel, employees and connected persons of the Management Company	705,291	-	-	-	705,291	70,643,393	-	-	71,573,495
<b>Holding company / associated companies / undertakings of the Management Company</b>									
SIZA Services (Private) Limited (Holding Company of the Management Company)	1,692,598	39,557	-	338,151	1,394,005	169,534,001	4,000,000	34,000,000	141,464,723
SIZA (Private) Limited	3,799,996	-	-	3,799,996	-	380,615,199	-	385,164,403	-
Hasanali & Gulbanoo Lakhani Foundation	607,872	72,597	-	-	680,469	60,885,675	7,275,000	-	83,284,481
Premier Fashions (Private) Limited	820,692	-	-	-	820,692	82,202,152	-	-	707,497,838
Colgate Palmolive (Pakistan) Limited	4,999,994	1,971,747	-	-	6,971,741	500,809,399	200,000,000	-	19,194,281
Clover Pakistan Limited	189,142	-	-	-	189,142	18,944,841	-	-	451,080
Lakson Power Limited	4,326	119	-	-	4,445	433,301	12,000	-	154,377,971
SIZA Commodities (Private) Limited	1,521,253	-	-	-	1,521,253	152,371,743	-	-	2,512,772
Baluchistan Polyproducts (Private) Limited	30,571	-	-	5,810	24,761	3,062,053	-	585,000	-
Bashir Dawood - Connected Person due to holding more than 10% outstanding units	-	9,886,216	-	-	9,886,216	-	1,000,000,000	-	1,003,261,156
* Millat Tractors Limited - holding reduced to below 10% due to divestment of Unit holder (s) / investment from other Unit holders	253,349	-	-	-	-	25,375,943	-	-	-



		September 30, 2018	2017
	Note	(Unaudited) (Rupees)	
<b>12.3 Transaction during the period</b>			
<b>Lakson Investments Limited - Management Company</b>			
Remuneration to the Management Company	8.1	<u>10,416,221</u>	<u>7,872,735</u>
Sindh Sales Tax on remuneration to the Management Company	8.2	<u>1,354,109</u>	<u>1,023,456</u>
<b>Central Depository Company of Pakistan Limited - Trustee of the Fund</b>			
Remuneration to the Trustee		<u>1,410,751</u>	<u>1,291,500</u>

**13 TOTAL EXPENSE RATIO**

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 1.16% as of September 30, 2018 and this includes 0.31% representing government levies (comprising of Sindh Workers Welfare Fund and SECP fee, etc.). As per NBFC Regulation the total expense ratio of the Money Market Scheme shall be capped up to 2%.

**14 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 -----				
<b>Assets</b>				
Financial assets at fair value				
through profit or loss				
-	-	-	-	

As at June 30, 2018				
----- Audited -----				
Level 1	Level 2	Level 3	Total	
----- Rupees -----				
<b>Assets</b>				
Financial assets at fair value				
through profit or loss				
-	-	-	-	

**15 DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorised for issue on October 13, 2018 by the Board of Directors of the Management Company.

**16 GENERAL**

Figures have been rounded off to the nearest rupee.

For Lakson Investments Limited  
(Management Company)

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director



A Lakson Group Company

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