

LAKSON INCOME FUND  
Quarterly Report (September 30, 2017)



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





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## Fund's Information

### Management Company

Lakson Investments Limited  
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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](http://www.li.com.pk)  
E-mail: [info@li.com.pk](mailto:info@li.com.pk)

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

### 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  
Silk 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-72/1, Block 8, KDA-5,  
Kehkashan, Clifton,  
Karachi, Pakistan.

**Registrar**

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

**Distributors**

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

**Rating by PACRA**

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



## **Review Report of the Directors of the Management Company For the quarter ended September 30, 2017**

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, 2017

### **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 4.77% in the 1QFY18 compared to the Benchmark return of 6.15% p.a. The LIF underperformed the average income fund by 138bps. As of September 30, 2017, the LIF portfolio is invested 12% in placements with Banks & DFIs, 9% in TFCs, 3% in Sukuks, 2% in Commercial Paper, 64% in cash, 4% in MTS and 2% in T bills while the weighted average maturity of the LIF portfolio stands at 219 days. The fund size of the LIF as of September 30, 2017 is PKR 4,263 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 Inflation averaged only 3.39% in 1QFY18, much lower than 4.58% for 4QFY17, and 3.85% for 1QFY17. Subdued inflation was partly attributable to a decline in average local petrol prices for the period, down 3.7% QoQ, in tandem with international crude oil prices, as Arab Light was down 3.0% QoQ. Further, adequate food supplies kept inflation low, according to SBP's monetary policy statement.

Moreover, Government's borrowing for budgetary support from SBP, which is inflationary in nature, was kept under control during the quarter, at PKR 350b compared to PKR 384b in the corresponding period last year. While exchange rate was slightly higher during the quarter, at PKR 105.35/USD, compared to PKR 104.75/USD in 4QFY18, imported inflation had no significant impact on CPI.

Current account deficit surged to USD 2.6b in the first two months of the quarter, compared to USD 1.3b in the corresponding period last year due mostly to a substantial jump in imports of goods, by USD 1.9b. Rise in imports was mostly driven by machineries, petroleum group, and iron and steel. Furthermore, imports were also rushed and preempted because of expectations that PKR will depreciate soon. While both exports and remittances rose too during the period, they could not cover the rise in imports.

Due to the rise in current account deficit, foreign exchange reserves continued to deplete during the quarter. From USD 21.4b as at end June 2017, reserves dipped to USD 19.8b at September 2017 end.



Despite the worsening external position, the exchange rate remained stable through most of the quarter, apart from the first week of July, which witnessed a blip. USD averaged PKR 105.35 during the quarter, as opposed to PKR 104.75 in 4QFY17.

Meanwhile, the Government demonstrated better fiscal discipline in 1QFY18, to record a fiscal deficit of only 0.9%, the lowest in ten years. The biggest driver for the low fiscal deficit was greater tax collection, which rose by 20% YoY, followed by a decrease in Federal Government's expenditures by 2.2% YoY. Fiscal deficit improved despite slippage in non-tax revenue on the back of a blockade in Coalition Support Fund.

**Fixed Income Market Review**

In its Sep'17 MPS, the SBP maintained its policy/discount rate at 5.75%/6.25%, where it highlighted the strong growth momentum (LSM up 5.6% in FY17), optimistic about its GDP growth target for FY18 at 6.0%, but also remarked on the weak external position (CAD in 2MFY17 0.9% of GDP). Despite these factors, inflationary pressures have not been concerning, as average CPI for the 3MFY18 clocked in at 3.4%, well below the FY18 target of 6.0%. Taking cue for the Jul'17 MPS, the Monetary Policy committee almost unanimously (8 out of 9 members) voted in favor of the status quo, compared to 4 in Nov'17 voting in favor of 25bps cut.

**MPC Committee Voting Pattern**

MPS Date	25bps cut	No change	Total
Jul'16	2	8	10
Sep'16	2	8	10
Nov'16	4	6	10
Jan'17	3	6	9
Mar'17	2	6	8
May'17	-	10	10
Jul'17	1	8	9

M2 growth clocked in at 13.1%YoY for 1QFY18, at the same pace of growth witnessed during FY17. Following IMF push towards PIBs, ever since end of EFF program GoP preference is again tilting towards shorter-term T Bills, because they are much cheaper. As a result, from a 36% share in Jun'16, PIBs constituted less than 30% of GoP's total domestic debt by Jun'17.

The government was a heavy borrower from the SBP in FY17 while not tapping commercial banks for financing. During 1QFY18, the government raised about PKR 4,330.42bn from the T-Bills Auction, while PKR 52.4bn were raised from the PIB auction (bids in 2 of 3 PIB auctions were rejected). Also, there was an acceleration in government borrowing because they raised more than 2x more money through T-Bills than in the previous quarter. That said, with Pakistan entering an election year, it is possible that GoP borrowing requirements lift especially if populist decision making takes over.

**Weighted average yields**

Date	T-Bills			PIB		
	6M	3M	12M	3YR	5YR	10 YR
30-Sep-16	5.86%	5.90%	5.91%	6.19%	6.69%	7.80%
31-Dec-16	5.96%	5.98%	5.95%	6.19%	6.69%	7.80%
31-Mar-17	5.97%	5.99%	5.99%	6.40%	6.89%	7.94%
30-Jun-17	5.99%	6.01%	6.04%	6.40%	6.90%	7.94%
30-Sep-17	5.99%	6.01%	6.03%	6.40%	6.90%	7.94%



**Future Outlook**

Supported by impressive real sector growth and stable agriculture growth, GDP of Pakistan is expected to grow by approximately 5.7% in FY18. The government is trying to curtail worsening current account deficit by restricting imports of luxury items and extending the magnitude and scope of export incentives, this endeavor is expected to reduce deficit by around USD 3bn to 4bn. Inflation averaged 3.4% during 1QFY18 compared to 3.9% during 1QFY17. Going forward, we do anticipate pressure on inflation in the coming months on the back of increase in oil prices. On the fiscal front, things look far more disciplined during 1QFY18 as the fiscal deficit was only 0.9% primarily due to increase in tax collection and marginal reduction in federal government expenditure.

**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**

**Director**

**Chief Executive Officer**

**Dated: October 16, 2017**



## لیکسن انکم فنڈ

30 ستمبر 2017 کو ختم ہونے والی مدت کے لیے

میںجمنٹ کمپنی کے ڈائریکٹرز کی جائزہ رپورٹ

لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز، لیکسن انکم فنڈ ("LIF") کی میںجمنٹ کمپنی ہنجر عبوری مالیاتی گوشواروں کے ساتھ 30 ستمبر 2017 کو ختم ہونے والی مدت کے لیے اپنی جائزہ رپورٹ جمع کراتے ہوئے خوش 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 میںجمنٹ کمپنی کی طرف سے انٹرسٹ ریٹ ٹریڈ ز اور مکمل منافع جات کے حوالے سے میںجمنٹ کمپنی کی تشخیص کے لحاظ سے مختصر مدتی، وسط مدتی اور طویل مدتی میچورٹیز کے امتزاج کے ساتھ مختلف فیکسڈ انکم سیکورٹیز میں سرمایہ کاری کرے گی۔

### فنڈ کا تعارف

LIF ایک اوپن اینڈ انکم فنڈ ہے جو انویسٹ گریڈ ڈیٹ سیکورٹیز، گورنمنٹ سیکورٹیز، سرٹیفکیٹس آف انویسٹمنٹس، Clean Placements، بزم ڈپازٹس، ریسیٹس 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 ٹریڈری بلز کی شکل میں رکھا جاتا ہے۔ LIF کا نظم و نسق ٹیم کے بل پر پیش قدمی کرنے والی، اوپر سے نیچے تک شعبوں کی توازن سے استعمال کے عمل کو استعمال کرنے والی، دورانیے اور پیداوار میں توازن پر یقین رکھنے والی میںجمنٹ چلاتی ہے۔ انٹرسٹ ریٹ میں تبدیلیوں کی پیش گوئی کے لیے معاشی صورت حال کی مسلسل نگرانی کی جاتی ہے۔ LIF کی قدر و قیمت میں اصل اضافہ مختلف میچورٹیز اور مختلف انسٹرومنٹس کے درمیان انویسٹمنٹس کی منتقلی کے مواقع کی شناخت سے آتا ہے۔ LIF کو ریڈیہ پیپرز کی پیمائش کے لیے خالص اثاثوں 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 شیئنگ مارک منافع 6.15% کے مقابلے میں مالی سال 2018 کی پہلی سہ ماہی میں 4.77% سالانہ منافع پیش کیا۔ LIF کی کارکردگی اوسط انکم فنڈ سے 138 بنیادی پوائنٹس کم رہی۔ 30 ستمبر 2017 کے مطابق LIF پورٹ فولیو نے ٹیکس اور DFIs کے ساتھ Placements میں 12%، TFCs میں 9%، ہسکوکس میں 3%، کمرشل پیپرز میں 2%، کیش میں 64%، MTS میں 4% اور ٹی بلز میں 2% سرمایہ کاری کی جبکہ LIF پورٹ فولیو کی موزوں اوسط میچورٹی 219 دن ہے۔ 30 ستمبر 2017 کے مطابق LIF کے فنڈ کا حجم 4,263 ملین روپے تھا۔

### فی شیئر آمدنی (EPU)

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



## معاشی جائزہ

CPI افراط زر مالی سال 2018 کی پہلی سہ ماہی میں صرف 3.39% رہا جو مالی سال 2017 کی آخری سہ ماہی کے لیے 4.58% اور مالی سال 2017 کی پہلی سہ ماہی کے لیے 3.85% کے مقابلے میں کافی کم ہے۔ کم افراط زر جزوی طور پر مدت کے لیے پیٹرول کی اوسط مقامی قیمتوں میں گراؤت کا نتیجہ تھا جو سہ ماہی کے دوران کروڑ آٹھ لاکھ بیس تین لاکھ تین سو تیس کے ساتھ 3.7% کم ہوئیں، جیسا کہ عرب لائٹ میں سہ ماہی ہر ماہی بنیاد پر 3.0% گراؤت آئی۔ مزید برآں، SBP کے مالیاتی پالیسی بیان کے مطابق غذائی ایشیا کی وافر سپلائی نے افراط زر کم رکھی۔

مزید برآں حکومت کی طرف سے بجٹ سے متعلق معاونت کے لیے SBP سے قرض لینا، جو اپنی نوعیت کے اعتبار سے افراط زر کے زمرے میں آتا ہے، سہ ماہی کے دوران 350 ارب روپے کے ساتھ گزشتہ سال اسی مدت میں 384 ارب روپے کے مقابلے میں کنٹرول میں رکھا گیا تھا، جب کہ شرح مبادلہ مالی سال 2018 کی چوتھی سہ ماہی میں فی امریکی ڈالر 104.75 روپے کے مقابلے میں اس سہ ماہی میں فی امریکی ڈالر 105.35 روپے رہی، جب کہ درآمداتی افراط زر کا CPI پر کوئی نمایاں اثر نہیں ہوا۔

کرنٹ اکاؤنٹ کا خسارہ اس سہ ماہی میں گزشتہ سال کی اسی مدت میں 1.3 ارب امریکی ڈالر کے مقابلے میں تیز رفتار اضافے کے ساتھ 2.6 ارب امریکی ڈالر تک پہنچ گیا جس کی بڑی وجہ مالی کی درآمدات میں 1.9 ارب امریکی ڈالر کا نمایاں بچہ ہے۔ درآمدات کے بڑے محرکات مشینز، پیٹرولیم، گروپ اور لوہا اور اسٹیل ہیں۔ مزید برآں پاکستانی روپے کی قدر میں جلد کی کمی کی توقعات سے بھی درآمدات میں تیزی آئی۔ جب کہ اس مدت کے دوران برآمدات اور ترسیلات زر میں بھی اضافہ ہوا تاہم وہ درآمدات میں اضافہ کو دور کرنے سے قاصر رہے۔

کرنٹ اکاؤنٹ کے خسارے میں اضافے کے نتیجے میں سہ ماہی کے دوران زرمبادلہ کے ذخائر مسلسل کم ہوتے رہے۔ ذخائر جون 2017 کے اختتام پر 21.4 ارب امریکی ڈالر سے ستمبر 2017 کے اختتام پر 19.8 ارب امریکی ڈالر تک گر گئے۔

بیرونی صورت حال خراب تر ہونے کے باوجود سہ ماہی کے زیادہ تر حصے میں شرح مبادلہ مستحکم رہی، ماسوائے جولائی کے پہلے ہفتے کے، جب ہنگامی جھٹک دیکھنے میں آئی۔ مالی سال 2017 کی چوتھی سہ ماہی میں 104.75 روپے کے مقابلے میں اس سہ ماہی میں امریکی ڈالر اوسطاً 105.35 روپے پر رہا۔ اسی دوران حکومت نے مالی سال 2018 کی پہلی سہ ماہی میں بہتر مالیاتی نظم و ضبط کا مظاہرہ کیا اور صرف 0.9% مالیاتی خسارہ دکھایا جو دس سال میں سب سے کم ہے۔ کم مالیاتی خسارے کا سب سے بڑا محرک ٹیکس کی زیادہ وصولی ہے جس میں وفاقی حکومت کی طرف سے اخراجات میں سال بہ سال بنیاد پر 2.2% کمی کے بعد سال بہ سال بنیاد پر 20% اضافہ ہوا۔ مالیاتی خسارے میں کوئٹن سپورٹ کی بندش کی وجہ سے بلا ٹیکس آمدنی میں کمی کے باوجود بہتری آئی۔

## فکسڈ انکم مارکیٹ کا جائزہ

SBP نے ستمبر 2017 میں اپنے MPS میں اپنا پالیسی ایڈسٹریٹجی ریٹ 6.25%/5.75% پر برقرار رکھا، جس میں جہاں ترقی کی مستحکم رفتار (مالی سال 2017 میں LSM میں 5.6% اضافہ ہوا) اور مالی سال 2018 کے لیے اپنے GDP میں 6.0% کی شرح سے اضافے کے ہدف کے حوالے سے خوش امید کی نشان دہی کی گئی، وہ چین کمزور بیرونی صورت حال پر (مالی سال 2017 کی دوسری سہ ماہی میں GDP کا CAD 0.9%)۔ ان عوامل کے باوجود افراط زر کے دباؤ و تشویش کا باعث نہیں بنے ہیں، جیسا کہ مالی سال 2018 کے لیے CPI کی اوسط شرح 3.4% رہی جو مالی سال 2018 کے ہدف 6.0% سے بہت کم ہے۔ جولائی 2017 کی MPS سے اشارہ پاتے ہوئے مانیٹری پالیسی کمیٹی نے نومبر 2017 میں 25 بنیادی پوائنٹس کوئی کٹ حق میں 4 ووٹوں کے مقابلے میں لگ جھگ متفقہ طور پر (9 میں 8 ارکان نے) صورت حال جوں کی توں برقرار رکھنے کے حق میں ووٹ دیا۔



**MPC کمیٹی کی روٹنگ کی ترتیب**

نوش	کوئی تبدیلی نہیں	25bps کوئی	MPS تاریخ
10	8	2	جولائی 2016
10	8	2	ستمبر 2016
10	6	4	نومبر 2016
9	6	3	جنوری 2017
8	6	2	مارچ 2017
10	10	-	مئی 2017
9	8	1	جولائی 2017

مالی سال 2018 کے لیے دوسرے مہینے کی سال پر سال نمو کی شرح 13.1% رہی جیسا کہ مالی سال 2017 میں نمو کی رفتار تھی۔ IMF کی جانب سے PIBs کی طرف دباؤ کی بیرونی میں EFF پروگرام کے خاتمے کے بعد سے حکومت پاکستان کا جھکاؤ دوبارہ مختصر مدتی ٹی بلز کی طرف ہو رہا ہے کیوں کہ وہ بہت سستے ہیں۔ جس کے نتیجے میں جون 2016 میں 36% کے مقابلے میں جون 2017 تک حکومت پاکستان کے مجموعی ملکی قرضوں کا 30% سے کم PIBs پر مشتمل تھا۔

مالی سال 2017 کے دوران حکومت نے SBP سے بھاری قرضہ جات لیے، جبکہ فنانسنگ کے لیے کرسٹل بینکس سے استفادہ نہیں کیا۔

مالی سال 2018 کی پہلی سہ ماہی کے دوران حکومت پاکستان نے ٹی بلز کی نیلامی کے ذریعے 4,330.42 ارب پاکستانی روپے اور PIBs کی نیلامی کے ذریعے 52.4 ارب پاکستانی روپے حاصل کیے (PIB کی تین نیلامیوں میں سے دو میں پیشکشیں مسترد کر دی گئیں)۔ حکومت کے قرض لینے میں بھی تیزی آئی کیوں کہ انہوں نے ٹی بلز کے ذریعے گزشتہ سہ ماہی کے مقابلے میں دو گنا سے زائد رقم اکٹھی کی۔ اس کے علاوہ پاکستان ایکشن کے سال میں داخل ہو رہا ہے، اس لیے ممکن ہے کہ حکومت پاکستان کی قرضوں کے حصول کی ضرورت پات بڑھے، خاص طور پر اگر عوام کا دل جیتنے کے لیے فیصلے کیے جائیں۔

**موزوں اوسط یافت (آمدنی)**

PIB			ٹی بلز			تاریخ
10 سال	5 سال	3 سال	12 ماہ	3 ماہ	6 ماہ	
7.80%	6.69%	6.19%	5.91%	5.90%	5.86%	30 ستمبر 2016
7.80%	6.69%	6.19%	5.95%	5.98%	5.96%	31 ستمبر 2016
7.94%	6.89%	6.40%	5.99%	5.99%	5.97%	31 مارچ 2017
7.94%	6.90%	6.40%	6.04%	6.01%	5.99%	30 جون 2017
7.94%	6.90%	6.40%	6.03%	6.01%	5.99%	30 ستمبر 2017



### مستقبل کا منظر نامہ

ریٹیل سکٹر میں متاثر کن ترقی اور زرعی شعبے میں مستحکم اضافے سے پاکستان کا GDP مالی سال 2018 میں اندازاً %5.7 تک بڑھنے کی امید ہے۔ حکومت کرنٹ اکاؤنٹ کے بدترین خسارے کو کم کرنے کے لیے کوششیں کر رہی ہے، جس کے لیے لگژری آئٹمز کی درآمد کو محدود اور برآمدات سے جڑی مراعات کے حجم اور اسکوپ میں اضافہ کیا جا رہا ہے۔ اس اقدام سے خسارے میں 3 بلین سے 4 بلین امریکی ڈالر تک کی متوقع ہے۔ افراط زر کی شرح مالی سال 2017 کی پہلی سہ ماہی میں %3.9 کے مقابلے میں مالی سال 2018 کی پہلی سہ ماہی میں %3.4 کی اوسط پر رہی۔ آگے بڑھتے ہوئے آنے والے مہینوں میں ہم تیل کی قیمتوں میں اضافے کی بنیاد پر افراط زر کی شرح پر دباؤ برقرار رکھیں گے۔ مالیاتی ہدف کو پیش نظر رکھتے ہوئے مالی سال 2018 کی پہلی سہ ماہی میں چیزیں خاصی منظم دکھائی دے رہی ہیں، جیسے کہ مالی خسارہ صرف %0.9 رہا، جس کی بنیادی وجہ ٹیکس وصولی میں اضافہ اور وفاقی حکومت کے اخراجات میں معمولی کمی ہے۔

### اظہار تشکر

یہ بورڈ اپنے قابل قدر انویسٹرز، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی، سینٹرل ڈیپازٹری کمیٹی آف پاکستان لینڈ اور پاکستان اسٹاک ایکسچینج کا، ان کے تعاون اور مدد پر شکر گزار ہے۔ ہم اس موقع کا فائدہ اٹھاتے ہوئے اپنی ٹیم کی محنت اور کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے اور از طرف بورڈ

چیف ایگزیکٹو آفیسر

ڈائریکٹر

بتاریخ: 16 اکتوبر 2017



**Condensed Interim Statement of Assets and Liabilities  
As at September 30, 2017**

	September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
	Note	(Rupees)
<b>ASSETS</b>		
Bank balances	6	2,760,309,814
Loans and Receivables	7	2,265,077,568
Investments	8	707,857,534
Receivable against Margin Trading System	9	650,579,465
Receivable against sale of future equities		786,186,718
Mark-up receivable	10	192,563,963
Deposits, prepayments and other receivables		63,070,755
<b>TOTAL ASSETS</b>		<b>65,510,279</b>
		<b>33,156,479</b>
		<b>80,877,895</b>
		<u>4,322,997,895</u>
		<u>3,924,659,707</u>
<b>LIABILITIES</b>		
Payable to the Management Company	11	24,165,300
Payable to the Trustee		23,883,864
Annual fee payable to Securities and Exchange Commission of Pakistan		397,262
Accrued expenses and other liabilities	12	742,898
Payable against Margin Trading System		2,560,322
Payable against purchase of investments		8,062,770
Payable against redemption of units		27,099,132
Dividend payable		-
<b>TOTAL LIABILITIES</b>		<b>60,467,362</b>
<b>NET ASSETS</b>		<b>4,262,530,533</b>
		<u>300,486,423</u>
		<u>3,624,173,284</u>
<b>UNIT HOLDERS' FUND (as per statement of movement in unit holders' fund)</b>		<b>4,262,530,533</b>
		<u>3,624,173,284</u>

**CONTINGENCIES AND COMMITMENTS**

13

(Number of units)

<b>Number of units in issue</b>	<u>41,836,104</u>	<u>35,998,375</u>
---------------------------------	-------------------	-------------------

(Rupees)

<b>Net assets value per unit</b>	<u>101.8864</u>	<u>100.6760</u>
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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

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

\_\_\_\_\_  
Director



**Condensed Interim Income Statement (Unaudited)**  
**For the quarter ended September 30, 2017**

	Note	2017	2016
		(Rupees)	
<b>INCOME</b>			
Mark-up income		71,111,224	51,642,650
Income from Margin Trading System		1,011,176	78,278
Gain / (loss) on sale of held for trading investments - net		2,484,889	(187,148)
Unrealised (diminution) in the fair value of investments classified as 'held for trading' - net	8.1, 8.2, 8.3, 8.4 & 8.5	(7,575,563)	(441,442)
		<u>67,031,726</u>	<u>51,092,338</u>
<b>EXPENSES</b>			
Remuneration to the Management Company	11.1	14,857,945	10,591,689
Sindh Sales tax on remuneration to the Management Company	11.2	1,931,533	1,376,920
Remuneration to the Trustee		1,193,502	920,392
Annual fee to the Securities and Exchange Commission of Pakistan		742,898	529,584
Annual Supervisory fee of SECP on PSX Listing Fee		637	1,274
Auditors' remuneration		80,517	81,387
Fees and subscription		116,075	158,063
Printing charges		5,041	5,095
Brokerage expenses		112,447	-
Bank and settlement charges		277,831	92,615
		<u>19,318,426</u>	<u>13,757,019</u>
<b>Net income from operating activities</b>		<u>47,713,300</u>	<u>37,335,319</u>
Element of (loss) and capital (losses) included in the prices of units issued less those in units redeemed - net		-	(2,577,429)
Sindh Workers' Welfare Fund	12.1	(954,266)	-
<b>Net income for the period before taxation</b>		<u>46,759,034</u>	<u>34,757,890</u>
Taxation	14	-	-
<b>Net income for the period after taxation</b>		<u>46,759,034</u>	<u>34,757,890</u>
		<b>Sep 30, 2017</b>	
<b>Allocation of Net Income for the period:</b>			
Less: Income already paid on units redeemed			(294,067)
Accounting income available for distribution			
Relating to capital gains / (loss)		(5,058,659)	
Excluding capital gains		51,523,626	
<b>Accounting income available for distribution</b>			<u>46,464,967</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

Chief Financial Officer

Director



**Condensed Interim Statement of Comprehensive Income (Unaudited)  
For the quarter ended September 30, 2017**

	2017	2016
	(Rupees)	
Net income for the period after taxation	46,759,034	34,757,890
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<u><u>46,759,034</u></u>	<u><u>34,757,890</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

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

\_\_\_\_\_  
Director



**Condensed Interim Statement Of Movement In Reserve  
Or Unit Holders' Fund (Unaudited)  
For the Quarter ended September 30, 2017**

	2017	2016
	(Rupees)	
<b>Net assets at the beginning of the period</b>	<b>3,624,173,284</b>	2,915,003,718
Cash received on issue of 6,918,690 units (2016: 2,168,984 units)	700,758,979	220,542,162
Cash paid on redemption of 1,080,961 units (2016: 3,890,724 units)	(109,160,764)	(395,293,585)
	<b>591,598,215</b>	(174,751,423)
Element of loss and capital losses included in prices of units issued less those of units redeemed - net	-	2,577,429
Total comprehensive income for the period	<b>46,759,034</b>	34,757,890
<b>Net assets as at the end of the period</b>	<b>4,262,530,533</b>	<b>2,777,587,614</b>
<b>Net assets value per unit at the beginning of the period</b>	<b>100.6760</b>	<b>101.1380</b>
<b>Net assets value per unit at the end of the period</b>	<b>101.8864</b>	<b>102.4928</b>
<b>Distribution during for the period:</b>		
<b>Undistributed income brought forward comprises of:</b>		
- Realised Gain	<b>23,506,377</b>	27,390,308
- Unrealised Gain	<b>829,434</b>	5,409,237
	<b>24,335,811</b>	32,799,545
<b>Accounting income available for distribution:</b>		
-Relating to capital gains / (loss)	<b>(5,058,659)</b>	-
-Excluding capital gains	<b>51,523,626</b>	-
	<b>46,464,967</b>	-
Total comprehensive income for the period	-	34,757,890
<b>Distributions during the period:</b>	-	-
<b>Undistributed Income carried forward</b>	<b>70,800,778</b>	<b>67,557,435</b>
<b>Undistributed income carried forward comprises of:</b>		
- Realised Gain	<b>78,376,341</b>	67,998,877
- Unrealised Gain / (loss)	<b>(7,575,563)</b>	(441,442)
	<b>70,800,778</b>	<b>67,557,435</b>

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

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

\_\_\_\_\_  
Director



**Condensed Interim Cash Flow Statement (Unaudited)**  
**For the quarter ended September 30, 2017**

	2017	2016
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	46,759,034	34,757,890
<b>Adjustments for non-cash charges and other items:</b>		
Unrealised appreciation in the fair value of investments classified as 'held for trading' - net	7,575,563	441,442
Element of income and capital gains included in prices of units issued less those of units redeemed - net	-	2,577,429
	<u>54,334,597</u>	<u>37,776,761</u>
<b>Decrease / (Increase) in assets</b>		
Investments - net	128,031,690	(110,149,688)
Loans and Receivables	167,857,534	(150,000,000)
Receivable against Margin Trading System	(129,493,208)	13,042,035
Receivable against sale of future equities	(65,510,279)	-
Mark-up receivable	(6,059,429)	(13,639,030)
Deposits, prepayments and other receivables	(5,507,813)	3,747,931
	<u>89,318,495</u>	<u>(256,998,752)</u>
<b>Decrease in liabilities</b>		
Payable to the Management Company	281,436	(1,031,152)
Payable to the Trustee	17,133	(5,714)
Annual fee payable to Securities and Exchange Commission of Pakistan	(1,817,424)	(2,247,168)
Payable against Margin Trading System	27,099,132	-
Payable against purchase of investments	(236,784,730)	-
Payable against redemption of units	(1,293,408)	-
Dividend payable	(3,107)	-
Accrued expenses and other liabilities	(27,518,093)	(14,990,924)
	<u>(240,019,061)</u>	<u>(18,324,958)</u>
<b>Net cash used in operating activities</b>	<u>(96,365,969)</u>	<u>(237,546,949)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from issue of units	700,758,979	220,542,162
Cash paid on redemption of units	(109,160,764)	(395,293,585)
<b>Net cash generated / (used in) from financing activities</b>	<u>591,598,215</u>	<u>(174,751,423)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>495,232,246</u>	<u>(412,298,372)</u>
Cash and cash equivalents at the beginning of the period	2,265,077,568	2,217,723,810
<b>Cash and cash equivalents at the end of the period</b>	<u>2,760,309,814</u>	<u>1,805,425,438</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

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

\_\_\_\_\_  
Director



## **Notes to the Condensed Interim Financial Information (Unaudited) For the quarter ended September 30, 2017**

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

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

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

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

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

The Pakistan Credit Rating Agency Limited (PACRA) has maintained A+(f) (Fund Stability Rating) to the Fund and pursuant to the updated Asset Manager Rating Methodology and Rating Scale, the Pakistan Credit Rating Agency Limited (PACRA) has upgraded asset manager rating of the Company to the new scale i.e. AM2+ (stable outlook), on May 15, 2017 (2016: AM2 as on June 08, 2016).

### **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, 2017. 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, 2017.

## **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, 2017. Except the following change in accounting policy during the period ended September 30, 2017.

Pursuant to requirement of SRO 756(I)/2017 issued by Securities and Exchange Commission of Pakistan, the policy for recording "Element of Income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed" has been changed. The impacts of the change in policy have been applied prospectively from July 1, 2017 since prior period impacts cannot be determined.

The "Element of Income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed" represents the difference between the net asset value of units on issuance or redemption date, as the case may be, and the net asset value at the beginning of the relevant accounting period. The "Element of Income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed" is recognized in the unit holders' fund.

To prevent distribution of income/loss already paid out on redemption, the net income/loss will be bifurcated into income/loss already paid on units redeemed and accounting income/loss available for distribution.

To maintain same ex-dividend NAV, element of Income / (loss) and capital gains / (losses) included in the prices of units issued lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.



**4. ACCOUNTING ESTIMATES**

The preparation of this 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 30 June 2017.

**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, 2017.

<b>6. BANK BALANCES</b>	<b>Note</b>	<b>September 30, 2017 (Unaudited)</b>	<b>June 30, 2017 (Audited)</b>
		<b>(Rupees)</b>	
<b>Local currency</b>			
In profit and loss sharing accounts	6.1	<b>2,760,294,449</b>	1,965,062,203
<b>In current accounts</b>		<b>15,365</b>	15,365
Term deposit receipts	6.2	-	300,000,000
		<u><b>2,760,309,814</b></u>	<u>2,265,077,568</u>

6.1 These represents profit and loss account maintained with banks carrying profit rates ranging from 3.75% to 9.5% (2017: 3.75% to 6.70%) per annum.

6.2 These represents Term deposit receipts carrying profit rates Nil (2017: 6.75% to 6.90%) per annum

**7 Loans and Receivables**

Term Deposits Receipts	7.1	<b>540,000,000</b>	707,857,534
		<u><b>540,000,000</b></u>	<u>707,857,534</u>

7.1 This represents placement of long term deposit receipts which carries profit rate of 6.9% to 9.6% maturing from Dec 27, 2017 to Sep 28, 2018 (2017: 6.80% to 11.49% maturing from July 25, 2017 to May 30, 2018.)

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

Government Securities			
Market Treasury Bills	8.1	<b>74,754,750</b>	99,575,000
Term Finance Certificates - Listed	8.2	<b>140,410,396</b>	141,649,221
Term Finance Certificates - Unlisted	8.3	<b>243,388,715</b>	106,837,252
Sukuk Certificates	8.4	<b>121,513,560</b>	121,953,960
Spread transaction (Listed Equity Securities)	8.5	-	232,868,190
Derivative financial instrument	8.6		3,303,095
Pre IPO Subscription			80,000,000
Commercial Paper	8.7	<b>70,512,044</b>	-
		<u><b>650,579,465</b></u>	<u>786,186,718</u>



### 8.1 Market Treasury Bills

Note	Number of treasury bills				Balance as at September 30, 2017			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)	8.1.1	1,000	750	1,000	750	74,753,536	74,754,750	1,214	1.75	11.49
<b>Total as at September 30, 2017</b>						<b>74,753,536</b>	<b>74,754,750</b>	<b>1,214</b>	<b>1.75</b>	<b>11.49</b>
Total as at June 30, 2017						99,579,393	99,575,000	(4,393)	2.75%	12.67%

8.1.1 This represents investments in 03 month Government Market Treasury Bills carrying effective yield at a rate of 5.970% to 5.975% (June 30, 2017: 5.980%) per annum and having maturity on Oct 12, 2017 to Oct 26, 2017. The face value of Market Treasury Bills is Rs.75 million (June 30, 2017: Rs. 100 million).

### 8.2 Term Finance Certificates - listed

Name of Security	Note	Number of certificates				Balance as at September 30, 2017			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)			
<b>Commercial Banks</b>											
Bank Alfalah Limited - V (face value of Rs. 5,000 each)	8.2.1	12,950	-	-	12,950	66,478,846	66,190,405	(288,441)	1.55%	10.17%	1.30%
HBL Tier-II TFCs 10 years (face value of Rs. 100,000 each)	8.2.2	750	-	-	750	75,142,425	74,219,991	(922,434)	1.74%	11.41%	0.75%
<b>Total as at September 30, 2017</b>						<b>141,621,271</b>	<b>140,410,396</b>	<b>(1,210,875)</b>	<b>3.29%</b>	<b>21.58%</b>	<b>2.05%</b>
Total as at June 30, 2017						140,942,891	141,649,221	706,330	3.91%	18.02%	2.05%

8.2.1 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. 64.556 million. These term finance certificates are unsecured. The rating of the instrument is AA-

8.2.2 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.

8.2.3 The term "listed" indicated in note 8.2 refers to listing in the stock exchange, however their rates are quoted by MUFAP.

### 8.3 Term Finance Certificates - Un-listed

Name of Security	Note	Number of term finance certificates				Balance as at September 30, 2017			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			
<b>Microfinance Bank</b>											
NRSP Microfinance Bank PPTFC (face value of Rs. 5,000 each)	8.3.1	20,000	-	-	20,000	37,622,300	37,569,338	(52,962)	0.88%	5.77%	3.33%
<b>Commercial Banks</b>											
Askari Bank Limited - IV privately placed (face value of Rs. 1,000,000 each)	8.3.2	56	-	-	56	56,691,917	57,708,497	1,016,580	1.35%	8.87%	5.60%
Silk Bank Limited PPTFC - 08 Years (face value of Rs. 5,000 each)	8.3.3	-	16,000	-	16,000	80,000,000	71,532,880	(8,467,120)	1.68%	11.00%	4.00%
Jahangir Siddiqui Company Limited PPTFC (face value of Rs. 5,000 each)	8.3.4	-	15,000	-	15,000	75,000,000	76,578,000	1,578,000	1.80%	11.77%	5.00%
<b>Total as at September 30, 2017</b>						<b>249,314,217</b>	<b>243,388,715</b>	<b>(5,925,502)</b>	<b>5.71%</b>	<b>37.41%</b>	<b>17.93%</b>
Total as at June 30, 2017						106,640,018	106,837,252	197,234	2.95%	13.59%	8.93%



- 8.3.1 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.
- 8.3.2 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-.
- 8.3.3 This represents Term Finance Certificates (TFCs) to be issued by Silk Bank Limited. Total size of the issue is Rs. 2,000 million and the term of the TFCs shall be eight years commencing from the date of issue of TFCs expected to commence from August 2017 and ending on August 2025. Profit on the instrument shall be payable semi-annually in arrears on the outstanding balance and the first such profit payment shall fall due 6 months from the issue date and subsequently every six months thereafter. Profit rate shall be the average six months KIBOR + 1.85% per annum. The instrument will be structured to redeem 0.14% of the issue amount during the first 7 years and remaining 99.86% in the last two semi annual instalments of 49.93% each. The instrument will be unsecured and subordinated to all other indebtedness of the Bank. The management expects the issuance of the TFCs in August 2017.
- 8.3.4 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 1.40%) receivable semi-annually in arrears with no floor or cap and will mature in July 2022. The principal shall be redeemed in 8 equal semi annually installments. These term finance certificates are secured. The rating of the instrument is AA+.

#### 8.4 Sukuk Certificates

Name of Security	Number of sukuk certificates				Balance as at September 30, 2017			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					(Rupees)					
K-Electric - Sukuk Certificates - 5 years ( Face value of Rs. 5,000 each)	8.4.1	8,000	-	8,000	41,393,480	41,195,960	(197,520)	0.97%	6.33%	0.67%
Pak Elektron Limited - Sukuk Certificates - 5 years ( Face value of Rs. 5,000 each)	8.4.2	80	-	80	80,560,480	80,317,600	(242,880)	1.88%	12.35%	0.01%
<b>Total as at September 30, 2017</b>					<b>121,953,960</b>	<b>121,513,560</b>	<b>(440,400)</b>	<b>2.85%</b>	<b>18.68%</b>	<b>0.68%</b>
Total as at June 30, 2017					121,792,360	121,953,960	161,600	3.37%	15.51%	8.13%

- 8.4.1 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.
- 8.4.2 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.



**8.5 Listed Equity Securities (Spread Transactions)**

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

Sectors / Companies	Number of Shares						Market value (Rupees)	Unrealised gain / (loss)	Market value as percentage of total investments	Market value as percentage of net assets of the company	Par value of shares held as a percentage of total paid up capital of the investee company
	Number of holdings at the beginning of the year	Acquired during the year	Bonus shares / letter of right received during the year	Disposed during the year	Number of holdings at the end of the year						
<b>Commercial Banks</b>											
Bank Alfalah Limited	555,500	555,500		1,111,000	-	-	-	-	-	-	-
<b>Cement</b>											
D.G. Khan Cement Limited	48,500	-	-	48,500	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	-	-	-	-	-	-	-	-	-	-
<b>Power Generation &amp; Distribution</b>											
The Hub Power Company Limited	200,000	-	-	200,000	-	-	-	-	-	-	-
<b>Oil and Gas Marketing Companies</b>											
Pakistan State Oil Company Limited	60,000	-	-	60,000	-	-	-	-	-	-	-
<b>Oil and Gas Exploration Companies</b>											
Oil & Gas Development Company Limited	200,000	202,000	-	402,000	-	-	-	-	-	-	-
<b>Engineering</b>											
International Steels Limited	85,000	-	-	85,000	-	-	-	-	-	-	-
<b>Cable and Electrical Goods</b>											
Pak Electron Limited	299,000	213,000	-	512,000	-	-	-	-	-	-	-
<b>Fertilizers</b>											
Engro Fertilizer Limited	-	-	-	-	-	-	-	-	-	-	-
Engro Corporation Limited	250,000	-	-	250,000	-	-	-	-	-	-	-
<b>Technology and Communication</b>											
TRG Pakistan Limited	-	441,000	-	441,000	-	-	-	-	-	-	-
<b>Total as at September 30, 2017</b>											
<b>Total as at June 30, 2017</b>											
							236,402,622	(3,534,432)	29.62%	6.43%	0.22%

8.6 This represent the unrealized gain on remeasurement of future contracts recognised as derivative financial instrument.



- 8.7 This represents commercial paper carrying mark up rate 7.50% (June 30, 2017: Nil) per annum and having maturity on August 10, 2018. the face value of commercial paper is 69.78 million (June 30, 2017: Nil)

## 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.

	September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
Note	(Rupees)	
<b>10. MARK-UP RECEIVABLE</b>		
Considered good		
Mark-up / return receivable on		
Margin trading system	339,988	885,577
Profit and loss sharing bank balances	18,610,338	15,891,887
Term deposits with banks	7,891,725	5,861,099
Term Finance Certificates	5,506,472	3,642,400
Sukuk certificates	807,956	816,087
	<u>33,156,479</u>	<u>27,097,050</u>

## 11. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	11.1	4,973,399	4,724,340
Sindh Sales Tax on remuneration to Management Company	11.2	3,014,826	2,982,449
Federal Excise Duty on remuneration to Management Company	11.3	16,177,075	16,177,075
		<u>24,165,300</u>	<u>23,883,864</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 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (till June 30, 2017: 13%) on Management Company's remuneration. Above liability includes Rs. 2,368,285 (June 30, 2017: Rs. 2,368,285) accrued on Federal Excise Duty (FED) charged on the management remuneration as more fully explained in note 11.3 below. Had the provision relating to FED not been made, Net Asset Value per unit of the Fund as at September 30, 2017 would have been higher by Re. 0.0566 (June 30, 2017: Re. 0.0658) per unit.
- 11.3 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, 2017: Rs. 16.177 million). Had the provision on FED not been made, Net Asset Value per unit of the Fund as at September 30, 2017 would have been higher by Re. 0.39 (June 30, 2017: Re. 0.45).

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.

	September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
	(Rupees)	
12. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	
Auditors' remuneration		240,151
Sindh Workers' Welfare Fund	12.1	5,557,687
Brokerage payable		529,609
NCCPL payable		30,223
Printing and stationery payable		25,592
Withholding tax payable		1,521,300
Withholding tax on dividend payable		-
CGT payable		-
Others		158,208
		<u>8,062,770</u>
		<u>159,635</u>
		<u>4,603,421</u>
		<u>35,054</u>
		<u>18,975</u>
		<u>20,552</u>
		<u>62,759</u>
		<u>3,902,489</u>
		<u>26,654,199</u>
		<u>123,779</u>
		<u>35,580,863</u>

12.1 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 Honorable 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. w.e.f. 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.

Provision for SWWF as of September 30, 2017 amounted to Rs 5.558 million. Had the provision not been made the net assets value per unit of the Fund as at September 30, 2017 would have been higher by Re 0.1328 per unit (2017: 0.1279 per unit)

### **13. CONTINGENCIES AND COMMITMENTS**

#### **Contingencies**

There were no contingencies as at September 30, 2017 and June 30, 2017.



<b>Commitments</b>	<b>September 30, 2017 (Unaudited)</b>	<b>June 30, 2017 (Audited)</b>
	<b>(Rupees)</b>	
Margin trading system transactions entered into by the Fund in respect of which release transactions have not been settled	<u>-</u>	<u>9,512,814</u>
Sale of future stock contracts	<u>-</u>	<u>237,926,185</u>

**14 TAXATION**

The Fund is exempt from taxation under clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management has distributed at least 90% of the income earned during the year by the Fund to the unit holders.

**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:

<b>15.1 Balance as at period / year end</b>	<b>September 30, 2017 (Unaudited)</b>	<b>June 30, 2017 (Audited)</b>
	<b>(Rupees)</b>	
<b>Lakson Investments Limited - Management Company</b>		
Remuneration payable	<u>4,973,399</u>	<u>4,724,340</u>
Sindh Sales Tax and Federal Excise Duty on Remuneration to Management Company	<u>19,191,901</u>	<u>19,159,524</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	<u>397,262</u>	<u>380,129</u>
Security deposit	<u>100,000</u>	<u>100,000</u>



**15.2 Unit Holders' Fund**

	Quarter ended September 30, 2017						Quarter ended September 30, 2016									
	Number of Units			Rupees			Number of Units			Rupees						
	Number of Units as at July 01, 2017	Units issued during the period	Bonus units issued during the period	Units redeemed during the period	Number of holdings at the end of the period	Balance as at July 01, 2017	Units issued during the period	Bonus units issued during the period	Units redeemed during the period	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	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	1,103,683 3,371,871	- 3,465,042	- -	- -	1,103,683 6,836,913	111,114,360 339,466,528	350,000,000	-	-	-	112,450,257 696,588,467	-	-	-	-	112,450,257 696,588,467
<b>Associated companies / undertakings of the Management Company</b>																
SIZA (Private) Limited	1,059,782	-	-	-	1,059,782	106,694,615	-	-	-	-	107,977,375	-	-	-	-	107,977,375
Premier Fashions (Private) Limited	637,527	-	-	-	637,527	64,183,665	-	-	-	-	64,955,327	-	-	-	-	64,955,327
SIZA Commodities (Private) Limited	20,460	-	-	-	20,460	2,059,794	-	-	-	-	2,084,559	-	-	-	-	2,084,559
Alan (Private) Limited	9,943,076	-	-	-	9,943,076	1,001,029,089	-	-	-	-	1,013,064,188	-	-	-	-	1,013,064,188
Colgate Palmolive (Pakistan) Limited	3,671,449	320,484	-	320,484	3,671,449	369,626,789	32,265,000	-	32,321,085	-	374,070,710	-	-	-	-	374,070,710
Hasanali & Gulbano Lakhani Foundation	298,266	197,878	-	-	496,144	30,028,246	20,000,000	-	-	-	50,530,327	-	-	-	-	50,530,327
Sybird Private Limited																
Lakson Investments Limited - Management Company Directors, Chief Executive and their spouse and minors	909,416 3,160,993	- -	- -	- -	909,416 3,160,993	91,976,515 319,696,510	- -	- -	- -	- -	93,208,592 323,979,023	- -	- -	- -	- -	93,208,592 323,979,023
<b>Associated companies / undertakings of the Management Company</b>																
Alan Private Limited	22,457	-	-	2,951	19,506	2,271,239	-	-	300,000	-	1,999,208	-	-	-	-	1,999,208
Colgate Palmolive (Pakistan) Limited	3,954,992	-	-	-	3,954,992	399,999,981	-	-	-	-	405,388,204	-	-	-	-	405,388,204
Hasanali & 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	1,376,291,595	-	-	330,473,524	-	1,164,541,461	-	-	-	-	1,164,541,461
	*67,19,648	-	-	-	-	679,611,759	-	-	-	-	-	-	-	-	-	-

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



September 30,  
2017                      2016  
(Unaudited)  
(Rupees)

**15.3 Other transactions during the period**

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

Remuneration to the Management Company	<u>14,857,945</u>	<u>10,591,689</u>
Sindh Sales Tax on remuneration to Management Company	<u>1,931,533</u>	<u>1,376,920</u>

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

Remuneration to the Trustee	<u>1,193,502</u>	<u>920,392</u>
Settlement charges	<u>48,995</u>	<u>7,042</u>

**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 2.05% as of September 30, 2017 and this includes 0.39% 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 16, 2017.

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

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

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

\_\_\_\_\_  
Director







A Lakson Group Company

**Lakson Investments Limited**

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**Lakson Investments Limited**

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