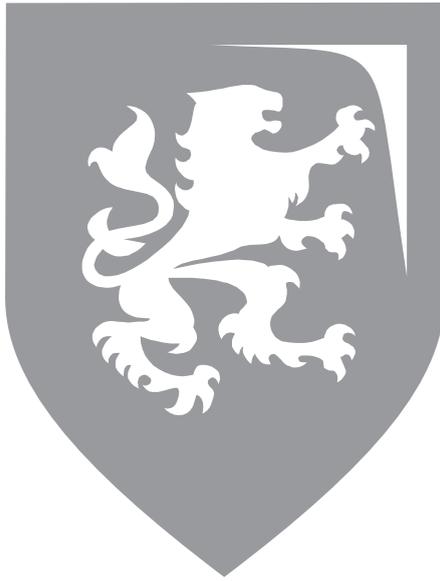


LAKSON INCOME FUND

Half Yearly Report (December 31, 2016)



CONTENTS

Fund's Information	1
Review Report of the Directors of the Management Company (English)	3
Review Report of the Directors of the Management Company (Urdu)	5
Trustee Report to the Unit Holders	8
Auditors' report to the Unit Holders on review of Interim Financial Information	9
Condensed Interim Statement of Assets and Liabilities	10
Condensed Interim Income Statement	11
Condensed Interim Statement of Comprehensive Income	12
Condensed Interim Distribution Statement	13
Condensed Interim Statement of Movement in Unit Holders' Fund	14
Condensed Interim Cash Flow Statement	15
Notes to and forming part of the Condensed Interim Financial Information	16

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 half year ended December 31, 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 Statements for the half year ended December 31, 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 10% 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 5.52% in the first half year of FY17 compared to the Benchmark return of 5.83% p.a. The LIF underperformed the benchmark by 31 bps. As of December 31, 2016, the LIF portfolio is invested 22% in placements with Banks & DFIs, 8% in TFCs, 4% in Sukuks, 4% in PIB, 62% in cash while the weighted average maturity of the LIF portfolio stands at 305 days. The fund size of the LIF as of December 31, 2016 is PKR 3,463 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

CPI posted an increase of 3.9%YoY during H2CY16, backed by an uptick in food inflation; meanwhile, core inflation hit a 19 months high of 5.3% during the period under review. CPI is expected to remain benign in Q1CY17 before depicting a gradual uptick and a similar trend may occur for interest rates.

SBP had slashed the policy rate to 5.75% in H1CY16, and retail lending rates of commercial banks and refinance rates by SBP concessional schemes followed suit. The availability of low-cost funding provided much needed support to private businesses, which was reflected in their increased borrowings from commercial banks. This led to an acceleration in private sector credit (+14% YoY) on the back of higher working capital and trade financing. In this regard, LSM growth posted strong growth of 8% YoY in Nov'16 (vs. 3.2% YoY in Q2CY16), with growth in Autos, Steel, Cement and Food sectors.

Similarly, the government also scaled up its development spending during the year; importantly, it created room for this stimulus via lower current spending and mobilizing higher revenues. Therefore, fiscal consolidation remained on track, and the budget deficit reduced further to 4.6 percent of GDP for the first time since FY07.

Forex reserves closed CY16 at USD 23.16 bn, despite lackluster export performance and consistent rise in imports (majorly Oil, Machinery & Autos led). CY16 also saw the successful culmination of the IMF program, which not only provided direct FX support but also helped the country secure financing from other IFIs and the international capital markets. This, in turn, led to PKR stability. Hence PKR continues to remain resilient against the USD, despite the latter gaining strength against most major emerging market currencies.

Outlook

While economic performance continues to be satisfactory, H2CY16 saw a widening of the twin deficits and pressure points particularly on the external side building up. While the announcement of an export package is expected to boost textiles, the GoP is also looking to revive the privatization program and is mulling over amnesty schemes.

Fixed Income Review

SBP adopted a cautious monetary policy stance during H2CY16, based on the following considerations: (i) rebound in CPI (3.9% average), and (ii) rising concerns on the external front, with growing current account deficit (2.2% of GDP). As a result the policy rate remained unchanged at 5.75% during the period under review; however, SBP continued to actively manage liquidity conditions in the interbank market to ensure that despite liquidity swings arising from PIB maturities and Eid related cash withdrawals, the overnight rates did not deviate much from the target rate. With recent rebound in oil prices, and impact yet to fully pass in the form of higher domestic petroleum product prices, higher CPI expectations can form in the months to come.

During H1CY16, banks were parking their excess liquidity in the government papers (majorly PIBs). This trend, however, changed during H2CY16 on account of (i) large volume of PIBs that matured were not re-rolled by the government (supported by increase in borrowings from the SBP post completion of the IMF program), and (ii) uptick in advances (supported by revival of working capital and trade financing, which have a combined contribution of around 60% to total private sector credit). M2 growth picked up to around 15% YoY by end of Q4CY16, compared to 13% in Q3CY16, where higher government borrowings were offset by net retirements by the private sector. As per SBP, another reason behind low monetary expansion during Q3CY16 was high currency to deposit ratio, which led to a lower money multiplier.

In H2CY16, the government raised PKR 2.7 trillion through the T-Bills (net of maturity: PKR 586 billion), and PKR 678bn through PIBs (net of maturity: PKR -749 billion). Details of the yield are as under:

	T-Bills Cut Off Yields			PIBs Cut Off Yields		
	3M	6M	12M	3M	6M	12M
30th June'16	5.87%	5.89%	5.92%	6.70%	6.58%	7.59%
30th Dec'16	5.92%	6.01%	6.04%	6.71%	7.44%	8.52%

Outlook

Going forward we expect monetary easing stance has bottomed out and plan to hold limited allocation towards bonds in order to minimize the risk of MTM losses on PIB portfolio allocation. We will be targeting to park liquidity towards shorter end of the yield curve and place it in shorter tenor T bills and high yielding bank placement to maximize the return of the fund.

Acknowledgment

The Board is thankful to 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 management of the Lahore Stock Exchange 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

Babar Ali Lakhani
Chief Executive Officer

Dated: February 28, 2017

لیکسن انکم فنڈ
مینیجمنٹ کمپنی کے ڈائریکٹرز کی جائزہ رپورٹ
برائے اختتامہ ششماہی 31 دسمبر 2016

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن انکم فنڈ ("LIF") کی مینیجمنٹ کمپنی ہینجر عبوری مالیاتی گوشواروں کے ساتھ 31 دسمبر 2016 کو ختم ہونے والی ششماہی کے لیے اپنی جائزہ رپورٹ جمع کراتے ہوئے خوشی محسوس کرتے ہیں۔

فنڈ کا مقصد

اس اسکیم کی انویسٹمنٹ کا مقصد فیکسڈ انکم سیکورٹیز کے متنوع پورٹ فولیو میں انویسٹمنٹ کے ذریعے مسابقتی مجموعی منافع جات فراہم کرنا ہے۔ یہ اسکیم مینیجمنٹ کمپنی کی طرف سے انٹرنس ریٹ ٹریڈز اور مکمل منافع جات کے حوالے سے مینیجمنٹ کمپنی کی تھیںس کے لحاظ سے مختصر مدتی، اوسط مدتی اور طویل مدتی میچورٹیز کے استخراج کے ساتھ مختلف فیکسڈ انکم سیکورٹیز میں سرمایہ کاری کرے گی۔

فنڈ کا تعارف

LIF ایک اوپن اینڈ انکم فنڈ ہے جو انویسٹ گریڈ Debt سیکورٹیز، گورنمنٹ سیکورٹیز، سرٹیفکیٹس آف انویسٹمنٹس، Clean Placements، ٹرم ڈپازٹس، ریٹینس اور دیگر فیکسڈ انکم انسٹرومنٹس میں سرمایہ کاری کرتا ہے۔ پورٹ فولیو کا مجموعی دورانیہ 4 سال سے کم رکھا جاتا ہے اور خالص اثاثوں کا کم از کم 25% کیش یا زیادہ سے زیادہ 90 دن کی میچورٹی والے T-Bills کی شکل میں رکھا جاتا ہے۔ LIF کا انکم بنسٹیم کے بل پر پیش قدمی کرنے والی، اوپر سے نیچے تک شیعوں کی تو اترا سے استعمال کے عمل کو استعمال کرنے والی، دورانیے اور پیداوار میں توازن پر یقین رکھنے والی مینیجمنٹ چلاتی ہے۔ انٹرنس ریٹ میں تبدیلیوں کی پیش گوئی کے لیے، معاشی صورت حال کی مسلسل نگرانی کی جاتی ہے۔ LIF کی قدر و قیمت میں اصل اضافہ مختلف میچورٹیز اور مختلف انسٹرومنٹس کے درمیان انویسٹمنٹس کی منتقلی کے مواقع کی شناخت سے آتا ہے۔ LIF کو ریڈ میپشن کی تکمیل کے لیے خالص اثاثہ جات کے 10 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 بیٹچ مارک منافع 5.83% کے مقابلے میں مالی سال 2017 کی پہلی ششماہی میں 5.52% سالانہ منافع پیش کیا۔ LIF کی کارکردگی بیٹچ مارک سے 31 بنیادی پوائنٹس کم رہی۔ 31 دسمبر 2016 کے مطابق LIF پورٹ فولیو نے ٹیکس اور DFLs کے ساتھ Placements میں 22%، TFCs میں 8%، Sukuks میں 4%، PIBs میں 4% اور 63% کیش میں سرمایہ کاری کی جبکہ LIF پورٹ فولیو کی موزوں اوسط میچورٹی 305 دن تک برقرار رہی۔ 31 دسمبر 2016ء کے مطابق LIF فنڈ کا حجم 3,463 ملین روپے تھا۔

فی شیئر آمدنی (EPU)

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

معاشی جائزہ

سال 2016 کی دوسری ششماہی میں CPI نے نقدائی گرانٹی میں اضافے کے نتیجے میں سال بہ سال بنیاد پر 3.9% اضافہ درج کرایا، جب کہ زیر جائزہ

مدت کے دوران مرکزی افراط زر نے 19 ماہ کی سب سے بلند سطح 5.3% کو چھو لیا۔ موجودہ سال 2017 کی پہلی سہ ماہی میں CPI ہموار بننے کی توقع ہے جب کہ بعد ازاں بتدریج اضافے کی پیش گوئی ہے، اور سود کی شرحوں میں بھی یہی رجحان زور دینا ہو سکتا ہے۔

اسٹیٹ بینک آف پاکستان نے سال 2016 کی پہلی ششماہی کے پالیسی ریٹ میں 5.75% تک کمی کر دی ہے اور کمرشل بینکس کے ریٹیل لینڈنگ ریٹس اور SBP کنٹریبیوٹن اسکیمز کی طرف سے ریٹائننس ریٹس نے بھی اسی کمی پیروی کی ہے۔ کم لاگت والے سرمائے کی دستیابی نے نئی کاروباروں کو مدد فراہم کی جس کی انہیں شدید انتہائی ضرورت تھی جس کی عکاسی کمرشل بینکس سے قرضوں کے حصول میں اضافے سے ہوتی ہے۔ اس کا نتیجہ زیادہ ورکنگ کپٹیل اور ٹریڈ فنانسنگ کی بدولت پرائیویٹ سیکٹر کریڈٹ میں تیزی (سال بہ سال بنیاد پر 14% اضافے) کی صورت میں نکلا۔ اس حوالے سے LSM نے نومبر 2016 میں سال بہ سال بنیاد پر (سال 2016 کی دوسری سہ ماہی میں سال بہ سال 3.2% کے مقابلے میں) آٹوز، آئٹیل، سیمنٹ اور فوڈ سیکٹرز میں نمو کے ساتھ 8% کاٹھوں اضافہ درج کرایا۔

اسی طرح حکومت نے بھی سال کے دوران اپنے ترقیاتی اخراجات میں اضافہ کیا، اور اہم بات یہ کہ اس نے کم جاری اخراجات اور زیادہ آمدنیوں کو حرکت میں لانے کے ذریعے اس محرک کے لیے گنجائش پیدا کی۔ لہذا مالیاتی استحکام درست راستے پر رہا اور مالی سال 2007 سے اب تک پہلی بار بجٹ خسارے میں GDP کے 4.6 فی صد تک کمی ہوئی۔

برآمدات کی مایوس کن کارکردگی اور برآمدات (جس کی اکثریت آئل، مشینری اور آٹو زپر مشتمل رہی) میں لگا تار اضافے کے باوجود مالی سال 2016 کے اختتام پر زرمبادلہ کے ذخائر 23.16 امریکی ڈالر رہے۔ سال 2016 میں آئی ایم ایف پروگرام کی کامیاب تکمیل کا مظاہر بھی سامنے آیا جس نے نہ صرف براہ راست زرمبادلہ سے مدد فراہم کی، بلکہ ملک کو دیگر بین الاقوامی مالیاتی اداروں اور انٹرنیشنل فنانسنگ میں مارکیٹس سے بھی فنڈنگ حاصل کرنے میں مدد فراہم کی۔ اس کا نتیجہ پاکستانی روپے کے استحکام کی صورت میں نکلا۔ لہذا پاکستانی روپیہ زیادہ تر بڑی ایمرنگ مارکیٹ کریڈیٹوں کے مقابلے میں استحکام حاصل کرنے والے ڈالر کے مقابلے پر متوجہ رہا جو جمعے ہوئے ہے۔

مستقبل کی توقعات

جہاں اقتصادی کارکردگی بدستور تلی بخش ہے، سال 2016 کی دوسری ششماہی میں دوہرے خسارے اور خصوصاً بیرونی سمت پر پریشر پوائنٹس میں اضافہ ہوتا نظر آیا۔ جہاں ٹیکسٹائل کو فروغ دینے کے لیے ایک ایکسپورٹ پمپنچ متوقع ہے، حکومت پاکستان فوج کاری پروگرام کے دوبارہ آغاز کا بھی جائزہ لے رہی ہے اور عام معانی دینے پر غور کر رہی ہے۔

فکسڈ انکم مارکیٹ کا جائزہ

SBP نے درج ذیل قابل غور امور کی بنیاد پر سال 2016 کی دوسری ششماہی کے دوران ایک محتاط مالیاتی پالیسی موقف اختیار کیا:

(i) CPI میں دوبارہ اضافہ (3.9% اوسط)، اور (ii) کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے (GDP کا 2.2%) کے ساتھ بیرونی مخاز پر بڑھتے ہوئے خدشات۔ جس کے نتیجے میں زیر جائزہ مدت کے دوران پالیسی ریٹ بغیر تبدیلی کے 5.75% پر قرار رکھنے کا فیصلہ کیا گیا، تاہم SBP نے انٹرن بینک مارکیٹ میں لیکویڈیٹی کی صورت حال کو مستعدی سے قابو میں رکھا تا کہ یہ یقینی بنایا جاسکے کہ PIB پیچورٹیز اور ریڈرپکیشن نکلوانے سے بچا ہونے والے لیکویڈیٹی کے اتار چڑھاؤ کے باوجود شرحیں نارگیٹ ریٹ سے زیادہ ادھر ادھر نہ ہونے پائیں۔ تیل کی قیمتوں میں حالی میں دوبارہ اضافے کے ساتھ اس کے اثرات کی پیروی و لیم مصنوعات کی زیادہ مقدار قیمتوں کی شکل میں پوری طرح منتقلی اچھی باقی ہے، CPI کی بلند قیمتوں کی توقعات آئندہ مہینوں میں عملی شکل اختیار کر سکتی ہیں۔

سال 2016 کی پہلی ششماہی کے دوران بینکس اپنی اضافی لیکویڈیٹی حکومتی ترسکات (زیادہ تر PIBs میں) میں کھپا رہے تھے۔ تاہم مالی سال 2016 کی

دوسری ششماہی کے دوران بیدرتجان تبدیل ہو گیا، جس کی وجہ یہ ہے (i) حکومت کی PIBs کے خطیر حجم کو، جو میچور ہو گیا تھا، دو بارہ فروخت کے لیے پیش نہیں کیا گیا (جسے IMF پروگرام کی تکمیل کے بعد SBP کی طرف سے قرض گیری میں اضافے سے مدد حاصل تھی)۔ اور (ii) ایڈوانسز میں اضافہ (جسے ورکنگ کپٹیل اور ریڈفائنانسنگ کی بحالی کی مدد حاصل تھی جو نجی شعبے کے قرضوں میں مشترکہ طور پر 60% حصہ رکھتے ہیں)۔ سال 2016 کی چوتھی سہ ماہی کے اختتام تک M2 میں سال 2016 کی تیسری سہ ماہی میں 13% کے مقابلے میں سال بساں بنیاد پر لگ بھگ 15% کا اضافہ ہوا، جہاں حکومت کی ہماری قرض گیری نجی شعبے کی طرف سے نیٹ ریٹائرمنٹس سے متاثر ہوئی۔ SBP کے مطابق سال 2016 کی تیسری سہ ماہی میں کم تر مالیاتی توسیع کی ایک اور وجہ کرنسی اور ڈپازٹ کا بلند باہمی تناسب جس کا نتیجہ دولت کی کم افزائش کی شکل میں نکلا۔

سال 2016 کی دوسری سہ ماہی میں حکومت نے T-Bills بلز کے ذریعے 2.7 ٹریلین روپے (میچورٹی کا نیٹ: 586 ارب روپے) اور PIBs کے ذریعے 678 ارب روپے (میچورٹی کا نیٹ: 749 ارب روپے) اکٹھے کیے۔ یافت (آمدنی) کی تفصیلات درج ذیل ہیں:

T-Bills کی حتمی آمدنیاں

ماہ	6 ماہ	3 ماہ	
30 جون 2016	5.89%	5.87%	
30 دسمبر 2016	6.01%	5.92%	

PIBs کی حتمی آمدنیاں

ماہ	6 ماہ	3 ماہ	
30 جون 2016	6.58%	6.07%	
30 دسمبر 2016	7.44%	6.71%	

توقعات

آگے بڑھتے ہوئے، ہم توقع رکھتے ہیں کہ مالیاتی آسانی کا موقف اپنی آخری کم ترین حد کو چھو چکا ہے اور PIB پورٹ فولیو کی تنویریں پر MTM نقصانات کا خطرہ کم سے کم کرنے کے لیے بونڈز کی طرف سرمایہ تنویریں کرنے کو محدود کرنے کا منصوبہ رکھتے ہیں۔ yield curve کے مختصر سرے کی طرف لیکویڈٹی بچھانا اور مختصر مدتی T بلز اور زیادہ آمدنی والی بینک پلینڈمنٹ میں سرمایہ کاری ہمارا ہدف ہوگا تاکہ فنڈ پر زیادہ سے زیادہ منافع کمایا جاسکے۔

اظہار تشکر

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

برائے دستخط اور

پارٹنر ایگمنٹ

چیف ایگزیکٹو آفیسر

تاریخ 28 فروری 2017

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shaheen-Faisal
Karachi - 74400, Pakistan
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

LAKSON INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Lakson Income Fund (the Fund) are of the opinion that Lakson Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2016 in accordance with the provisions of the following:

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

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

Karachi: February 21, 2017.

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION
TO THE UNIT HOLDERS****Introduction**

We have reviewed the accompanying condensed interim statement of assets and liabilities of **LAKSON INCOME FUND** ("the Fund") as at December 31, 2016 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund and notes to the accounts for the six-month period then ended (here-in-after referred to as "condensed interim financial information"). Management Company of the Fund is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six-month period ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures for the quarter ended December 31, 2016 and December 31, 2015 in the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of cash flows and condensed interim statement of movement in unit holders' fund have not been reviewed and we do not express a conclusion on them.

Karachi**Date: February 28, 2017****CHARTERED ACCOUNTANTS**

Engagement Partner: Zulfikar Ali Causer

Condensed Interim Statement of Assets and Liabilities As at December 31, 2016

ASSETS	Note	December 31, 2016 (Unaudited) ----- (Rupees) -----	June 30, 2016 (Audited) -----
Bank balances	5	2,236,933,692	2,217,723,810
Investments	6	1,209,843,768	715,808,013
Receivable from Margin Trading System		-	13,042,035
Mark-up receivable	7	41,815,401	17,892,200
Deposits, prepayments and other receivables		13,103,565	4,210,651
TOTAL ASSETS		<u>3,501,696,426</u>	<u>2,968,676,709</u>
LIABILITIES			
Payable to the Management Company	8	23,692,448	23,443,396
Payable to the Trustee		373,321	353,858
Annual fee payable to Securities and Exchange Commission of Pakistan		1,148,621	2,776,753
Payable against redemption of units		1,000,000	-
Accrued expenses and other liabilities	9	12,060,639	27,098,984
TOTAL LIABILITIES		<u>38,275,029</u>	<u>53,672,991</u>
NET ASSETS		<u>3,463,421,397</u>	<u>2,915,003,718</u>
UNIT HOLDERS' FUND (as per statement of movement in Unit Holders' Fund)		<u>3,463,421,397</u>	<u>2,915,003,718</u>
CONTINGENCIES AND COMMITMENTS	10		
		(Number of units)	
Number of units in issue		<u>33,318,060</u>	<u>28,822,042</u>
		(Rupees)	
Net assets value per unit		<u>103.9502</u>	<u>101.1380</u>

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

Condensed Interim Income Statement (Unaudited) For the half year and quarter ended December 31, 2016

	Half year ended December 31, 2016		Quarter ended December 31, 2016	
Note	------(Rupees)-----			
Income				
Mark-up income	116,657,065	124,676,635	65,014,415	69,268,507
Income from Margin Trading System	78,278	780,834	-	691,979
Capital (loss) / gain on sale of investments - net	(187,148)	32,236,153	-	24,290,751
Unrealised (diminution) / appreciation in the fair value of investments classified as 'held for trading' - net	(3,331,870)	23,822,673	(2,890,428)	(12,644,464)
	113,216,325	181,516,295	62,123,987	81,606,773
Expenses				
Remuneration to the Management Company	22,972,409	25,045,019	12,380,720	14,246,543
Sales tax on remuneration to the Management Company	2,986,413	4,067,311	1,609,493	2,313,638
Federal excise duty on remuneration to the Management Company	-	4,007,203	-	2,279,447
Remuneration to the Trustee	1,955,269	2,105,056	1,034,877	1,163,901
Annual fee to the Securities and Exchange Commission of Pakistan	1,148,620	1,252,251	619,036	712,327
Auditors' remuneration	175,183	169,540	93,796	78,919
Fees and subscription	190,478	181,517	31,141	90,756
Printing charges	57,447	15,057	52,352	10,030
Brokerage, custody, settlement and bank charges	290,858	620,493	198,243	371,189
Workers' Welfare Fund	-	3,953,633	-	1,856,637
	29,776,677	41,417,080	16,019,658	23,123,387
Net income from operating activities	83,439,648	140,099,215	46,104,329	58,483,386
Element of income and capital gains included in the prices of units issued less those in units redeemed - net	15,376,159	53,628,807	17,953,588	32,491,947
Net income for the period before taxation	98,815,807	193,728,022	64,057,917	90,975,333
Taxation	-	-	-	-
Net income for the period after taxation	98,815,807	193,728,022	64,057,917	90,975,333

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

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

Chief Executive Officer

Director

**Condensed Interim Statement of Comprehensive Income (Unaudited)
For the half year and quarter ended December 31, 2016**

	Half year ended December 31, 2016		Quarter ended December 31, 2016	
	------(Rupees)-----			
Net income for the period	98,815,807	193,728,022	64,057,917	90,975,333
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>98,815,807</u>	<u>193,728,022</u>	<u>64,057,917</u>	<u>90,975,333</u>

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

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

Chief Executive Officer

Director

Condensed Interim Distribution Statement (Unaudited) For the half year and quarter ended December 31, 2016

	Half year ended December 31, 2016	2015	Quarter ended December 31, 2016	2015
------(Rupees)-----				
Undistributed income at the beginning of the period - realised	27,390,308	21,053,635	67,998,877	88,633,647
Undistributed income / (accumulated loss) at the beginning of the period - unrealised	5,409,237	1,294,460	(441,442)	36,467,137
Undistributed income at the beginning of the period	32,799,545	22,348,095	67,557,435	125,100,784
Total comprehensive income for the period	98,815,807	193,728,022	64,057,917	90,975,333
Undistributed income at the end of the period	<u>131,615,352</u>	<u>216,076,117</u>	<u>131,615,352</u>	<u>216,076,117</u>
Undistributed income at the end of the period - realised	134,947,222	192,253,444	134,947,222	192,253,444
(Accumulated loss) / undistributed income at the end of the period - unrealised	(3,331,870)	23,822,673	(3,331,870)	23,822,673
Total undistributed income at the end of the period	<u>131,615,352</u>	<u>216,076,117</u>	<u>131,615,352</u>	<u>216,076,117</u>

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited)
For the half year and quarter ended December 31, 2016**

	Half year ended December 31, 2016		Quarter ended December 31, 2015	
	------(Rupees)-----			
Net assets at the beginning of the period	2,915,003,718	2,568,389,163	2,777,587,614	3,342,267,684
Amount received on issue of 13,134,344 (2015: 22,853,729) units and 10,965,360 (2015: 12,182,495) units for the half year and quarter respectively	1,351,704,022	2,379,341,919	1,131,161,860	1,278,818,978
Amount paid on redemption of 8,638,326 (2015: 9,491,696) units and 4,747,602 (2015: 5,531,720) units for the half year and quarter respectively	(886,725,991)	(989,509,819)	(491,432,406)	(581,249,570)
	464,978,031	1,389,832,100	639,729,454	697,569,408
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(15,376,159)	(53,628,807)	(17,953,588)	(32,491,947)
Unrealised (diminution) / appreciation in the fair value of investments classified as 'held for trading' - net	(3,331,870)	23,822,673	(2,890,428)	(12,644,464)
Capital (loss) / gain on sale of investments - net	(187,148)	32,236,153	-	24,290,751
Other income	102,334,825	137,669,196	66,948,345	79,329,046
	98,815,807	193,728,022	64,057,917	90,975,333
Net assets as at the end of the period	3,463,421,397	4,098,320,478	3,463,421,397	4,098,320,478
Net assets value per unit at the beginning of the period	101.1380	100.8777	102.4928	103.8885
Net assets value per unit at the end of the period	103.9502	105.5657	103.9502	105.5657

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

Condensed Interim Cash Flow Statement (Unaudited) For the half year and quarter ended December 31, 2016

	Half year ended December 31, 2016	2015	Quarter ended December 31, 2016	2015
------(Rupees)-----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	98,815,807	193,728,022	64,057,917	90,975,333
Adjustments for non-cash charges and other items:				
Unrealised diminution / (appreciation) in the fair value of investments classified as 'held for trading' - net	3,331,870	(23,822,673)	2,890,428	12,644,464
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(15,376,159)	(53,628,807)	(17,953,588)	(32,491,947)
	86,771,518	116,276,542	48,994,757	71,127,850
(Increase) / decrease in assets				
Investments - net	(497,367,625)	(381,938,846)	(237,217,937)	(177,979,195)
Receivable against Margin Trading System	13,042,035	-	-	28,483,815
Mark-up receivable	(23,923,201)	(2,134,020)	(10,284,171)	(33,638,480)
Deposits, prepayments and other receivables	(8,892,914)	272,642	(12,640,845)	(96,231)
	(517,141,705)	(383,800,224)	(260,142,953)	(183,230,091)
Increase / (decrease) in liabilities				
Payable to the Management Company	249,052	6,681,312	1,280,204	3,837,977
Payable to the Trustee	19,463	163,027	75,177	72,881
Annual fee payable to Securities and Exchange Commission of Pakistan	(1,628,132)	(70,785)	619,036	712,327
Payable against purchase of investments	-	275,894,003	-	275,894,003
Accrued expenses and other liabilities	(15,038,345)	4,054,664	(47,421)	2,060,117
	(16,397,962)	286,722,221	1,926,996	282,577,305
Net cash (used in) / generated from operating activities	(446,768,149)	19,198,539	(209,221,200)	170,475,064
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash received from issue of units	1,351,704,022	2,379,341,919	1,131,161,860	1,278,818,978
Cash paid on redemption of units	(885,725,991)	(989,509,819)	(490,432,406)	(581,249,570)
Net cash generated from financing activities	465,978,031	1,389,832,100	640,729,454	697,569,408
Net increase in cash and cash equivalent during the period	19,209,882	1,409,030,639	431,508,254	868,044,472
Cash and cash equivalent at the beginning of the period	2,217,723,810	981,044,264	1,805,425,438	1,522,030,431
Cash and cash equivalent at the end of the period	2,236,933,692	2,390,074,903	2,236,933,692	2,390,074,903

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

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Director

**Notes to and forming part of the Condensed Interim
Financial Information (Unaudited)
For the half year and quarter ended December 31, 2016**

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Fund is an open end mutual fund and is listed on Pakistan Stock Exchange Limited (Formerly: 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 Pakistan Credit Rating Agency Limited (PACRA) has assigned A+ (f) (Fund Stability Rating) to the Fund and 'AM2-' (Management company quality rating) to the Management Company. On June 08, 2016 PACRA has harmonized asset manager rating of Management Company from AM2- to AM2.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information of the Fund for the six month period ended December 31, 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

In case where requirements differ, the provisions of or directives issued under Companies Ordinance, 1984, the requirements of Trust Deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, and Non-Banking Finance Companies and Notified Entities Regulations, 2008 have been followed.

The disclosures in this condensed interim financial information are presented in accordance with International Accounting Standard 34 "Interim Financial Reporting" and do not contain all the information required for full annual financial statements. Consequently, this condensed interim financial information should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2016.

This condensed interim financial information comprises of condensed interim statement of assets and liabilities as at December 31, 2016 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim

distribution statement, condensed interim statement of cash flows, condensed interim statement of movement in Unit Holder's Fund, and notes thereto, for the six month period ended December 31, 2016.

- 2.2 This condensed interim financial information is unaudited, however, limited scope review has been performed by the external auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance.
- 2.3 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.
- 2.4 The comparative statement of asset and liabilities presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2016, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund are extracted from the unaudited condensed interim financial statements for the half year ended December 31, 2015.
- 2.5 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 December 31, 2016.

2.6 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.

2.7 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees, which is the functional and presentation currency of the Fund.

2.8 Use of estimates and judgments

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 annual audited financial statements as at and for the year ended June 30, 2016.

4. 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.

		December 31, 2016 (Unaudited)	June 30, 2016 (Audited)
		(Rupees)	
5. BANK BALANCES	Note		
In local currency			
In profit and loss sharing accounts	5.1	2,136,917,831	1,917,706,334
In current accounts		15,861	17,476
Term deposit receipts	5.2	100,000,000	300,000,000
		<u>2,236,933,692</u>	<u>2,217,723,810</u>

5.1 These represent profit and loss account maintained with banks carrying profit rates ranging from 4% to 10% (June 30, 2016: 4% to 8%) per annum.

5.2 This carries profit at rate of 6.80% (June 30, 2016: 7.15%) per annum, maturing on March 28, 2017.

6. INVESTMENTS

Financial assets at fair value through profit or loss - held for trading

Government securities

Market Treasury Bills	6.1	-	48,424,200
Pakistan Investment Bonds	6.2	143,454,830	57,854,974
Term Finance Certificates - Listed	6.3	141,531,578	140,998,791
Term Finance Certificates - Unlisted	6.4	131,974,120	156,737,688
Sukuk Certificates - Listed	6.5	122,883,240	41,792,360
		<u>539,843,768</u>	<u>445,808,013</u>

Loans and receivables

Certificate of Investments	6.6	150,000,000	-
Term Deposits Receipts	6.7	520,000,000	270,000,000
		<u>670,000,000</u>	<u>270,000,000</u>
		<u>1,209,843,768</u>	<u>715,808,013</u>

6.1 Market Treasury Bills

-----Number of treasury bills-----					Balance as at December 31, 2016			Market value as percentage of net assets of the Fund	Market value as percentage of total investment
Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized appreciation	-----Percentage (%)-----		
Treasury Bills - 12 months (face value of Rs. 100,000 each)					500	-	500	-	-
Total as at December 31, 2016					-	-	-	-	-
Total as at June 30, 2016					48,390,659	48,424,200	33,541	1.66%	6.76%

6.2 Pakistan Investment Bond

-----Number of Pakistan Investment Bond-----					Balance as at December 31, 2016			Market value as percentage of net assets of the Fund	Market value as percentage of total investment				
Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized (diminution)	-----Percentage (%)-----						
5 years Pakistan Investment Bonds (face value of Rs. 100,000 each)					125	500	125	500	51,827,499	50,962,550	(864,949)	1.47%	4.21%
10 years Pakistan Investment Bonds (face value of Rs. 100,000 each)					391	500	-	891	96,900,892	92,492,280	(4,408,612)	2.67%	7.64%
Total as at December 31, 2016					-	-	-	-	<u>148,728,391</u>	<u>143,454,830</u>	<u>(5,273,561)</u>	<u>4.14%</u>	<u>11.86%</u>
Total as at June 30, 2016					-	-	-	-	53,918,122	57,854,974	3,936,852	1.98%	8.08%

6.2.1 This represents investment in 5 years Pakistan Investment Bonds carrying profit rate of 7.75% (June 30, 2016: 11.50%) per annum having maturity April 21, 2021. The face value of Pakistan Investment Bonds as at December 31, 2016 is Rs. 50 million (June 30, 2016: Rs. 12.5 million).

6.2.2 This represents investment in 10 years Pakistan Investment Bonds carrying 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 December 31, 2016 is Rs. 89.1 million (June 30, 2016: 39.1 million).

6.3 Term Finance Certificates - listed

Name of Security	-----Number of term finance certificates-----				Balance as at December 31, 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 the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized appreciation			
Commercial Banks										
Bank Alfalah Limited - (V) (face value of Rs. 5,000 each)	6.3.1	12,950	-	12,950	65,974,591	66,359,115	384,524	1.92%	5.48%	1.30%
HBL Tier-II TFCs 10 years (face value of Rs. 100,000 each)	6.3.2	750	-	750	74,996,250	75,172,463	176,213	2.17%	6.21%	0.75%
Total as at December 31, 2016					140,970,841	141,531,578	560,737	4.09%	11.70%	2.05%
Total as at June 30, 2016					139,769,283	140,998,791	1,229,508	4.84%	19.70%	2.05%

6.3.1 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. 12,950 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-

6.3.2 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.

6.4 Term Finance Certificates - Un-listed

Name of Security	-----Number of term finance certificates-----				Balance as at December 31, 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 the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized appreciation			
Microfinance Bank										
NRSP Microfinance Bank PPTFC (face value of Rs. 5,000 each)	6.4.1	20,000	-	20,000	75,000,000	75,247,800	247,800	2.17%	6.22%	3.33%
Commercial Bank										
Askari Bank Limited - IV 10 years privately placed (face value of Rs. 1,000,000 each)	6.4.2	56	-	56	56,684,045	56,726,320	42,275	1.64%	4.69%	5.60%
Total as at December 31, 2016					131,684,045	131,974,120	290,075	3.81%	10.91%	8.93%
Total as at June 30, 2016					156,322,192	156,737,688	415,496	5.38%	21.90%	8.93%

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

6.4.2 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-

6.5 Sukuk Certificates

Name of Security	Number of sukuk certificates				Balance as at December 31, 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 the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at end of the period	Carrying value	Market value	Unrealized appreciation / (diminution)			
Electricity	Note									
K-Electric - Sukuk Certificates - 5 years (Face value of Rs. 5,000 each)	6.5.1	8,000	-	8,000	41,792,360	41,734,360	(58,000)	1.21%	3.45%	0.67%
Pak Elektron Limited - Sukuk Certificates - (Face value of Rs. 1,000,000 each)	6.5.2	-	80	80	80,000,000	81,148,880	1,148,880	2.34%	6.71%	7.46%
Total as at December 31, 2016					121,792,360	122,883,240	1,090,880	3.55%	10.16%	8.13%
Total as at June 30, 2016					41,998,520	41,792,360	(206,160)	1.43%	5.84%	0.67%

- 6.5.1 These represent sukuk certificates having a face value of Rs. 5,000 each and carry rate of profit equal to the base rate of 3 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 2.75%. These sukuk certificates will mature on March 2019. The rating of the instrument is AA.
- 6.5.2 These represent sukuk certificates having a face value of Rs. 1,000,000 each and carry rate of profit equal to the base rate of 3 months of Karachi Inter Bank Offer Rate (KIBOR) plus margin of 2.50%. These sukuk certificates will mature on November 25, 2017. The rating of the instrument is A+.
- 6.6 This represents Certificate of Investment with Pak Brunei Investment Company Limited, carrying profit rate of 6.40% per annum and will mature on February 14, 2017. The rating of the instrument is AA+.
- 6.7 This represent term deposit receipts carrying profit rate ranging between 6.80% to 12% (June 2016: 11%) maturing from January 24, 2017 to September 29, 2017.

7. MARK-UP RECEIVABLE	Note	December 31,	June 30,
		2016	2016
		(Unaudited)	(Audited)
		(Rupees)	
Considered good			
Mark-up / return receivable on:			
Term Deposit Receipts		15,454,452	2,780,137
Profit and loss sharing bank balances		13,797,878	9,444,670
Term Finance Certificates		5,517,484	3,778,216
Certificate of Investments		3,629,589	-
Pakistan Investment Bonds		2,593,302	1,600,699
Sukuk certificates		822,696	116,252
Margin Trading System		-	172,226
		<u>41,815,401</u>	<u>17,892,200</u>

8. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	8.1	4,554,945	4,296,522
Sindh Sales Tax on remuneration to Management Company	8.2	2,960,428	2,969,799
Federal Excise Duty on remuneration to Management Company	8.3	16,177,075	16,177,075
		<u>23,692,448</u>	<u>23,443,396</u>

- 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 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.
- 8.2 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.
- 8.3 The amount is being held for payment to asset management company for onward payment to Federal Board of Revenue on the basis of a stay order of the Honorable High Court of Sindh dated September 04, 2013. The stay order was granted as a result of a petition filed by asset management companies from the platform of MUFAP against the amendment in Finance Act, 2013 which levied FED on the fees received by asset management companies from funds under management. As the asset management services rendered by the Management Company of the Fund is 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.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED has been declared to be 'Ultra Vires' to the Constitution. On September 23, 2016, the Federal Government has filed an appeal against the said SHC order in the Honorable Supreme Court of Pakistan (SCP) and thus the previous balance of FED has not been reversed. Therefore, as a matter of prudence and abundant caution, without prejudice to the above, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 16.177 million (June 30, 2016: Rs. 16.177 million). Had the provision on FED not been made, Net Asset Value per unit of the Fund as at December 31, 2016 would have been higher by Re. 0.49 (June 30, 2016: Re. 0.56).

Further, the Federal Government vide Finance Act 2016 has excluded asset management companies and other non-banking finance companies from levy of FED on their services. Accordingly, no provision for FED is made from July 01, 2016 onwards.

	Note	December 31, 2016 (Unaudited)	June 30, 2016 (Audited)
9. ACCRUED AND OTHER LIABILITIES		(Rupees)	
Auditors' remuneration		161,908	155,825
Payable to Workers' Welfare Fund	9.1	11,784,214	11,784,214
Brokerage payable		23,754	77,334
NCCPL payable		20,133	19,998
Printing and stationary payable		10,636	20,000
Withholding tax payable		51,711	47,165
Capital gain tax payable		-	14,966,413
Others		8,283	28,035
		<u>12,060,639</u>	<u>27,098,984</u>

9.1 Workers' Welfare Fund

The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs 0.5 million in a tax year were 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 was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition

in the Honourable Sindh High Court challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of “industrial establishment” subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 1, 2015.

On November 10, 2016 the Supreme Court of Pakistan had 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 Supreme Court of Pakistan. The Federal Board of Revenue has filed a petition in the Supreme Court of Pakistan against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the Sindh High Court, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the Supreme Court of Pakistan judgement on the CISs petition before the Sindh High Court. Both legal and tax advisors consulted were of the view that the 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 Sindh High Court or lower appellate forums will now be disposed of in light of the earlier judgement of the Supreme Court of Pakistan.

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers.

The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds. MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) on January 12, 2017.

However, the management considered it prudent to provide for SWWF from the time it becomes applicable under Law (i.e. wef July 01, 2014). Accordingly, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The net effect of the above two adjustments if these had been made on December 31, 2016 would have resulted in an increase in the net asset value per unit of the Fund by Re. 0.17.

10. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at December 31, 2016 except for contingency in respect of Sindh Workers Welfare Fund as disclosed in note 9.1.

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 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 this condensed interim financial information.

12. 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 and the Custodian, SIZA Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company, key management personnel and other funds being managed by the Management Company, staff retirement benefits of related parties and other entities having more than 10% holding in the units of the Fund as at December 31, 2016.

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:

	December 31, 2016 (Unaudited)	June 30, 2016 (Audited)
	(Rupees)	
12.1 Balance as at period / year end		
Lakson Investments Limited - Management Company of the Fund		
Remuneration payable	<u>4,554,945</u>	<u>4,296,522</u>
Sindh Sales Tax and Federal Excise Duty on Remuneration to Management Company	<u>19,137,503</u>	<u>19,146,874</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable	<u>373,321</u>	<u>353,858</u>
Security deposit	<u>100,000</u>	<u>100,000</u>

12.2 Unit Holders' Fund

	Half Year ended December 31, 2016					Balance at the end of the period (Investment at current NAV)
	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

Lakson Investments Limited - Management Company Directors, Chief Executive and their spouse and minors	909,416 3,160,993	145,767 -	- -	- -	1,055,183 3,160,993	91,976,515 319,696,510	- -	109,686,535 328,585,855
Associated companies / undertakings of the Management Company								
SIZA (Private) Limited	-	243,399	-	96,938	146,461	-	25,000,000	15,724,626
Premier Fashions (Private) Limited	-	671,782	-	-	671,782	-	69,000,000	69,831,868
SIZA Commodities (Private) Limited	-	467,327	-	-	467,327	-	48,000,000	48,578,690
Alan (Private) Limited	22,457	-	2,951	-	19,506	1,999,208	-	2,027,635
Colgate Palmolive (Pakistan) Limited	3,954,992	5,814,733	-	-	9,769,725	399,999,981	600,000,000	1,015,564,888
Hasanali & Gulbano Lakhani Foundation	80,504	17,003	-	97,507	-	8,142,014	1,720,000	-
Others - Connected Person due to holding more than 10% outstanding units	13,627,831 *6,719,648	-	-	3,111,829	3,754,791	1,378,291,595 *679,611,759	-	390,311,320 418,617,610

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

		Half Year ended December 31, 2015						Rupees			
		Number of Units			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		1,180,270	-	-	322,825	857,445	119,062,844	-	-	34,000,000	90,516,676
Directors, Chief Executive and their spouse and minors		3,073,811	3,072,758	-	3,072,758	3,073,811	310,078,532	322,326,521	-	322,326,521	324,488,588
Associated companies / undertakings of the Management Company											
SIZA (Private) Limited		447,440	-	-	447,440	-	45,136,729	-	-	47,103,407	-
Century Insurance Company Limited		743,899	949,030	-	-	1,692,929	75,042,849	100,000,000	-	-	178,715,235
SIZA Services (Private) Limited		337,499	-	-	-	337,499	34,046,163	-	-	-	35,628,318
Premier Fashions (Private) Limited		877,763	-	-	-	877,763	88,546,737	-	-	-	92,661,666
SIZA Commodities (Private) Limited		1,574,507	288,453	-	-	1,862,961	158,832,684	30,000,000	-	-	196,664,750
Colgate Palmolive Pakistan Limited		7,934,926	2,886,836	-	2,887,667	7,934,095	800,457,052	300,000,000	-	300,000,000	837,568,293
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	1,921,321	-	-	4,084,468	309,163,185	201,496,770	-	-	431,179,724

12.3 Other transactions during the period

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	----- (Unaudited) -----			
	----- (Rupees) -----			
Lakson Investments Limited - Management Company of the Fund				
Remuneration to the Management Company	22,972,409	25,045,019	12,380,720	14,246,543
Sindh sales tax on remuneration of Management Company	2,986,413	4,067,311	1,609,493	2,313,638
Federal Excise Duty on Remuneration of Management Company	-	4,007,203	-	2,279,447
	<u>25,958,822</u>	<u>33,119,533</u>	<u>13,990,213</u>	<u>18,839,628</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund				
Remuneration for the period	<u>1,955,269</u>	<u>2,105,056</u>	<u>1,034,877</u>	<u>1,163,901</u>
Settlement charges	<u>9,867</u>	<u>16,928</u>	<u>2,825</u>	<u>13,368</u>

13. 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 1.94% as of December 31, 2016 and this includes 0.29% representing Sindh Sales tax and SECP fee.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Underlying the definition of fair value is the presumption that the Fund 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.

Financial assets which are traded in an open market are revalued at the market prices prevailing at the close of trading on the reporting date. The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from book values as the items are either short-term in nature or periodically repriced.

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" 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 (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- Inputs for the assets or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

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

		As at December 31, 2016			
		Level 1	Level 2	Level 3	Total
		----- Rupees -----			
Assets					
Financial assets at fair value					
through profit or loss					
		-	539,843,768	-	539,843,768
		<hr/>			
		<hr/>			
		As at June 30, 2016			
		Level 1	Level 2	Level 3	Total
		----- Rupees -----			
Assets					
Financial assets at fair value					
through profit or loss					
		-	445,808,013	-	445,808,013
		<hr/>			
		<hr/>			

14.1 Valuation techniques

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

14.2 Transfers during the period

During the half year ended December 31, 2016, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 financial instruments.

15. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 28, 2017 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

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