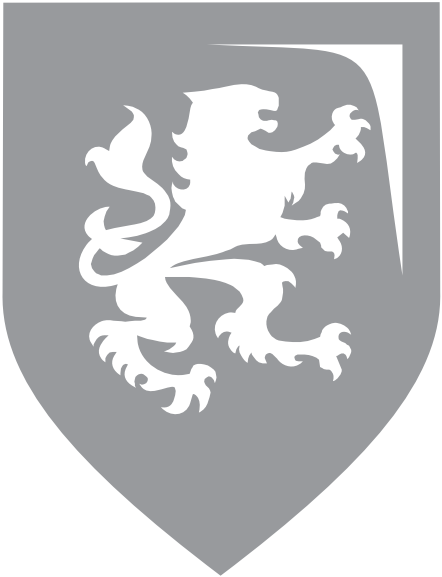


LAKSON INCOME FUND

Quarterly Report (September 30, 2016)



CONTENTS

Fund's Information	1
Review Report of the Directors of the Management Company	3
Review Report of the Directors of the Management Company (in Urdu)	5
Condensed Interim Statement of Assets and Liabilities	8
Condensed Interim Income Statement	9
Condensed Interim Statement of Comprehensive Income	10
Condensed Interim Distribution Statement	11
Condensed Interim Statement of Movement in Unit Holders' Fund	12
Condensed Interim Cash Flow Statement	13
Notes to and forming part of the Condensed Interim Financial Statements	14

Fund's Information

Management Company

Lakson Investments Limited
Head Office
Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan.
Phone: (9221) 3569.8000
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. A. Aziz H. Ebrahim
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

Ms. Sana Quadri

Audit Committee

Mr. Zahid Zakiuddin - Chairman
Mr. A. Aziz H. Ebrahim
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
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
National Bank of Pakistan
NIB Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Tameer Microfinance Bank Limited
United Bank Limited
NRSP Microfinance Bank Limited
Mobilink Microfinance Bank Limited

Legal Adviser

Fazleghani Advocates
F-72/I, 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, 2016

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, 2016

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.

Fund Profile

LIF is an open end income fund which 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 5.31% in Q1FY17 compared to the Benchmark return of 5.55% p.a. The LIF underperformed the benchmark by 24 bps. As of September 30, 2016, the LIF portfolio is invested 33% in placements with banks and DFIs, 10% in TFCs, 4% in Sukuks, 5% in PIBs and 46% in cash while the weighted average maturity of the LIF portfolio stands at 424 days. The fund size of the LIF as of September 30, 2016 was PKR 2,778 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

During Q1FY17 CPI averaged 3.85% as opposed to 1.64% in Q1FY16. As the base effect from lower oil prices fades and food prices start to pick up, we are seeing a gradual increase in the inflation trajectory towards 4.5%-5.0%. With oil prices recovering from multi decade lows and the government seeking to contain the fiscal deficit, regulatory increases in the rate of utilities may also be witnessed. Another source of domestic inflation which has been contained so far is PKR devaluation; any pressure on the currency would directly impact prices across the board. With the inflationary outlook less certain, the SBP chose to maintain the discount and policy rate at 6.25% and 5.75% respectively over the two Monetary Policy Statements announced in July and September. Barring another collapse in commodity prices it seems the interest rate cycle has bottomed out.

Similar uncertainty prevailed on the current account which showed a deficit of USD 1.32 billion during 2MFY17, an increase of 92% over the same period last year. Though oil imports have declined substantially, non oil items have pushed overall imports up by 2.4% while exports have dropped by 7.8%. As a result the trade deficit has expanded by 13.3% to USD 3.75 billion. The fallout from lower oil prices has also started to affect the inflow of worker remittances which were down USD 268 million or 5.4% during Q1FY17. With exports and remittances declining, the ability to maintain FX reserves and USD PKR parity will be reliant on the financial account. On this front the government has had notable success with the recent launch of a USD 1 billion Sukuk in the international market and continues to tap funding from the World Bank, Asian Development Bank and China Development Bank. FX reserves have increased by 17.6% to USD 23.6 billion over the past year and provide a sizeable import cover of over 6 months.

Other macro indicators are moving in the right direction as evidenced by the 10.5% YoY increase in private sector credit and 2.6% growth in Large Scale Manufacturing (LSM). The main contributors to the upswing in borrowing came from Construction, Chemicals and Telecommunications. More heartening are the prospects of significant FDI flows. Already we have seen interest in various sectors ranging from Cement, Banks, Power and Food with the standout deals being the acquisition of Engro Foods by Frieslandcampina for USD 500 million and Shanghai Electric in talks to buy a controlling stake in K-Electric for USD 1.6 billion. With Pakistan slated for an upgrade to the MSCI Emerging Markets Index in May 2017 more foreign interest can be expected.

Fixed Income Market Review

Keeping in mind the rising inflation trajectory and uncertainty over the balance of payments the SBP opted to keep the discount rate and target rate steady at 6.25% and 5.75% respectively. As a result yields across the board have seen an uptick as enthusiasm over further monetary easing has faded. Yields for the 3, 5 and 10 year bonds have increased by 20 bps since the start of the quarter though they are still down by an average of 1.0%-1.5% over September 2016.

Over Q1FY17 the SBP conducted three PIB auctions and accepted bids worth PKR 655.2 billion. Cut off yields for the 3, 5 and 10 year bonds have remained largely stable around 6.2%, 6.7% and 7.8% respectively. Interest in the 3 year tenor has been growing and shrinking in the 10 year as market participants anticipate higher interest rate risk going forward. Similarly the SBP conducted 7 T bill auctions during the quarter and raised over PKR 1.5 trillion. Cut off yields again remained stable and were recorded between 5.75% - 5.91% for the 3 month, 6 month and 12 month papers.

As seen in previous quarters the SBP remained very active with regards to liquidity management and conducted over 25 open market operations. Most of these were injections in order to provide banks with the liquidity to participate in T bill and PIB auctions. The SBP was on average lending at 5.77% to 5.81% so that banks could earn a spread on their sovereign investments.

Future Outlook

The government's ability to manage the PKR while providing exporters with material incentives to arrest the decline in exports will be important to macroeconomic stability. Progress on CPEC especially energy and infrastructure projects will generate much needed activity and possibly push GDP growth over 5.0%. A low interest rate environment coupled with foreign M&A could see consumer sectors such as Autos and Food continue to flourish. Any adverse movement in commodity prices could create devaluation pressure and lead to a reversal in interest rates.

Acknowledgement

The Board would like to thank all its valued investors, the Securities and Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the Pakistan Stock Exchange Limited for their cooperation and support. We also take this opportunity to acknowledge the hard work and efforts of our team.

For and on Behalf of the Board

Dated: October 21, 2016

Babar Ali Lakhani
Chief Executive Officer

لیکسن انکم فنڈ

30 ستمبر 2016ء کو ختم ہونے والی مدت کے لیے

ہینجمنٹ کمپنی کے ڈائریکٹرز کی جائزہ رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز لیکسن انکم فنڈ ("LIF") کی ہینجمنٹ کمپنی 30 ستمبر 2016ء کو ختم ہونے والی مدت کے لیے اپنی جائزہ رپورٹ مختصر عبوری مالیاتی گوشواروں کے ساتھ پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

فنڈ کا مقصد

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

فنڈ کا تعارف

LIF ایک اوپن اینڈ انکم فنڈ ہے جو انویسٹ گریڈ ڈیٹ سکیورٹیز، گورنمنٹ سکیورٹیز، سرٹیفکیٹس آف انویسٹمنٹس، Clean Placement، ٹرم ڈپازٹس اور دیگر فکسڈ انکم انٹرسٹ منٹس 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 نظم و نسق ٹیم کے مل پر پیش قدمی کرنے والی، اوپر سے نیچے تک شعبوں کی توازن سے استعمال کے عمل کو استعمال کرنے والی، دورانیے اور پید اور میں توازن پر یقین رکھنے والی ہینجمنٹ چلاتی ہے۔ انٹرسٹ ریٹ میں تبدیلیوں کی پیش گوئی کے لیے معاشی صورت حال کی مسلسل نگرانی کی جاتی ہے۔ LIF کی قدر و قیمت میں اصل اضافہ مختلف میچورٹیز اور مختلف انٹرسٹ منٹس کے درمیان انویسٹمنٹس کی منتقلی کے مواقع کی شناخت سے آتا ہے۔ LIF کو ریڈیمپشن کی تعمیل 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

LIF نے سالانہ منیج مارک منافع 5.55% کے مقابلے میں مالی سال 2017 کی پہلی سہ ماہی میں 5.31% سالانہ منافع پیش کیا۔ LIF منیج مارک سے 24 بنیادی پوائنٹس کم رہا۔ 30 ستمبر 2016ء کے مطابق LIF پورٹ فولیو نے ہینکس اور DFIs کے ساتھ Placements میں 33% TFCs، 10% ہسکوس میں 4% PIBs، 5% اور 46% کیش کی شکل میں سرمایہ کاری کی جبکہ LIF پورٹ فولیو کی موزوں اوسط میچورٹی 424 دن تک برقرار رہی۔ 30 ستمبر 2016ء تک LIF فنڈ کا حجم 2,778 ملین روپے تھا۔

فی شیئر آمدنی (EPU)

فی شیئر آمدنی (EPU) ظاہر نہیں کی گئی ہے کیوں کہ ہم محسوس کرتے ہیں کہ EPU شاک کرنے کے لیے موزوں اوسط پوائنٹس کا تعین اوپن اینڈ فنڈز کے لیے قابل عمل نہیں ہے۔

معاشی جائزہ

مالی سال 2016 کی پہلی سہ ماہی میں 1.64% کے مقابلے میں مالی سال 2017 کی پہلی سہ ماہی کے دوران CPI کی اوسط 3.85% رہی۔ جیسا کہ تیل کی کم قیمتوں کا بنیادی اثر غائب ہو رہا ہے اور رکھنا کے انشیا کی قیمتوں میں اضافہ ہونا شروع ہو گیا ہے، ہم افراط زر میں بتدریج 5%-4% کی طرف اضافہ دیکھ رہے ہیں۔ تیل کی قیمتوں کی کئی پیش گوئیوں کی کم ترین سطح سے بحالی اور حکومت کی طرف سے تجارتی خسارہ محدود کرنے کی جستجو کے ساتھ یوٹیلٹی کی شرح میں انتظامی اضافہ بھی نظر آ سکتا ہے۔ ملکی افراط زر کا ایک اور ذریعہ، جس نے افراط زر کو ابھی تک محدود رکھا ہے، پاکستانی روپے کی قدر میں کمی ہے، کرنسی پر کوئی بھی دباؤ تمام شعبوں میں قیمتوں پر براہ راست اثر انداز ہوگا۔ افراط زر کی غیر یقینی توقعات کے ساتھ SBP نے جولائی اور ستمبر میں اعلان کردہ دو مالیاتی پالیسی ایڈجسٹمنٹس میں ڈسکاؤنٹ اور پالیسی ریٹ بالترتیب 6.25% اور 5.75% برقرار رکھنے کو ترجیح دی۔

اسی طرح کی غیر یقینی کیفیت کرنٹ اکاؤنٹ میں بھی برقرار رہی، جس نے مالی سال 2017 کے دو ماہ کے درمیان 1.32 ارب امریکی ڈالر خسارہ دکھایا جو گزشتہ سال اسی مدت کے مقابلے میں 92% اضافہ ہے۔ اگرچہ تیل کی درآمدات میں نمایاں کمی ہوئی ہے، تیل کے علاوہ ایشیا نے مجموعی برآمدات پر دباؤ ڈال کر 2.4% بڑھا دیا ہے، جب کہ برآمدات میں 7.8% گرا گئیں۔ جس کے نتیجے میں تجارتی خسارہ 13.3% اضافے کے ساتھ 3.75 ارب امریکی ڈالر ہوگا۔ تیل کی کم قیمتوں کے اثرات کارکنوں کی طرف سے ملک میں ترسیلات زر کو بھی متاثر کرنے لگے جن جن میں مالی سال 2017 کی پہلی سہ ماہی کے دوران 268 ملین امریکی ڈالر یا 5.4% کمی ہوئی۔ برآمدات اور ترسیلات زر میں گراؤ کے ساتھ غیر ملکی زرمبادلہ برقرار رکھنے اور امریکی ڈالر اور پاکستانی روپے میں مساوات برقرار رکھنے کی اہلیت فائنل اکاؤنٹ پر انحصار کرے گی۔ اس محاذ پر حکومت نے بین الاقوامی مارکیٹ میں 1 ارب امریکی ڈالر کے صلہ کی حالیہ لانچ کے ساتھ نمایاں کامیابی حاصل کی ہے اور ورلڈ بینک، ایشین ڈیولپمنٹ بینک اور چائنا ڈیولپمنٹ بینک سے فنڈنگ کے حصول کا سلسلہ جاری رکھے ہوئے ہے۔ غیر ملکی زرمبادلہ کے ذخائر گزشتہ سال میں 17.6% اضافے کے ساتھ 23.6 ارب امریکی ڈالر تک پہنچ گئے اور 6 ماہ سے زائد کا خطیر ایبورت کو فرامہ کرتے ہیں۔

دیگر وسیع تر اشاریے صحیح سمت میں آگے بڑھ رہے ہیں جیسا کہ پرائیویٹ سیکٹر کریڈٹ میں سال بہ سال 10.5% اضافے اور لارج اسکیل بینویں سیکٹرنگ (LSM) میں 2.6% اضافے سے شہادت ملتی ہے۔ کنسٹرکشن، ٹیکسٹائل اور ٹیلی کمیونیکیشنز نے قرض کے حصول میں اضافے میں مرکزی کردار ادا کیا۔ FDI کے خاطر خواہ بہاؤ کے امکانات زیادہ حوصلہ افزا ہیں۔ ہم پہلے ہی سینٹ بینکس، پاور اور فوڈ جیسے مختلف شعبوں میں ہم پہلے ہی دل چسپی دیکھ رہے ہیں ان میں نمایاں ڈیلز میں Frieslandcampina کی طرف سے 500 ارب امریکی ڈالر میں اینگریڈوڈز کی خریداری قابل ذکر ہے جب کہ شیگنئی الیکٹریک کی طرف سے 1.6 ارب امریکی ڈالر میں کے الیکٹریک کے کنٹرول سسٹمز کی خریداری کی بات چیت جاری ہے۔ مئی 2017 میں پاکستان کی MSCI ایئر لائنز مارکیٹس انڈیکس میں ترقی کی امید کے ساتھ مزید غیر ملکی دل چسپی متوقع ہے۔

فکسڈ انکم مارکیٹ کا جائزہ

افراط زر کی بڑھتی سطح اور ادائیگیوں کے تو ازن پر بے یقینی کوڈ ہن میں رکھتے ہوئے SBP نے ڈسکاؤنٹ ریٹ اور ریٹ ریٹ کو بالترتیب 6.25% اور 5.75% پر برقرار رکھنے کا فیصلہ کیا۔ جس کے نتیجے میں منافع جات میں بحیثیت مجموعی اضافہ دیکھنے میں آیا، جیسا کہ مزید مالیاتی نرمی پر جوش و خروش غائب ہو چکا ہے۔ سرمایہ کے آغاز سے 10 اور 3 سالہ بانڈز کے لیے منافع جات میں 20 بنیادی پوائنٹس کا اضافہ ہوا ہے، اگرچہ ستمبر 2016 کے مقابلے میں اب بھی اوسط 1.0% تا 1.5% کم ہیں۔

مئی سال 2017 کی پہلی سرمایہ کے دوران SBP نے PIB کی تین بیلابیلوں کا انعقاد کیا اور 655.2 ارب روپے مالیت کی بولیاں قبول کیں۔ 5.3 اور 10 سالہ بانڈز کے لیے حتمی آمدنیوں بالترتیب 6.2%، 6.7% اور 7.8% کے گرد زیادہ تر مستحکم رہی۔ 3 سالہ معاہدوں میں دل چسپی بڑھ رہی اور 10 سالہ معاہدوں میں کم ہو رہی ہے، جیسا کہ مارکیٹ کے شرکاء پیش قدمی میں بلند ٹرانزسٹ ریٹ رسک کی پیش بینی کر رہے ہیں۔ اسی طرح SBP نے سرمایہ کے دوران T بلز کی سات بیلابیلوں کا انعقاد کیا اور 1.5 ٹریلین روپے اکٹھے کیے۔ 3 ماہ، 6 ماہ اور 12 ماہ کے ہجےز کے لیے حتمی آمدنیاں ایک بار پھر مستحکم ہیں اور 5.75% تا 5.91% ریکارڈ کی گئیں۔

جیسا کہ سابقہ سرمایہ میں دیکھا گیا، SBP لیکویڈٹی مینجمنٹ کے حوالے سے بہت فعال رہا اور 25 سے زائد اوپن مارکیٹ آپریشنز کا انعقاد کیا۔ ان میں سے زیادہ تر بینکوں کو T بل اور PIB بیلابیلوں میں شمولیت کے لیے لیکویڈٹی فراہم کرنے کے لیے انکیشنز تھے۔ SBP نے قرض کی شرح اوسطاً 5.77% سے 5.81% تک رکھی تاکہ بینک اپنی غیر ملکی سرمایہ کاریوں پر قیمت خرید اور قیمت فروخت کے فرق (spread) سے منافع کماسکیں۔

مستقبل کی توقعات

حکومت کی پاکستانی روپے کے لگھم لگھم کرنسی کی اہمیت نیز برآمدات میں کمی روکنے کے لیے ایک سپورٹرز کو خاطر خواہ رعایتوں کی فراہمی مجموعی اقتصادی استحکام کے لیے اہم ہوگی۔ سی بی بی میں پیش رفت، خصوصاً بجلی اور انفراسٹرکچر پروجیکٹس انتہائی ضروری سرگرمی مہیا کریں گے اور ممکنہ طور پر GDP کی نمو 5.0 فیصد تک پہنچا دیں گے۔ سودی کم شرحوں کا ماحول غیر ملکی M&A کے ساتھ مل کر کنزرویٹو سیکٹرز مثلاً آٹو اور فوڈ کو بڑھتے ہوئے پروان چڑھاتا رہے گا۔ کموڈٹیز کی قیمتوں میں کوئی منفی حرکت روپے کی قدر میں کمی کا دباؤ پیدا کر سکتی ہے اور شرح سود کی واپسی کا سبب بن سکتی ہے۔

اظہار تشکر

یہ بورڈ اپنے قابل قدر انویسٹرز، سکیورٹیز اینڈ ایچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینٹرل ڈپازٹری کمیٹی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسچینج کا، ان کے تعاون اور مدد پر شکر گزار ہے۔ مینجمنٹ کمیٹی کے ایگزیکٹوز فنڈ کی ترقی اور عمدہ لگھم لگھم کرنسی کے لیے اپنی عہد کی کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے دستخط: بورڈ

بیرعلی لاکھانی

چیف ایگزیکٹو آفیسر

تاریخ: 21 اکتوبر 2016

**Condensed Interim Statement of Assets and Liabilities
As at September 30, 2016**

	September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
ASSETS	Note	(Rupees)
Bank balances	6	1,805,425,438
Loans and Receivables	7	2,217,723,810
Investments	8	420,000,000
Receivable against Margin Trading System	9	555,516,259
Mark-up receivable	10	-
Deposits, prepayments and other receivables		13,042,035
TOTAL ASSETS		31,531,230
		<u>462,720</u>
		<u>2,968,676,709</u>
LIABILITIES		
Payable to the Management Company	11	22,412,244
Payable to the Trustee		23,443,396
Annual fee payable to Securities and Exchange Commission of Pakistan		298,144
Accrued expenses and other liabilities	12	529,585
TOTAL LIABILITIES		12,108,060
NET ASSETS		35,348,033
		<u>53,672,991</u>
		<u>2,915,003,718</u>
UNIT HOLDERS' FUND (as per statement of movement in unit holders' fund)		2,777,587,614
		<u>2,915,003,718</u>
CONTINGENCIES AND COMMITMENTS	12	
		(Number of units)
Number of units in issue		27,100,302
		<u>28,822,042</u>
		(Rupees)
Net assets value per unit		102.4928
		<u>101.1380</u>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

Condensed Interim Income Statement (Unaudited) For the quarter ended September 30, 2016

INCOME	Note	2016	2015
		(Rupees)	
Mark-up income		51,642,650	55,408,128
Income from Margin Trading System		78,278	88,855
Gain / (loss) on sale of held for trading investments - net		(187,148)	7,945,402
Unrealised (diminution) / appreciation in the fair value of investments classified as 'held for trading' - net	8.1, 8.2, 8.3, 8.4 & 8.5	(441,442)	36,467,137
		51,092,338	99,909,522
EXPENSES			
Remuneration to the Management Company		10,591,689	10,798,476
Sales tax on remuneration to the Management Company		1,376,920	1,753,673
Federal Excise Duty on remuneration to Management Company	11.3	-	1,727,756
Remuneration to the Trustee		920,392	941,155
Annual fee to the Securities and Exchange Commission of Pakistan		529,584	539,924
Annual Supervisory fee of SECP on PSX Listing Fee		1,274	
Auditors' remuneration		81,387	90,621
Fees and subscription		158,063	90,761
Printing charges		5,095	5,027
Brokerage expenses		-	94,140
Bank and settlement charges		92,615	155,164
Workers' Welfare Fund	12.1	-	2,096,996
		13,757,019	18,293,693
Net income from operating activities		37,335,319	81,615,829
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		(2,577,429)	21,136,860
Net Income for the period before Taxation		34,757,890	102,752,689
Taxation		-	-
Net income for the period after taxation		34,757,890	102,752,689

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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

Chief Executive Officer

Director

**Condensed Interim Statement of Comprehensive Income (Unaudited)
For the quarter ended September 30, 2016**

	2016	2015
	(Rupees)	
Net income for the period after taxation	34,757,890	102,752,689
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u><u>34,757,890</u></u>	<u><u>102,752,689</u></u>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Condensed Interim Distribution Statement (Unaudited)
For the quarter ended September 30, 2016**

	2016	2015
	(Rupees)	
Undistributed income at the beginning of the period - realised	27,390,308	21,053,635
Undistributed income at the beginning of the period - unrealised	5,409,237	1,294,460
Undistributed income at the beginning of the period	32,799,545	22,348,095
	-	-
Total comprehensive income for the period	34,757,890	102,752,689
Undistributed income at the end of the period	67,557,435	125,100,784
Undistributed income at the end of the period - realised	67,998,877	88,633,647
Undistributed income / (accumulated loss) at the end of the period -unrealised	(441,442)	36,467,137
Total undistributed income at the end of the period	67,557,435	125,100,784

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited)
For the quarter ended September 30, 2016**

	2016	2015
	(Rupees)	
Net assets at the beginning of the period	2,915,003,718	2,568,389,163
Cash received on issue of 2,168,984 units (2015: 10,671,234 units)	220,542,162	1,100,522,941
Cash paid on redemption of 3,890,724 units (2015: 3,959,976 units)	(395,293,585)	(408,260,249)
	(174,751,423)	692,262,692
Element of loss / (Income) and capital losses / (gains) included in prices of units issued less those of units redeemed - net	2,577,429	(21,136,860)
Total comprehensive income for the period	34,757,890	102,752,689
Net assets as at the end of the period	<u>2,777,587,614</u>	<u>3,342,267,684</u>
Net assets value per unit at the beginning of the period	<u>101.1380</u>	<u>100.8777</u>
Net assets value per unit at the end of the period	<u>102.4928</u>	<u>103.8885</u>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Condensed Interim Cash Flow Statement (Unaudited)
For the quarter ended September 30, 2016**

	2016	2015
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the period before Taxation	34,757,890	102,752,689
Adjustments for non-cash charges and other items:		
Amortisation of deferred formation cost	-	-
Unrealised appreciation in the fair value of investments classified as 'held for trading' - net	441,442	(36,467,137)
Element of income and capital gains included in prices of units issued less those of units redeemed - net	2,577,429	(21,136,860)
	<u>37,776,761</u>	<u>45,148,692</u>
(Increase) in assets		
Investments - net	(110,149,688)	(203,959,651)
Loans and Receivables	(150,000,000)	-
Receivable against Margin Trading System	13,042,035	(28,483,815)
Mark-up receivable	(13,639,030)	31,504,460
Deposits, prepayments and other receivables	3,747,931	368,873
	<u>(256,998,752)</u>	<u>(200,570,133)</u>
(Decrease) / Increase in liabilities		
Payable to the Management Company	(1,031,152)	2,843,335
Payable to the Trustee	(55,714)	90,146
Annual fee payable to Securities and Exchange Commission of Pakistan	(2,247,168)	(783,112)
Accrued expenses and other liabilities	(14,990,924)	1,994,547
	<u>(18,324,958)</u>	<u>4,144,916</u>
Net cash (used in) from operating activities	<u>(237,546,949)</u>	<u>(151,276,525)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issue of units	220,542,162	1,100,522,941
Cash paid on redemption of units	(395,293,585)	(408,260,249)
Net cash (used in) / generated from financing activities	<u>(174,751,423)</u>	<u>692,262,692</u>
Net (decrease) / increase in cash and cash equivalents	<u>(412,298,372)</u>	<u>540,986,167</u>
Cash and cash equivalents at the beginning of the period	2,217,723,810	981,044,264
Cash and cash equivalents at the end of the period	<u>1,805,425,438</u>	<u>1,522,030,431</u>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

Notes to the Condensed Interim Financial Information (Unaudited) For the quarter ended September 30, 2016

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 Pakistan Stock Exchange Limited (previously: Lahore Stock Exchange Limited). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

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

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

The JCR - VIS Credit Rating Company Limited has assigned A+ (f) ranking to the Fund and pursuant to the updated Asset Manager Rating Methodology and Rating Scale, the Pakistan Credit Rating Agency Limited (PACRA) has harmonized asset manager rating of the Company to the new scale i.e. AM2 (stable outlook), on June 08, 2016 (2015: AM2- as on April 22, 2015).

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations). In case the requirements differ, the provisions or directives of the Companies Ordinance, 1984, and the requirements of the Rules and the Regulations shall prevail.

This condensed interim financial information does not include all the information required for a complete set of annual financial statements and should read in conjunction with the latest annual financial statements as at and for the year ended June 30, 2016. However, selected explanatory notes are included to explain events and transactions that are significant.

2.2 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).

The Directors of the Management Company declare that these condensed interim financial information gives a true and fair view of the the state of affairs of the fund.

2.3 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.

2.4 Functional And Presentation Currency

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

2.5 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, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the published financial statements as at and for the year ended June 30, 2016.

4. ACCOUNTING 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 30 June 2016.

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, 2016.

6. BANK BALANCES	Note	September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
		(Rupees)	
Local currency			
In profit and loss sharing accounts	6.1	1,285,408,011	1,917,706,334
In current accounts		17,427	17,476
Term deposit receipts	6.2	520,000,000	300,000,000
		<u>1,805,425,438</u>	<u>2,217,723,810</u>

6.1 These represents profit and loss account maintained with banks carrying profit rates ranging from 4.0% to 10% (2016: 4.0% to 8%) per annum.

- 6.2 These Term Deposit carry profit rates ranging from 6.95% to 12% (2016: 7.15% per annum, matured on July 27, 2016.) per annum maturing

	Note	September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
7 Loans and Receivables			
Term Deposits Receipts	7.1	270,000,000	270,000,000
Certificate of Investments	7.2	150,000,000	-
		<u>420,000,000</u>	<u>270,000,000</u>

- 7.1 This represents placement of long term deposit receipts with Tameer Microfinance Bank Limited which carry a profit rate of 11% maturing from Dec 13, 2016 to Dec 30, 2016
- 7.2 This represent Certificate of Investment with Pak Brunei Investment Company Limited, carry profit rate of 6.40%

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

Government Securities			
Market Treasury Bills	8.1	-	48,424,200
Pakistan Investment Bonds	8.2	148,815,134	57,854,974
Term Finance Certificates - Listed	8.3	140,568,757	140,998,791
Term Finance Certificates - Unlisted	8.4	144,237,688	156,737,688
Sukuk Certificates	8.5	121,894,680	41,792,360
		<u>555,516,259</u>	<u>445,808,013</u>

8.1 Market Treasury Bills

Note	Number of treasury bills				Balance as at September 30, 2016			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)		
Treasury Bills - 3 months (face value of Rs. 100,000 each)	-	-	-	-	-	-	-	-	-
Treasury Bills - 12 months (face value of Rs. 100,000 each)	500	-	500	-	-	-	-	-	-
Total as at September 30, 2016					-	-	-	-	-
Total as at June 30, 2016					48,390,659	48,424,200	33,541	1.66%	10.86%

8.2 Pakistan Investment Bond

Note	Number of Pakistan investment bond				Balance as at September 30, 2016			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			
3 years Pakistan Investment Bonds (face value of Rs. 100,000 each)	-	-	-	-	-	-	-	-	-	
5 years Pakistan Investment Bonds (face value of Rs. 100,000 each)	8.2.1	125	500	125	500	51,962,455	52,053,600	91,145	1.87%	
10 years Pakistan Investment Bonds (face value of Rs. 100,000 each)	8.2.2	391	500	-	891	97,015,831	96,761,534	(254,297)	3.48%	
Total as at September 30, 2016						<u>148,978,286</u>	<u>148,815,134</u>	<u>(163,152)</u>	<u>5.36%</u>	<u>26.79%</u>
Total as at June 30, 2016						53,918,122	57,854,974	3,936,852	1.98%	12.98%

8.2.1 This represents investment in 5 years Pakistan Investment Bonds carrying effective profit rate 7.75% (June 30, 2016: 11.50%) per annum having maturity April 21, 2021. The face value of Pakistan Investment Bonds as at September 30, 2016 amounted to Rs. 50 million (June 30, 2016: Rs. 12.5 million).

8.2.2 This represents investment in 10 years Pakistan Investment Bonds carrying effective profit rate ranging from 8.75% to 12.00% (June 30, 2016: 8.75% to 12.00%) per annum having maturity from July 19, 2022 to April 21, 2026. The face value of Pakistan Investment Bonds as at September 30, 2016 amounted to Rs. 89.1 million (June 30, 2016: 39.1 million).

8.3 Term Finance Certificates - listed

Name of Security	Note	Number of certificates				Balance as at September 30, 2016			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											
Bank Alfalah Limited - V (face value of Rs. 5,000 each)	8.3.1	12,950	-	-	12,950	65,974,591	65,652,518	(322,073)	2.36%	11.82%	1.30%
HBL Tier-II TFCs 10 years (face value of Rs. 100,000 each)	8.3.2	750	-	-	750	74,996,250	74,916,239	(80,011)	2.70%	13.49%	0.75%
Total as at September 30, 2016						140,970,841	140,568,757	(402,085)	5.06%	25.30%	2.05%
Total as at June 30, 2016						139,769,283	140,998,791	1,229,508	4.84%	31.63%	2.05%

8.3.1 These represents listed 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 1.25% 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. 13,000 per six months, except in case of the last six monthly installment, where it shall be Rs. 64.805 million. These term finance certificates are unsecured. The rating of the instrument is AA-.

8.3.2 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 AAA.

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

8.4 Term Finance Certificates - Un-listed

Name of Security	Note	Number of term finance certificates				Balance as at September 30, 2016			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			
Microfinance Bank											
NRSP Microfinance Bank PPTFC (face value of Rs. 5,000 each)	8.4.1	20,000	-	-	20,000	87,500,000	87,500,000	-	3.15%	15.75%	3.33%
Askari Bank Limited - IV privately placed (face value of Rs. 1,000,000 each)	8.4.2	56	-	-	56	56,716,213	56,737,688	21,475	2.04%	10.21%	5.60%
Total as at September 30, 2016						144,216,213	144,237,688	21,475	5.19%	25.96%	8.93%
Total as at June 30, 2016						156,322,192	156,737,688	415,496	5.38%	35.16%	8.93%

8.4.1 This represent unlisted term finance certificates and carry a rate of mark-up equal to the base rate of 3 months Karachi Inter Bank Offer Rate (KIBOR) per annum plus margin of 2.35% receivable quarterly in arrears with no floor or cap and will mature in June 30, 2018. The principal amount shall be redeemable at Rs. 625 on 08 equal quarterly installments. These term finance certificates are secured . The rating of the instrument is A.

8.4.2 These 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 1.75% for the first five periods and 2.20% for the remaining period) receivable semi-annually in arrears

with no floor or cap and will mature in December 2021. The principal shall be redeemed by 0.32% of the issue amount in the first 96 months and the balance shall be redeemed in four equal semi annually installments. These term finance certificates are unsecured. The rating of the instrument is AA-

8.5 Sukuk Certificates

Name of Security	Note	Number of sukuk certificates				Balance as at September 30, 2016			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			
Electricity											
K-Electric - Sukuk Certificates - 5 years (Face value of Rs. 5,000 each)											
	8.5.1	8,000	-	-	8,000	41,792,360	41,894,680	102,320	1.51%	7.54%	0.67%
Pak Elektron Limited - Sukuk Certificates - 5 years (Face value of Rs. 1,000,000 each)											
	8.5.2	-	80	-	80	80,000,000	80,000,000	-	2.88%	14.40%	0.01%
Total as at September 30, 2016						121,792,360	121,894,680	102,320	4.39%	21.94%	0.68%
Total as at June 30, 2016						41,998,520	41,792,360	(206,160)	1.43%	9.37%	0.67%

8.5.1 These represent sukuk certificates having a 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 October 2021. The rating of the instrument is AA.

8.5.2 These represent sukuk certificates having a face value of Rs. 1,000,000 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 2.50%. These sukuk certificates will mature on Nov 25, 2017. The rating of the instrument is A.

9 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, 2016 (Unaudited)	June 30, 2016 (Audited)
10. MARK-UP RECEIVABLE			
Considered good			
Mark-up / return receivable on Margin trading system		-	172,226
Profit and loss sharing bank balances		10,539,896	9,444,670
Term deposits with banks		12,059,384	2,780,137
Term Finance Certificates		2,342,201	3,778,216
Government securities - Pakistan			
Investment Bonds		4,574,297	1,600,699
Sukuk certificates		805,589	116,252
Certificate of Investment		1,209,863	-
		<u>31,531,230</u>	<u>17,892,200</u>

		September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
	Note	(Rupees)	
11. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable	11.1	3,422,021	4,296,522
Sind Sales Tax on remuneration to Management Company	11.2	2,813,148	2,969,799
Federal Excise Duty on remuneration to Management Company	11.3	16,177,075	16,177,075
		<u>22,412,244</u>	<u>23,443,396</u>

11.1 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.

11.2 Provincial Government of Sindh has levied Sindh Sales Tax on the remuneration of the management company through Sindh Sales Tax on Services Act, 2011 with effect from July 01, 2011. This amount is paid / payable to the Management Company who then pays it to the Government of Sindh.

11.3 The Finance Act, 2013 has enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED is not justified.

On September 4, 2013, a constitutional petition was filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED. In this respect, the Honorable SHC issued a stay order against recovery proceedings for a period till next hearing.

Further, the Federal Government vide Finance Act 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services.

Furthermore, the Sindh High Court in its order dated June 02, 2016 rendered the FED on certain services to be 'ultra vires' in the presence of Sindh Sales Tax Act 2011. The asset management companies, in view of the Finance Act 2016 and based on the Sindh High Court order, filed a petition against the FED charge on previous years from 2013. The Sindh High Court in its decision dated July 16, 2016 maintained the previous order on the FED. The FBR on September 23, 2016 has filed an appeal against the order in Supreme Court of Pakistan.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs. 16.177 million (June 30, 2016: Rs. 16.177 million).

		September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
	Note	(Rupees)	
12. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		221,012	155,825
Payable to Workers' Welfare Fund	12.1	11,784,214	11,784,214
Receipt against issuance of units		-	-
Brokerage and Settlement charges payable		23,754	77,334
NCCPL payable		20,060	19,998
Printing and stationery payable		25,095	20,000
Withholding Tax Payable		8,650	47,165
CGT Payable		-	14,966,413
Others		25,275	28,035
		<u>12,108,060</u>	<u>27,098,984</u>

- 12.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

During the year 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

During the year 2011, a single bench of the Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. However, in the month of March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity and overruled a single-member LHC bench judgement issued in August 2011.

However, the Honourable Peshawar High Court on May 29, 2014 on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

However, as per the advice of legal counsel of MUFAP, the stay granted to CIS (as mentioned in the first paragraph) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected by the SHC judgment.

Furthermore, the Federal Government vide Finance Act, 2015, excluded mutual funds from the levy of WWF under the Workers' Welfare Fund Ordinance, 1971, and hence no charge for

WWF has been made from July 01, 2015 and onwards. The management is of the view that the matter regarding provision for WWF pertaining to previous years would either need to be clarified by FBR or would be resolved through courts.

Had the recognition in previous years not been made, the net assets value per unit of the Fund would be higher by Re. 0.41 / 0.41% (June 30, 2016: Re. 0.41 / 0.41%)

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at September 30, 2016.

14. 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 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. Accordingly, no provision has been made in these condensed interim financial information.

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

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

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

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

	September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
	(Rupees)	
15.1 Balance as at period / year end		
Lakson Investments Limited - Management Company		
Remuneration payable	<u>3,422,021</u>	<u>4,296,522</u>
Sindh Sales Tax and Federal Excise Duty on Remuneration to Management Company	<u>18,990,223</u>	<u>19,146,874</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	<u>298,144</u>	<u>353,858</u>
Security deposit	<u>100,000</u>	<u>100,000</u>
Chief Executive Officer		
20,265 units (June 2016: 20,265)	<u>2,077,017</u>	<u>2,049,601</u>
Directors and their spouse and minors		
3,140,724 units (June 2016: 3,140,724)	<u>321,902,006</u>	<u>317,646,529</u>

15.2 Unit Holders' Fund

		Quarter ended September 30, 2016							
		Number of Units			Rupees				
Number of Units as at July 01, 2016	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, 2016	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)
909,416	-	-	-	909,416	91,976,515	-	-	-	93,208,592
3,160,993	-	-	-	3,160,993	319,896,510	-	-	-	323,979,023
Associated companies / undertakings of the Management Company									
Lakson Investments Limited - Management Company	-	-	-	-	-	-	-	-	-
Directors, Chief Executive and their spouse and minors	-	-	-	-	-	-	-	-	-
Management Company									
SIZA (Private) Limited	-	-	-	-	-	-	-	-	-
Century Insurance Company Limited	-	-	-	-	-	-	-	-	-
SIZA Services (Private) Limited	-	-	-	-	-	-	-	-	-
Premier Fashions (Private) Limited	-	-	-	-	-	-	-	-	-
SIZA Commodities (Private) Limited	-	-	-	-	-	-	-	-	-
Alan Private Limited	22,457	-	2,951	19,506	2,271,239	-	-	300,000	1,999,208
Colgate Palmolive (Pakistan) Limited	3,954,992	-	-	3,954,992	399,999,981	-	-	-	405,358,204
Hasnani & Gulbano Lakhani Foundation	80,504	17,003	97,507	-	8,142,014	1,720,000	-	9,889,008	-
Others - Connected Person due to holding more than 10% outstanding units	13,627,831	-	2,265,653	11,362,178	1,378,291,595	-	-	330,473,524	1,164,541,461
	*6,719,648	-	-	-	679,611,759	-	-	-	-

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

Quarter ended September 30, 2015										
	Number of Units					Rupees				
	Number of Units as at July 01, 2015	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, 2015	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	1,180,269	-	-	-	1,180,269	119,062,844	-	-	-	122,616,376
Directors, Chief Executive and their spouse and minors	3,073,811	-	-	-	3,073,811	310,078,532	-	-	-	319,333,614
Associated companies / undertakings of the Management Company										
Siza (Private) Limited	447,440	-	-	-	447,440	45,136,729	-	-	-	46,483,870
Century Insurance Company Limited	743,899	-	-	-	743,899	75,042,849	-	-	-	77,282,551
Siza Services (Private) Limited	337,499	-	-	-	337,499	34,046,163	-	-	-	35,062,265
Premier Fashions (Private) Limited	877,763	-	-	-	877,763	88,546,737	-	-	-	91,189,481
Siza Commodities (Private) Limited	1,574,507	-	-	-	1,574,507	158,832,684	-	-	-	163,573,170
Colgate Palmolive Pakistan Limited	7,934,926	2,886,836	-	2,887,667	7,934,095	800,457,052	300,000,000	-	297,783,716	824,261,228
Hasanali & Gulbano Lakhani Foundation	1,056,559	11,895	-	1,068,454	-	106,583,244	1,201,500	-	107,865,143	-
Others - Connected Person due to holding more than 10% outstanding units	3,064,733	-	-	-	3,064,733	309,163,185	-	-	-	318,390,514

September 30,
2016 2015
(Unaudited)
(Rupees)

15.3 Other transactions during the period

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

Remuneration to the Management Company	10,591,689	10,798,476
Sindh Sales Tax and Federal Excise Duty on remuneration to Management Company	1,376,920	3,481,429

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

Remuneration to the Trustee	920,392	941,155
Settlement charges	7,042	3,560

16. 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 2.03% as of September 30, 2016 and this includes 0.28% representing Sindh Sales tax and SECP fee.

17. Date of Authorization

These condensed interim financial statements were authorized for issue by Board of Directors of the Management company on October 21, 2016

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

Chief Executive Officer

Director



A Lakson Group Company

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

UAN +92.21 111-LAKSON
T +92.21 3569.8000
F +92.21 3568.1653
E info@li.com.pk
www.li.com.pk